2018 half-year results

July 27, 2018

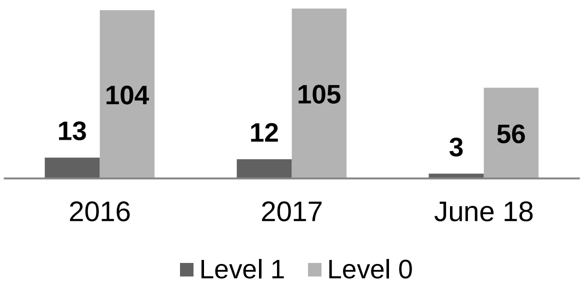
Philippe Knoche, Chief Executive Officer
Stéphane Lhopiteau, Chief Legal and Financial Officer

orano

Our fundamentals: nuclear and occupational safety

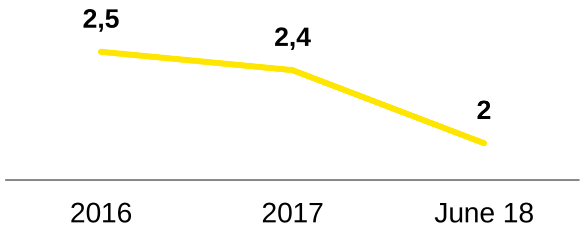
Nuclear safety

Number of INES 1 and 0 events



Occupational safety

Frequency rate of workplace accidents with lost time



Agenda

1. Key messages
2. Results as of June 30, 2018
3. Outlook
4. Q&A

1

Key messages

Highlights of the period (1/2)

- **Dismantling** agreement with the NDA (UK)

Services implemented

- Contract won with OPPD (United States) for the **supply of storage casks**

- Agreement with JNFL for the provision of **engineering** services and **research** linked to used fuel treatment and recycling

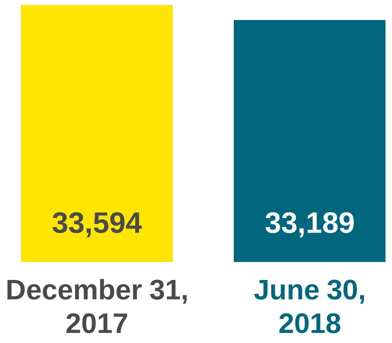
Enhanced cooperation with our Asian partners

- **Waste packaging** contracts for Japanese customers

- Agreement with CNLA, a subsidiary of CNNC, for **preparatory work on the Chinese used fuel treatment and recycling plant**

€1bn of order intake for S1 2018

Backlog



(*) Figures restated under IFRS 15

Highlights of the period (2/2)

- Orano **receives the WNE** Innovation Award for its NanoPix camera

- **Three of the six SFEN** Awards go to Group teams

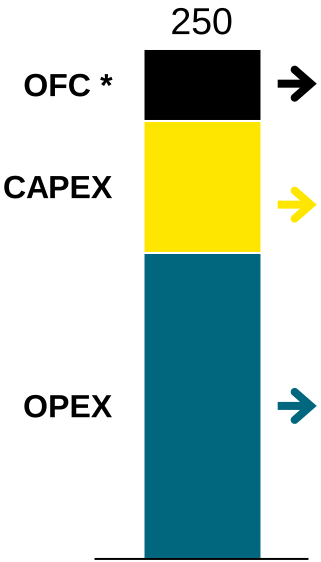
Expertise and Innovation

- **Comurhex II project** proceeding as planned, with the launch in April of active mode testing at the Tricastin site
- UF_6 due to go into production before the end of 2018

Value 2020

Reminder of the target

Cash gains in 2020



Cost optimization of dismantling and waste management projects

Gains on investment project portfolio

Gains in operational efficiency and on cost base (over full year and compared with 2017)

Proper plan implementation during the first half of 2018

€43M
cost savings

including €6m capex savings

Key actions taken

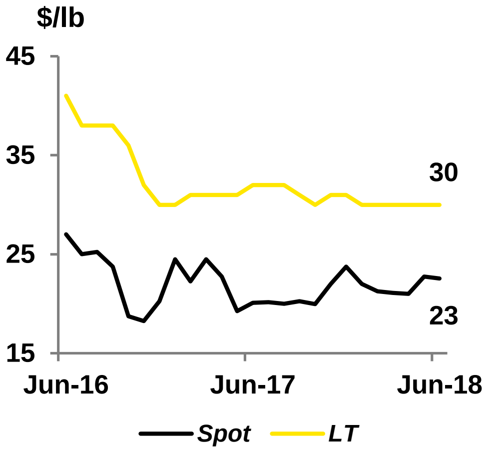
- Adaptation of organization
- Use of digital tools to enhance performance
- Reduction of structure costs
- Optimization of purchasing and services

(*) OFC: End-of-lifecycle operations

Market and operating environment

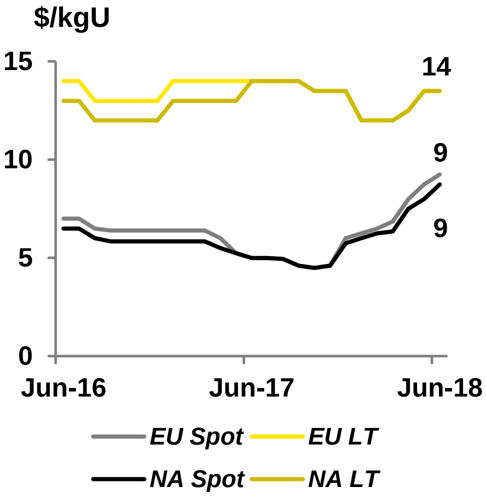
Mining and Front End: A market environment that remains under pressure, especially in enrichment. Since the beginning of 2018, spot prices have increased for conversion and to a lesser extent uranium.
Suspension of production at the McArthur River mine and Key Lake treatment plant (Canada) for an undetermined duration.

