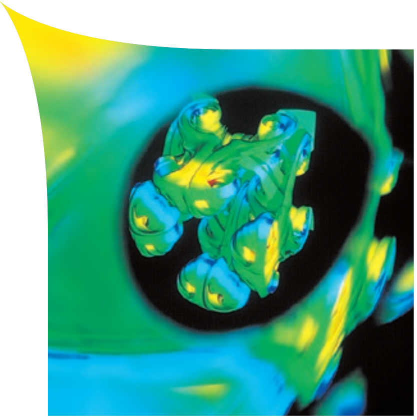
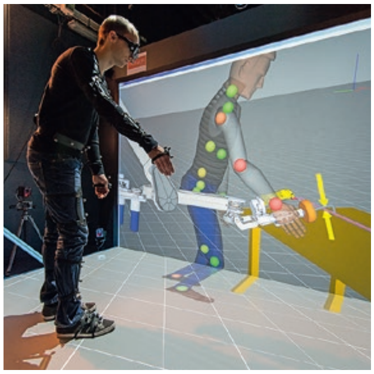
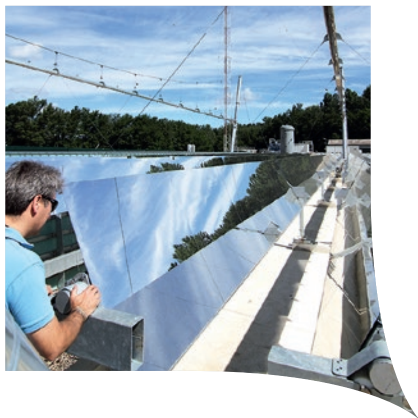
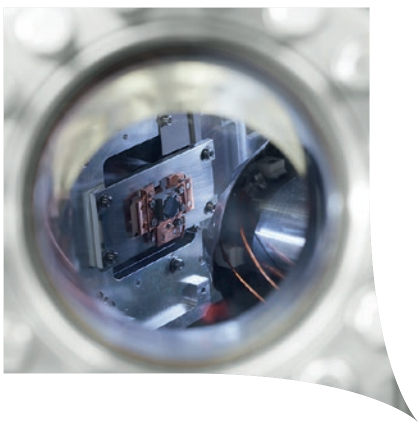


THE CEA
FINANCIAL REPORT 2014







FROM RESEARCH TO INDUSTRY

cea

CONTENT

MANAGEMENT REPORT

ANNUAL FINANCIAL STATEMENTS

MANAGEMENT REPORT

1. IMPLEMENTATION OF THE BUDGET

The CEA's management balance for 2014 shows a surplus of €121 million posted by the civil sector and €24 million posted by the defence sector.

	Actual 2013	Budget 2014	Actual 2014	Actual change 2014-2013
Civil sector				
Total income	2,636	2,899	2,668	+1%
Total expenditure	2,643	2,954	2,593	-2%
Balance of civil-defence flows	-37	-37	-46	*ns**
Total expenditure on civil programmes	2,605	2,917	2,547	-2%
MANAGEMENT BALANCE - CIVIL SECTOR	**30**	**-18**	**121**	***ns***
Defence sector				
Total income	1,723	1,734	1,751	+2%
Total expenditure	1,673	1,697	1,680	-
Balance of civil-defence flows	37	37	46	*ns*
Total expenditure on defence programmes	1,710	1,734	1,726	+1%
MANAGEMENT BALANCE - DEFENCE SECTOR	**13**	**0**	**24**	***ns***

** not significant*

(in € million)

Highlights in 2014 included:

- The Megajoule Laser (LMJ), a major facility under the Simulation programme, commissioned to service. The aim is to use simulation to reproduce the sequence of subphases involved in making a nuclear weapon work, with the goal of guaranteeing a weapon's performances without having to resort to full-scale nuclear weapons testing;
- The CEA ranking as the third biggest patent applicant in France and first among public organisations;
- Inauguration of the *Maison de la Simulation* (MDS), a joint-led lab research platform and community focused on high-performance computing and federating teams from the CEA, the CNRS, INRIA, Paris-Sud University and Versailles Saint-Quentin-en-Yvelines University;
- Creation of the Paris-Saclay University 'ComUE' founded by the CEA and now grouping 18 higher education and research institutions from the Paris-Saclay cluster;
- Technical validation of a rapid diagnostic test for the Ebola virus;
- Participation in two consortia selected by the European Institute of Innovation and Technology (EIT) to establish Knowledge and Innovation Communities (KIC) for the thematic fields "Raw Materials" and "Health". The CEA is thus engaged in all five KICs to date (Energy, Climate, Information and Communication Technologies, Raw Materials and Health).