Uranium price

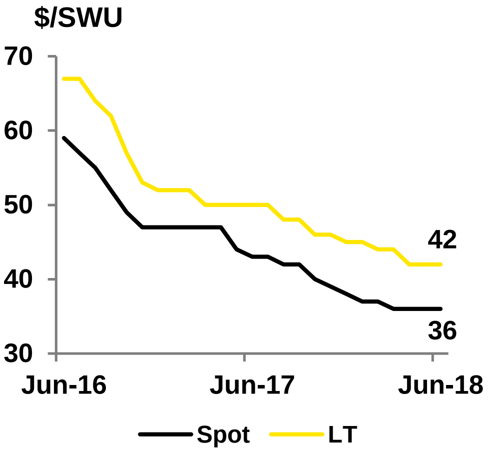


Source: UxC

Conversion price



Enrichment price

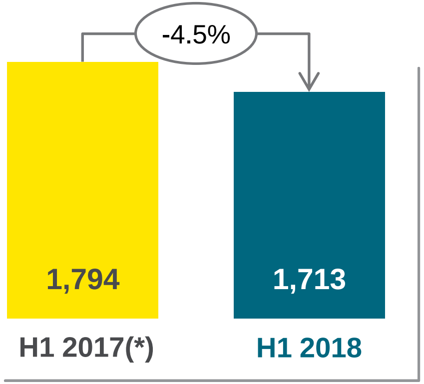


Back End: Production losses (social conflict and technical problems).

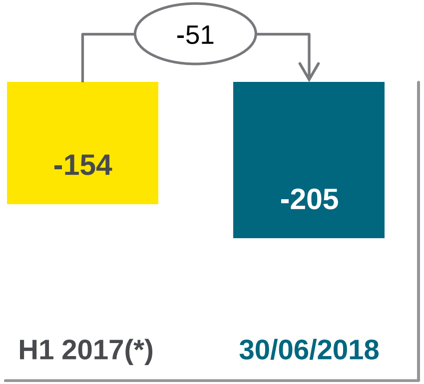
Key figures at June 30, 2018

In millions of euros

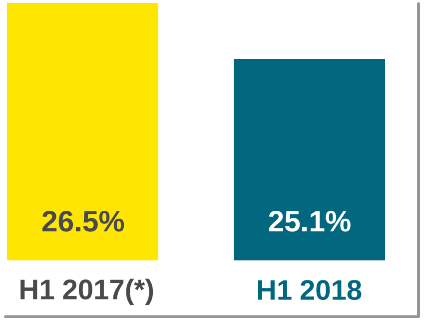
Revenue



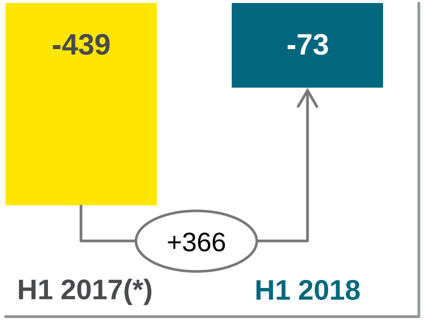
Consolidated net income



EBITDA



Net cash flow from company operations



(*) Figures restated under IFRS 15

2

Results as of June 30, 2018

Application of IFRS 15 and IFRS 9 at January 1, 2018

IFRS 15: full retrospective application

- **Limited impact except for the backlog**

2017 impact (12 months)	*Main adjustments*
Revenue - €61m (*) **EBITDA - €37m** (*)	**Deferral of revenue and EBITDA in respect of customer-financed investments with effect from their commissioning**
Backlog +€2.8bn	**Mainly due to the deferral of revenue** (see above) **and revaluation taking into account the indexation provided for in contracts**

IFRS 9: simple retrospective application

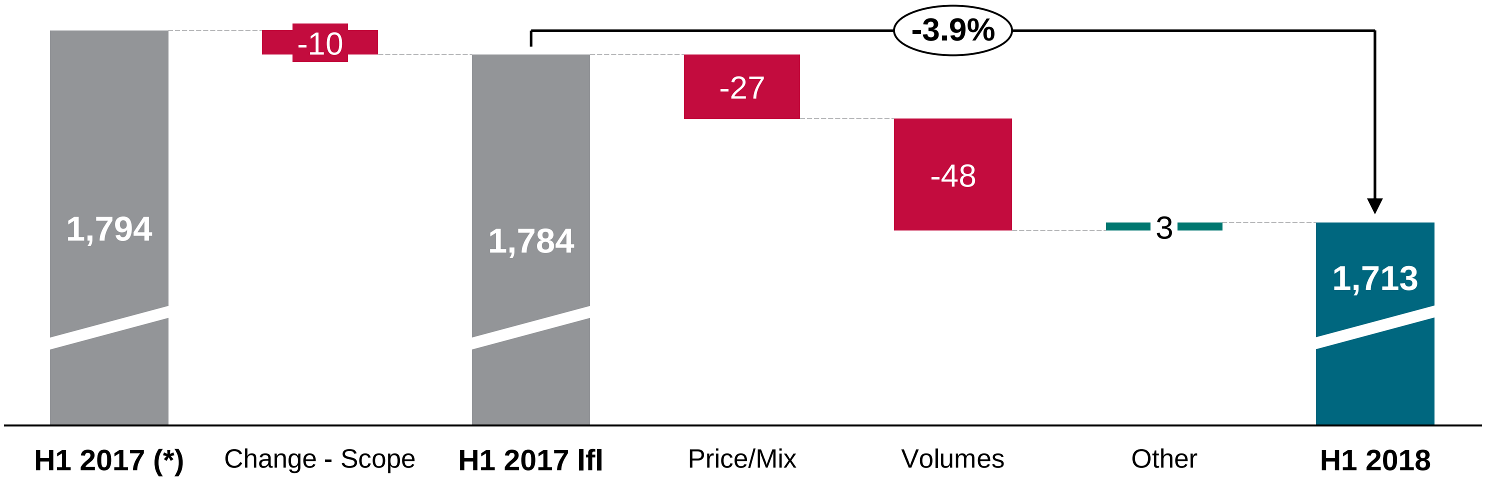
- **Impacts on net financial income linked to the portfolio of earmarked assets**

Increase in volatility of net financial income	**Recognition of the change in fair value of the majority of the portfolio of earmarked assets in the income statement through net financial income**

(*) Impact on the guidance given in slide 24 of the presentation

Decrease in revenue due to the anticipated decline in volumes sold

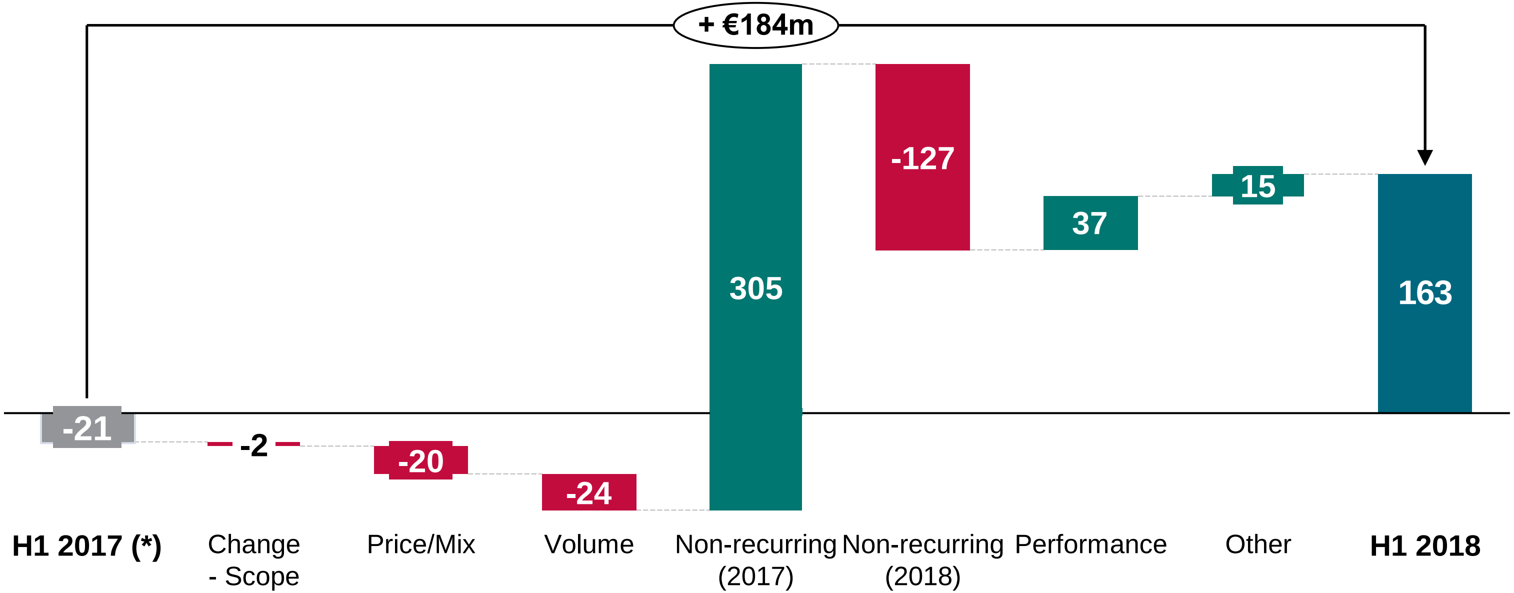
In millions of euros



(*) Figures restated under IFRS 15

Sharp increase in operating income despite the fall in revenue

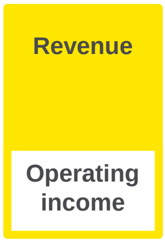
In millions of euros

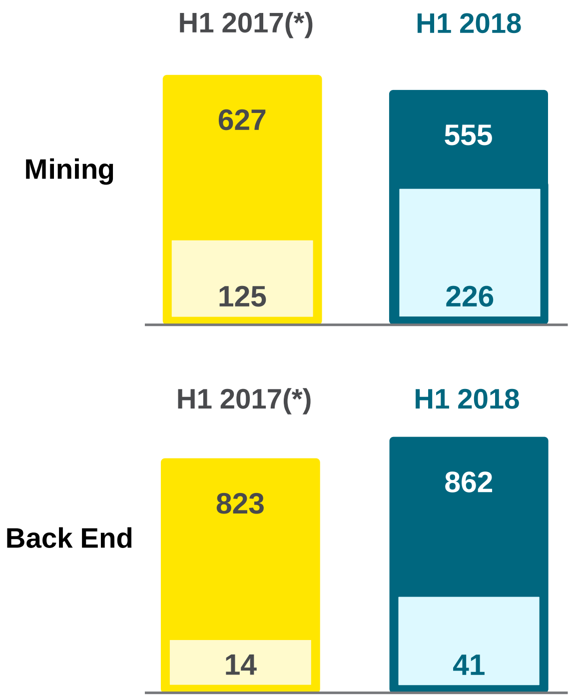


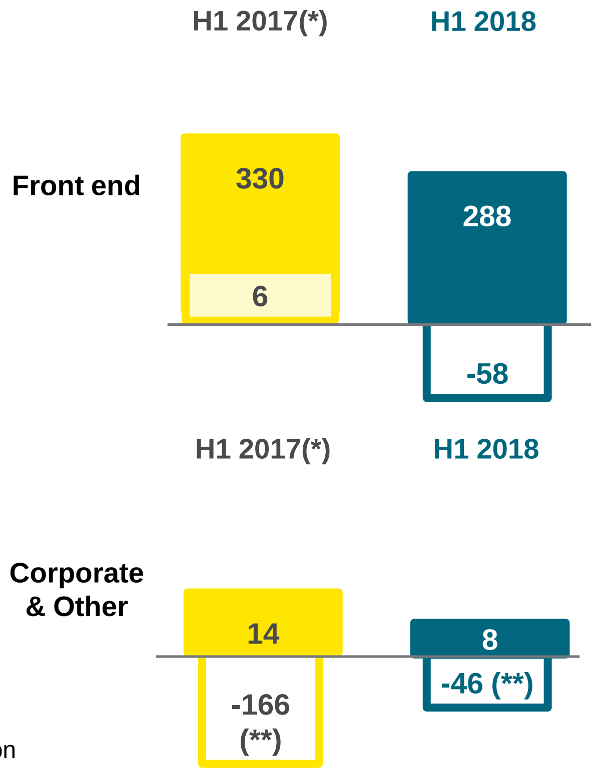
(*) Figures restated under IFRS 15

Change in revenue and operating income by business

In millions of euros







(*) Figures restated under IFRS 15

(**) Provision for Front End end-of-lifecycle commitments and additional allocation to Voluntary Departure Plan in H1 2017 and change currently underway to the corporate services allocation model