2. INCOME

CEA's income was up 1% over 2013.

The civil subsidy accounts for 45% of civil income and the defence subsidy for 88% of defence income.

€120 million were included as part of the Investments for the Future Programme (in respect of Jules Horowitz reactor action, the 4th-generation Astrid reactor action, and the High Performance Computing.

	Actual 2013		Actual 2014		Actual change 2014-2013
	in € million	%	in € million	%	
Civil sector					
Government subsidy excluding Investments for the Future and excluding ITER	1,038	39	1,015	38	-2%
Government subsidy under ITER	92	4	80	3	-13%
Government subsidy under Investments for the Future	110	4	120	4	+9%
External income	869	33	878	33	+1%
Dedicated cleanup fund-Civil	280	11	318	12	+13%
Dedicated cleanup fund-Defence (UP1)	214	8	226	9	+5%
Balance year N-1	31	1	30	1	-1%
TOTAL – CIVIL SECTOR	**2,635**	**100**	**2,668**	**100**	**+1%**
Defence sector					
Government subsidy	1,514	88	1,549	88	+2%
External income	37	2	33	2	-10%
Dedicated cleanup fund Defence	158	9	156	9	-1%
Balance year N-1	15	1	13	1	-14%
TOTAL – DEFENCE SECTOR	**1,723**	**100**	**1,751**	**100**	**+2%**
GRAND TOTAL	**4,358**	**100**	**4,418**	**100**	**+1%**
including Government subsidy excluding Investments for the Future and excluding ITER	2,552	59	2,564	58	-
Government subsidy under the ITER	92	2	80	2	-13%
Government subsidy under Investments for the Future	110	2	120	3	+9%
External income	906	21	912	21	+1%
Dedicated cleanup fund-Civil	280	6	318	7	+13%
Dedicated cleanup fund-Defence	372	9	381	8	+3%
Balance year N-1	46	1	43	1	-7%

a. Changes in the Government subsidy

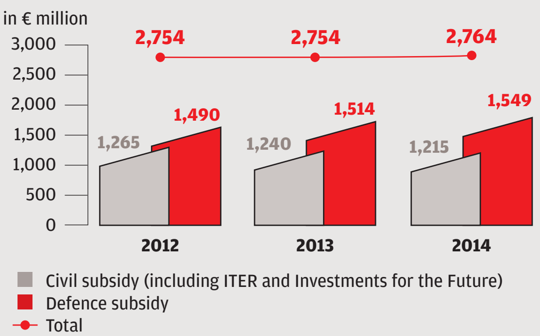
Civil sector:

The -€25 million drop in the subsidy between 2013 and 2014 breaks down as:

- a -€23 million drop in Government subsidy excluding Investments for the Future and excluding ITER,
- a -€12 million drop in Government subsidy under ITER,
- a +€10 million increase in Government subsidy under Investments for the Future.

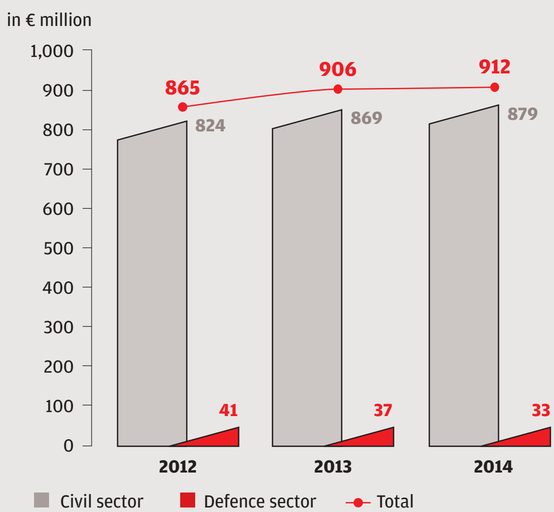
Defence sector:

Government subsidy increased by +€35 million in 2014 compared to 2013.



b. Changes in external income by sector

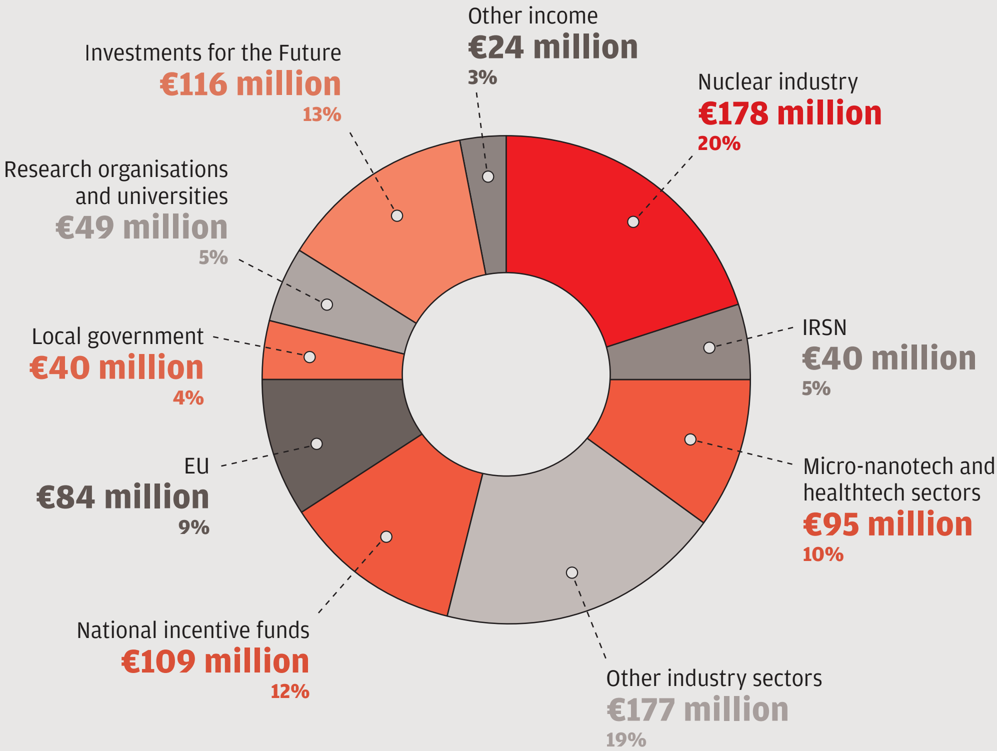
External income saw a slight (+0.6%) increase over 2013, reflecting a 1.1% increase for the civil sector and a -9.6% drop for the defence sector.



c. Changes in external income by segment

External income increased by an aggregate +0.6% compared to 2013, essentially on Investments for the Future which jumped +27%.

Breakdown of the CEA's external income in 2014



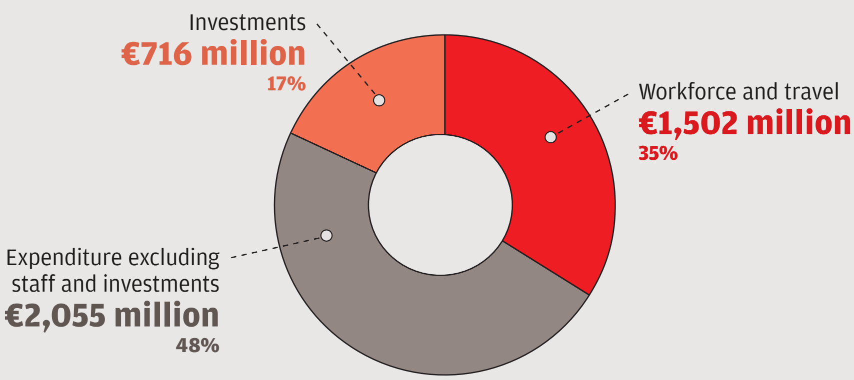
3. EXPENDITURE

Expenditure in 2014 shrank by -1% across the CEA compared to 2013, solely in civil activities (-2%). This decrease is chiefly due to investment cuts (-14%).