Net income: -€205m

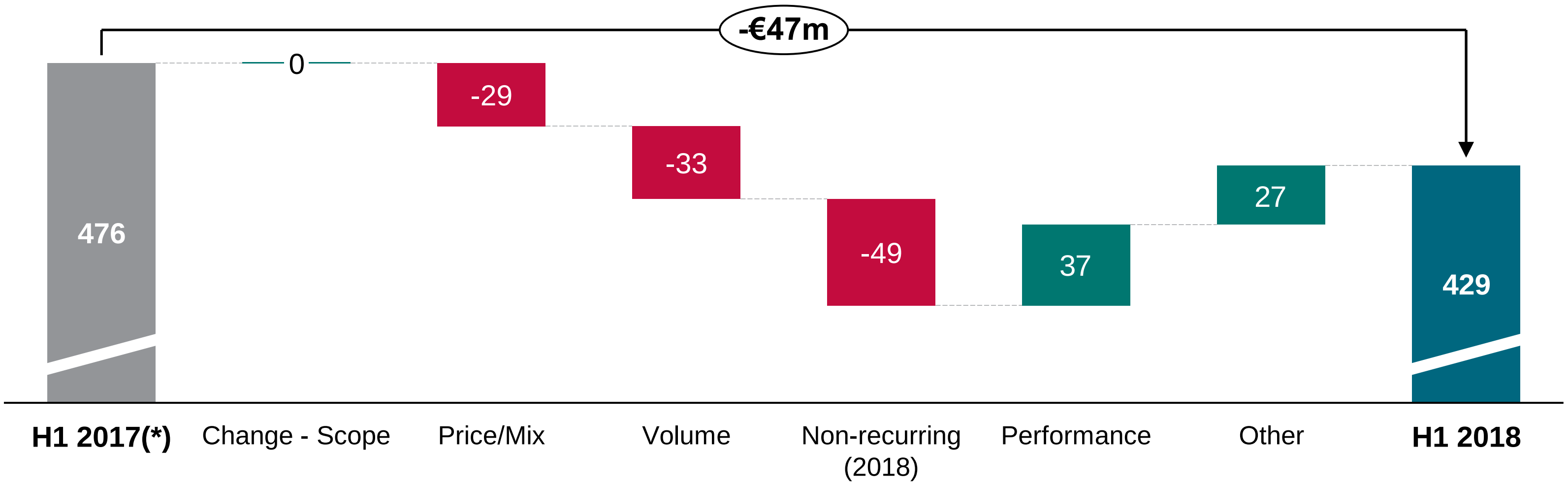
In millions of euros	H1 2017(*)	H1 2018	Change
Operating income	**(21)**	**163**	**+184**
Share in net income of joint ventures and associates	9	(4)	-13
Net financial income	(121)	(342)	-221
Income tax	(57)	(27)	+30
Net income after tax from operations sold, discontinued or held for sale	(2)	0	+2
Consolidated net income	**(154)**	**(205)**	**-51**
Net income attributable to minority interests	(38)	(5)	+33

(*) Figures restated under IFRS 15

- **Net financial income** impacted by:
  - (i) the lower return on assets earmarked for end-of-lifecycle operations due to the negative performance of the financial markets in the first half of 2018;
  - (ii) the impact of the reduction in discount rate on long-term provisions;
  - (iii) partly offset by a reduction in the cost of debt.
- **Income tax:** New tax consolidation group set up for Orano on September 1, 2017

Reduction in EBITDA due to the fall in volumes sold and CXI / CXII transition

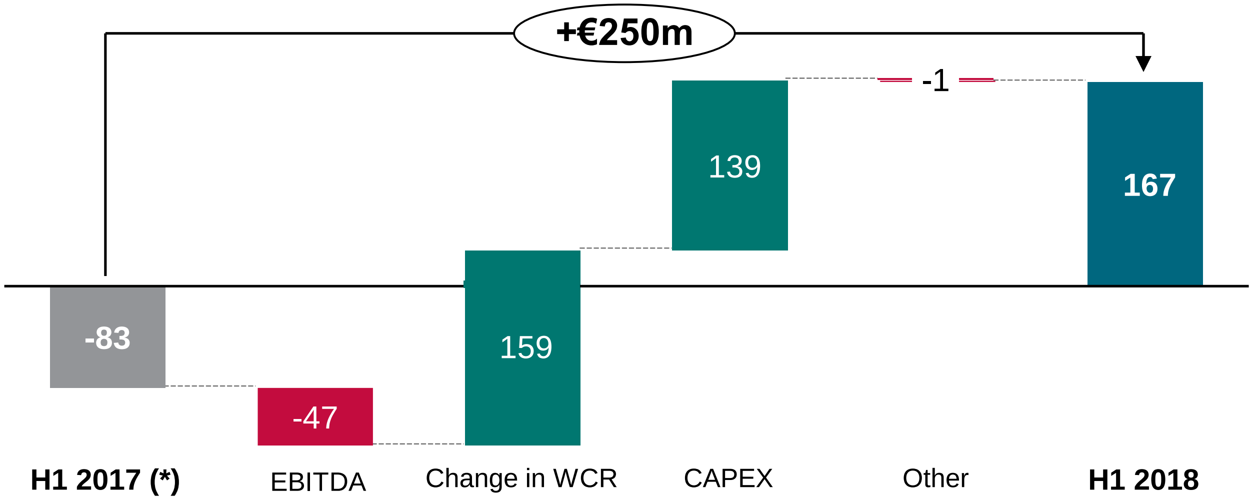
In millions of euros



(*) Figures restated under IFRS 15

Increase in operating cash flow, driven by the favorable change in WCR and reduction in CAPEX