	Actual 2013		Actual 2014		Actual change 2014-2013
	in € million	%	in € million	%	
Civil sector					
Workforce and travel	1,073	41	1,101	43	+3%
Expenditure excluding staff and investments	1,160	45	1,138	45	-2%
Investments	410	16	354	14	-14%
Balance of civil-defence flows	-37	-1	-46	-2	*ns*
TOTAL – CIVIL SECTOR	**2,605**	**100**	**2,547**	**100**	**-2%**
Defence sector					
Workforce and travel	402	24	401	23	-
Expenditure excluding staff and investments	908	53	917	53	+1%
Investments	363	21	362	21	-
Balance of civil-defence flows	37	2	46	3	*ns*
TOTAL – DEFENCE SECTOR	**1,710**	**100**	**1,726**	**100**	**+1%**
GRAND TOTAL	**4,316**	**100**	**4,273**	**100**	**-1%**
Including Workforce and travel	1,475	34	1,502	35	+2%
Expenditure excluding staff and investments	2,068	48	2,055	48	-1%
Investments	772	18	716	17	-7%

Breakdown of the CEA's expenditure in 2014

In the breakdown of 2014 expenditure, the distribution of expenditure is identical to 2013.



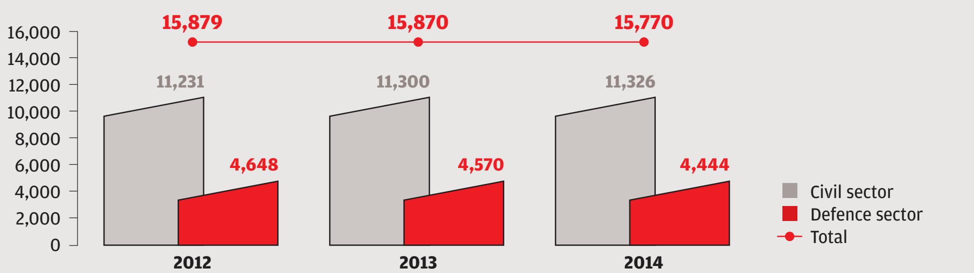
4. STAFF

a. Change in workforce numbers by sector

The CEA had a workforce of 15,770 in 2014, of which 11,326 for the civil sector and 4,444 for the defence sector, i.e. a -0.6% drop compared to 2013.

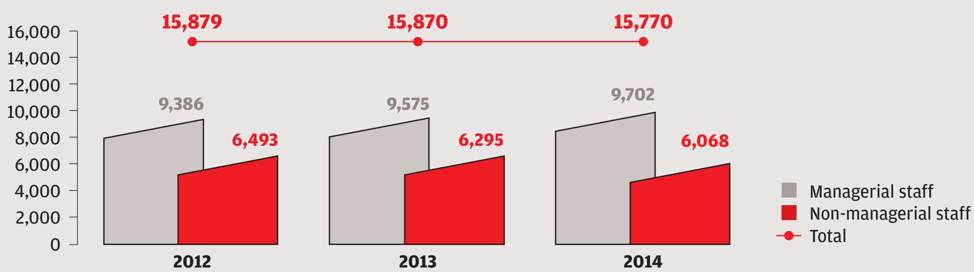
Numbers are up slightly in the civil sector (+0.2%) reflecting the ramp-up phase of the regional technology transfer platforms (PRTT) framed under a Government-signed agreement.

In the defence sector, numbers dropped compared to 2013 (-2.8%).