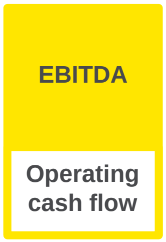
In millions of euros

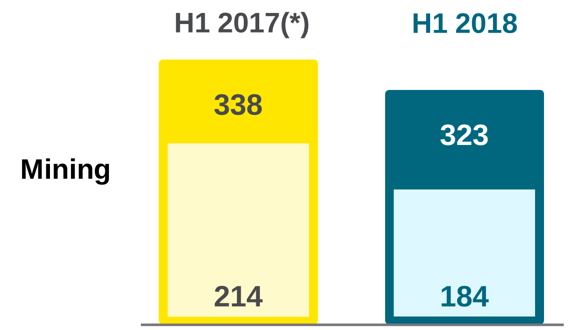


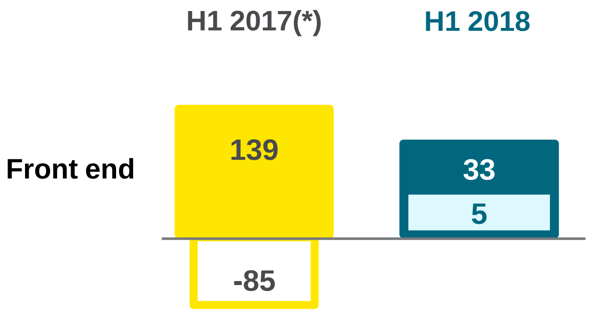
(*) Figures restated under IFRS 15

Change in EBITDA and operating cash flow by business

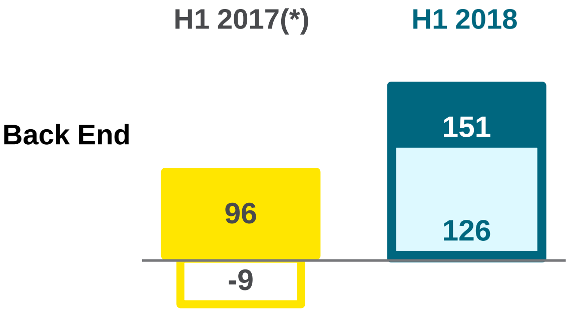
In millions of euros

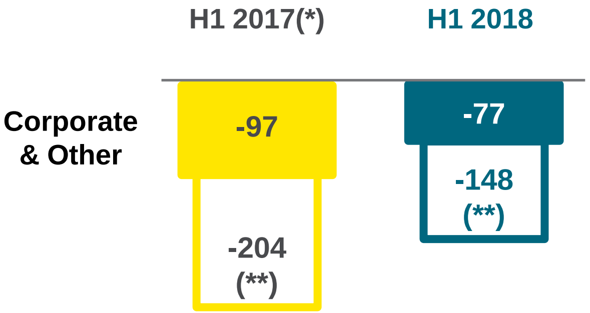






(*) Figures restated under IFRS 15





(**) H1 2017: Acquisition of Orano Projets shares and Voluntary Departure Plan expenses
Update currently underway to the corporate services allocation model

Net cash flow from company operations

In millions of euros	H1 2017(*)	H1 2018	Change
Operating cash flow	**(83)**	**167**	**+250**
End-of-lifecycle cash flow	(15)	(8)	+7
Income tax	(227)	(11)	+216
Cost of borrowed capital	(107)	(148)	-41
Other items	(7)	(72)	-65
Non-operating cash flow	**(356)**	**(240)**	**+116**
Net cash flow from company operations (**)	**(439)**	**(73)**	**+366**

- **Reduction in tax disbursements**:

  (i) Orano's tax consolidation scheme set up on September 1, 2017

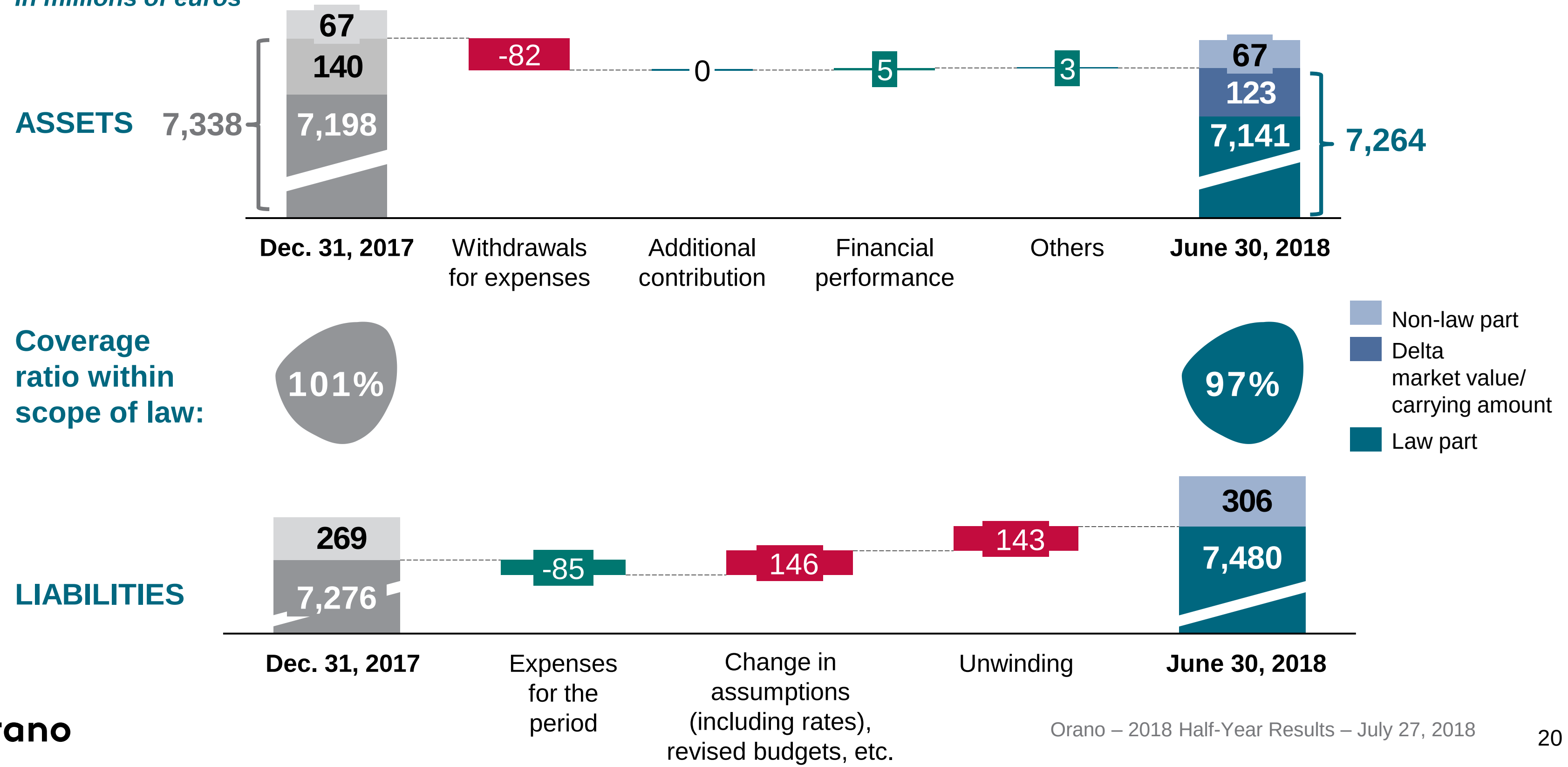
  (ii) liquidation of 2016 income tax paid in early 2017

(*) Figures restated under IFRS 15

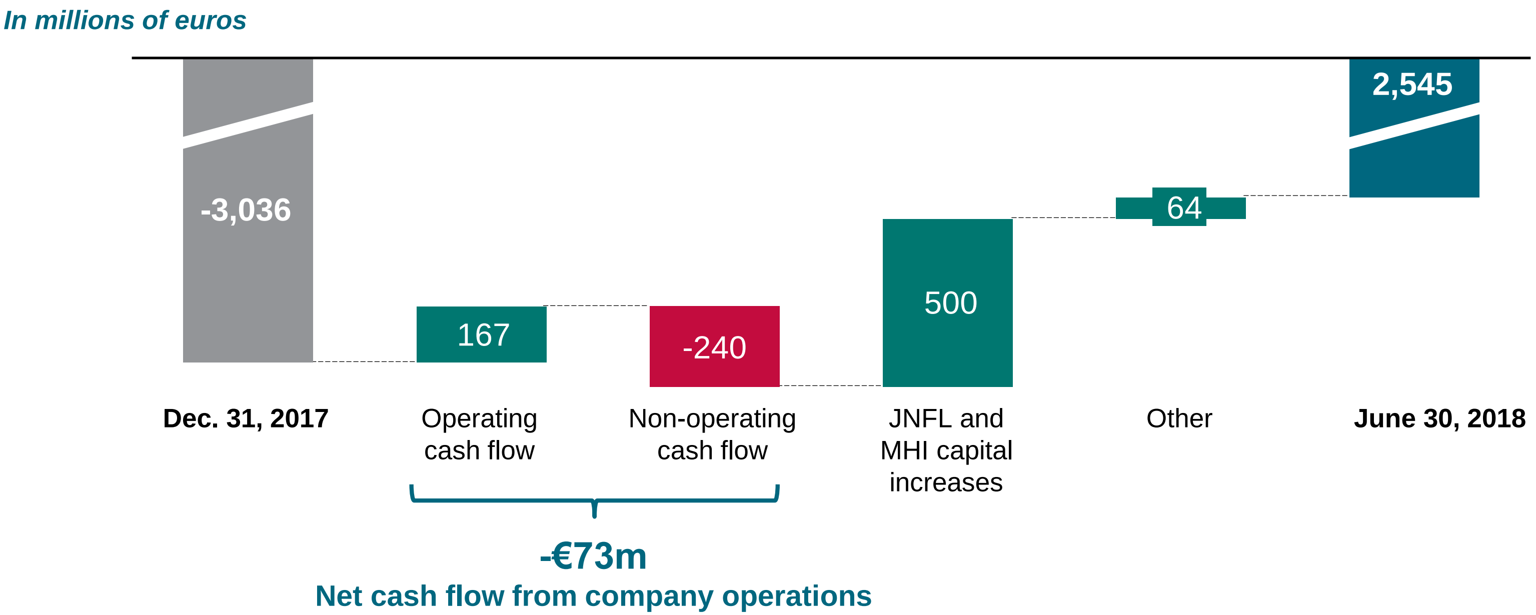
(**) Net cash flow from company operations corresponds to changes in net debt (i) with the exception of transactions with Orano SA shareholders, accrued interest not yet due for the financial year and currency translation adjustments, and (ii) including accrued interest not yet due for the financial year N-1.

End-of-lifecycle commitments

In millions of euros



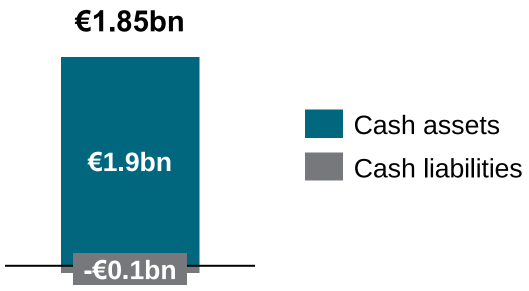
Change in net debt (*)



(*) Net debt is defined as the sum of all short and long-term borrowings, less cash and cash equivalents, financial instruments recorded on the assets side of the balance sheet including borrowings, bank deposits held for margin calls on derivative instruments or collateral backed by structured financing and cash management financial assets.

Liquidity and debt structure at June 30, 2018

Net cash

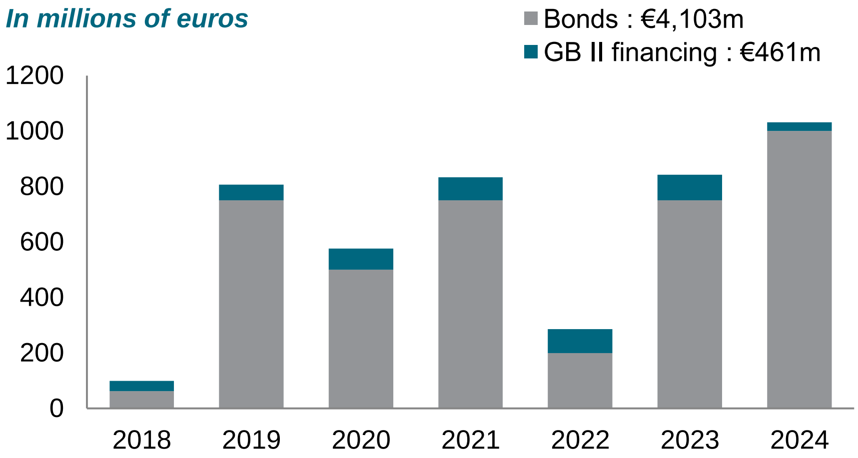


Cash management financial assets (*)

- €349m

Financial obligations

In millions of euros



Syndicated line of credit

- Amount of €780m
- Signed on July 11 with nine banks
- Confirmed and undrawn
- Strengthening of the Group’s financial structure

(*) See note 10 of half-yearly consolidated financial statements as of June 30, 2018

3

Outlook

Outlook confirmed under constant accounting standards

2018 outlook

In a context of **a moderate decline in revenue**

EBITDA margin between **20% and 23%***

i.e. 19% to 22% including the impact of the application of IFRS 15

+

Net cash flow from company operations **positive**

(*) Excluding impact of IFRS 15

2020 outlook

In a context of **a return to growth in revenue**

EBITDA margin between **22% and 25%***

i.e. 21% to 24% including the impact of the application of IFRS 15

+

Net cash flow from company operations **sustainably positive**

This outlook excludes the impact of the proposed spent fuel treatment and recycling plant in China which is currently under negotiation.

These aspects could be subject to a review following the revision of the Multi-Year Energy Program expected by the end of 2018.

Q&A

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Appendices

1. Income statement as of June 30, 2018 (6 months)
2. Balance sheet
3. Change in net debt
4. Key figures by business
5. Definition of indicators used by Orano

Appendix 1
Income statement as of June 30, 2018 (6 months)

In millions of euros	H1 2017(*)	H1 2018(**)
Revenue	**1,794**	**1,713**
Cost of sales	(1,441)	(1,425)
Gross margin	**353**	**288**
Research and development expenses	(41)	(44)
Marketing and sales expenses	(26)	(16)
General expenses	(61)	(35)
Other operating income	(276)	(39)
Other operating expenses	30	10
Operating income	**(21)**	**163**
Share in net income of joint ventures and associates	9	(4)
Operating income after share in net income of joint ventures and associates	**(11)**	**159**
Income from cash and cash equivalents	7	13
Gross borrowing costs	(113)	(78)
Net borrowing costs	**(106)**	**(65)**
Other financial expenses	(245)	(390)
Other financial income	230	113
Other financial income and expenses	**(15)**	**(277)**
Net financial income	**(121)**	**(342)**
Income tax	(57)	(27)
Net income from continuing operations	**(190)**	**(210)**
Net income from operations sold or held for sale	(2)	0
Net income for the period	**(192)**	**(210)**
Consolidated net income	**(154)**	**(205)**
Net income attributable to minority interests	**(38)**	**(5)**

(*) In accordance with IFRS 15, 2017 comparative figures were restated from the figures published the previous year.

(**) Application of IFRS 9 at January 1, 2018.

Appendix 2
Balance sheet – assets

ASSETS *(in millions of euros)*	**December 31, 2017**	**June 30, 2018**
Non-current assets	**17,973**	**17,983**
Goodwill on consolidated companies	1,193	1,214
Intangible assets	1,339	1,291
Property, plant and equipment	7,952	8,024
End-of-lifecycle assets (third party share)	153	146
Financial assets earmarked for end-of-lifecycle operations	7,112	7,062
Investments in joint ventures and associates	10	4
Other non-current assets	114	150
Deferred tax assets	101	91
Current assets	**5,010**	**5,502**
Inventories and in-process	1,258	1,451
Trade accounts receivable and related accounts	789	795
Other operating receivables	791	785
Other non-operating receivables	57	51
Current tax assets	98	74
Other current financial assets	67	423
Cash and cash equivalents	1,950	1,922
Total assets	**22,983**	**23,485**

Appendix 2
Balance sheet – liabilities

LIABILITIES *(in millions of euros)*	**December 31, 2017**	**June 30, 2018**
Equity and minority interests	**838**	**1,055**
Capital	119	132
Consolidated premiums and reserves	850	1,360
Actuarial gains and losses on employee benefits	(164)	(162)
Deferred unrealized gains and losses on financial instruments	305	(3)
Currency translation reserves	(79)	(72)
Equity attributable to owners of the parent	**1,031**	**1,255**
Minority interests	(192)	(200)
Non-current liabilities	**13,963**	**14,124**
Employee benefits	1,382	1,365
Provisions for end-of-lifecycle operations	7,545	7,786
Non-current provisions	270	265
Share in negative net equity of joint ventures and associates	57	46
Long-term borrowings	4,676	4,663
Deferred tax liabilities	33	0
Current liabilities	**8,182**	**8,306**
Current provisions	1,716	1,770
Short-term borrowings	429	300
Advances and prepayments received	3,679	3,737
Trade accounts payable and related accounts	564	643
Other operating liabilities	1,701	1,817
Current tax liabilities	27	11
Other non-operating liabilities	66	28
Total liabilities and equity	**22,983**	**23,485**

Appendix 3
Change in net debt

Net opening cash (debt) (12.31.2017)	**(3,036)**
Operating cash flow	167
End-of-lifecycle cash flow	(8)
Cash from financing activities	(148)
Income tax	(11)
Dividends paid to minority interests	(61)
Other	(11)
Net cash flow from company operations	**(73)**
Capital increase reserved for Japanese minority shareholders	500
Adjustments and other impacts	64
Change in net cash (debt)	**491**
Net closing cash (debt) (06.30.2018)	**(2,545)**

Appendix 4
Key figures by business – Mining

In millions of euros	H1 2017(*)	H1 2018	Change
Revenue	627	555	-72
Operating income	125	226	+101
Including impairment	*(107)*	*0*	*+107*
EBITDA	338	323	-15
% of sales	*54.0%*	*58.2%*	*+4.2 pts*
Change in operating WCR	(65)	(110)	-45
Net CAPEX	(62)	(27)	+35
Operating cash flow	214	184	-31

- Expected decline in volumes sold over the period
- Growth in EBITDA margin, boosted by the effects of the new performance plan, offsetting the fall in volumes
- Unfavorable change in WCR due to the increase in inventory during the period
- Operating cash flow maintained vs. June 30, 2017

(*) Figures restated under IFRS 15

Appendix 4
Key figures by business – Front End

In millions of euros	H1 2017(*)	H1 2018	Change
Revenue	330	288	-42
Operating income	6	(58)	-64
Including provisions and losses at completion	*(118)*	*(78)*	*+40*
EBITDA	139	33	-105
% of sales	*42.1%*	*11.5%*	*-30.6 pts*
Change in operating WCR	(78)	23	+101
Net CAPEX	(145)	(49)	+96
Operating cash flow	(85)	5	+90

- Expected downturn in UTS sales (volume and price)
- Decrease in EBITDA margin due to the fall in enrichment sales and lower production volumes in conversion (CX I – CX II transition), in addition to the costs of this transition
- Positive change in WCR due to the reduction in conversion inventory
- Production CAPEX stable, with the end of minority share buybacks
- Positive operating cash flow

(*) Figures restated under IFRS 15

Appendix 4
Key figures by business – Back End

In millions of euros	H1 2017(*)	H1 2018	Change
Revenue	823	862	+40
Operating income	14	41	+27
EBITDA	96	151	+55
% of sales	*11.7%*	*17.5%*	*+5.8 pts*
Change in operating WCR	(27)	103	+130
Net CAPEX	(74)	(128)	-55
Operating cash flow	(9)	126	+134

- Increase in revenue: production losses at the Melox and La Hague sites (social conflict and technical problems) and the lower volume of business in Logistics more than offset by the growth in export business in Recycling
- EBITDA margin up by nearly 6 points due to the higher export activity in Recycling
- Positive change in WCR, mainly due to the receipt of advance payments from foreign customers in Recycling
- Controlled increase in CAPEX (ramp-up of the La Hague evaporator renewal and replacement programs)

(*) Figures restated under IFRS 15

Appendix 4
Key figures by business – Corporate and other operations

In millions of euros	H1 2017(*)	H1 2018	Change
Revenue	14	8	-6
Operating income	(166)	(46)	+120
Of which provisions for contract completion	*(80)*	*0*	*+80*
EBITDA	(97)	(77)	+19
Change in operating WCR	(42)	(69)	-27
Net CAPEX	(64)	(1)	+63
Operating cash flow	(204)	(148)	+57

- "Corporate and other operations" includes Corporate and Orano Med operations
- Operating income impacted at June 30, 2017 by an increase in provisions for end-of-lifecycle commitments relating to Front End facilities
- EBITDA up due to a reduction in workforce restructuring expenditure
- Deterioration to the change in WCR mainly due to payment delays in favor of the BUs
- Net CAPEX impacted in H1 2017 by the acquisition of Orano Projets shares from Framatome

(*) Figures restated under IFRS 15

Appendix 5
Definition of key indicators used by Orano (1/4)

Operating working capital requirement (Operating WCR):

Operating WCR represents all of the current assets and liabilities related directly to operations. It includes the following items:

- inventories and work-in-process;
- trade accounts receivable and related accounts;
- advances paid;
- other accounts receivable, accrued income and prepaid expenses;
- hedging derivatives and hedged items relating to commercial transactions;
- minus: trade accounts payable and related accounts, trade advances and prepayments received (excluding interest-bearing advances), other operating liabilities, accrued expenses, and deferred income.

Note: Operating WCR does not include non-operating receivables and payables such as income tax liabilities, amounts receivable on the sale of non-current assets, and liabilities in respect of the purchase of non-current assets.

Backlog:

The backlog is valued based on economic conditions at the end of the period. It includes firm orders and excludes unconfirmed options. Orders in hedged foreign currencies are valued at the rate hedged. Non-hedged orders are valued at the rate in effect on the last day of the period. The backlog reported for long-term contracts recorded under the percentage of completion method and partially performed as of the reporting date is equal to the difference between (a) the projected sales revenue from the contract at completion and (b) the sales revenue already recognized for this particular contract. Accordingly, the backlog takes into account escalation and price revision assumptions used by the group to determine the projected revenue at completion.

Appendix 5
Definition of key indicators used by Orano (2/4)

On a comparable basis/lfl:

At constant scope of consolidation and exchange rates.

Net cash flow from company operations

Net cash flow from company operations is equal to the sum of the following items:

- operating cash flow;
- cash flow from end-of-lifecycle operations;
- change in non-operating receivables and liabilities;
- financial income;
- tax on financial income;
- dividends paid to minority shareholders of consolidated subsidiaries;
- net cash flow from operations sold, discontinued and held for sale, and cash flow from the sale of those operations;
- acquisitions and disposals of current and non-current financial assets, with the exception of bank deposits held for margin calls on derivative instruments or collateral backed by structured financing and cash management financial assets.

Net cash flow from company operations thus corresponds to changes in net debt (i) with the exception of transactions with Orano SA shareholders, accrued interest not yet due for the financial year and currency translation adjustments, and (ii) including accrued interest not yet due for the financial year N-1.

Appendix 5
Definition of key indicators used by Orano (3/4)

Operating cash flow (OCF):

Operating cash flow (OCF): operating cash flow (OCF) represents the amount of cash flow generated by operating activities before income tax. It is equal to the sum of the following items:

- EBITDA;
- plus losses or minus gains on disposals of property, plant and equipment and intangible assets included in operating income;
- plus the decrease or minus the increase in operating working capital requirement between the beginning and the end of the period (excluding reclassifications, currency translation adjustments and changes in consolidation scope);
- minus acquisitions of property, plant and equipment and intangible assets, net of changes in accounts payable related to fixed assets;
- plus sales of property, plant and equipment and intangible assets included in operating income, net of changes in receivables on the sale of fixed assets;
- plus prepayments received from customers during the period on non-current assets;
- plus acquisitions (or disposals) of consolidated companies (excluding equity associates), net of the cash acquired.

Appendix 5
Definition of key indicators used by Orano (4/4)

Net debt:

Net debt is defined as the sum of all short and long-term borrowings, less cash and cash equivalents, financial instruments recorded on the assets side of the balance sheet including borrowings, bank deposits constituted for margin calls on derivative instruments and collateral backed by structured financing and cash management financial assets.

Earnings before interest, taxes, depreciation and amortization (EBITDA):

EBITDA is equal to operating income after depreciation, depletion, amortization and provisions, net of reversals. EBITDA is restated to exclude the cost of end-of-lifecycle operations performed in nuclear facilities during the year (facility dismantling, waste retrieval and packaging). It should be noted that the cash flows linked to end-of-lifecycle operations are presented separately.

Cash flows from end-of-lifecycle operations:

This indicator encompasses all of the cash flows linked to end-of-lifecycle operations and to assets earmarked to cover those operations. It is equal to the sum of the following items:

- revenue from the portfolio of earmarked assets, cash from disposals of earmarked assets;
- full and final payments received for facility dismantling;
- minus acquisitions of earmarked assets;
- minus cash spent during the year on end-of-lifecycle operations;
- minus full and final payments paid for facility dismantling.

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