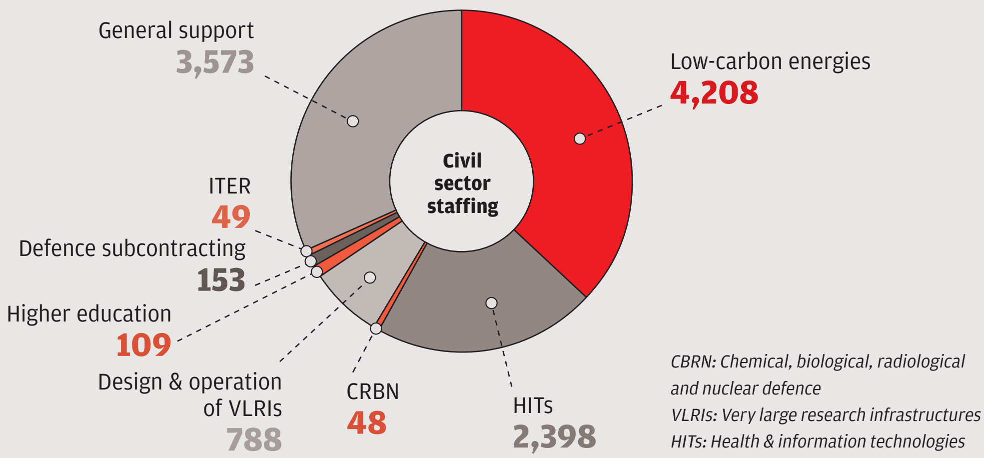


b. Change in workforce numbers by status

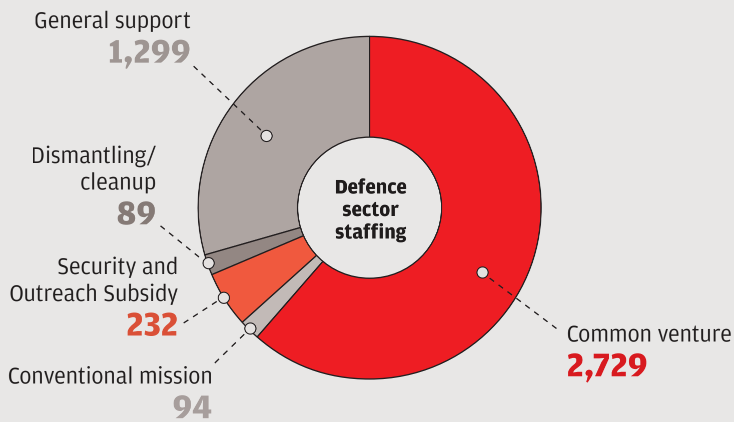
Managerial staff accounts for 61% of the workforce, a figure that is slightly up on 2013 (+1.3%).



c. Change in workforce numbers by field by sector



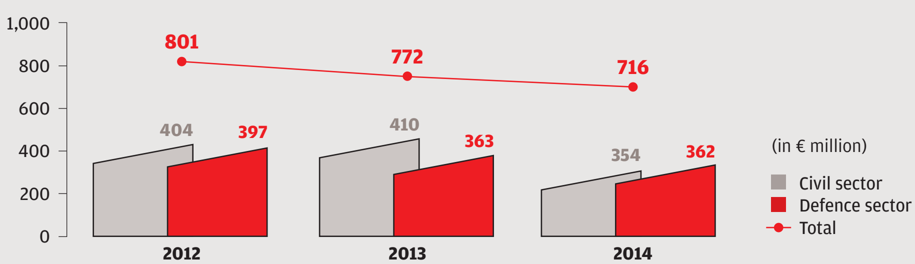
The slight rise in staff numbers compared to 2013 in the civil sector (+0.2%) was mainly due to growth in the area of health & information technologies. Support staff numbers have held steady from 2013.



In the defence sector, numbers dropped -2.8% compared to 2013, mainly in support staff.

5. INVESTMENTS

Investments fell -14% in the civil sector due to the cut in 2014 expenditure on the Jules Horowitz Reactor (JHR) tied to project lag, and held steady in the defence sector.



6. COVERAGE OF DISMANTLING AND CLEANUP COSTS

Commitments for end-of-cycle operations totalled €11,692 million at year-end 2014 in discounted value, with the provision for Cigeo readjustment at €16 million, compared to €10,926 million at year-end 2013.
These commitments are covered by the four civil and defence dismantling funds to €11,721 million, the difference representing the share payable by the Government of -€13 million for non-recoverable VAT on civil centre projects not financed by the Civil Fund.

ASSETS (IN € MILLION)	31.12.2014	31.12.2013
Claims on Government	**12,141**	**10,718**
incl. Civil Fund	4,023	3,652
Defence Fund	8,131	7,095
Non-fund	-13	-29
Claims on Government for Cigeo financing readjustment	**16**	**-**
incl. Civil Fund	9	-
Defence Fund	7	-
Dismantling assets - Third parties	**2**	**2**
Areva shares	**424**	**1,017**
WCR and liquid assets	**-841**	**-793**
TOTAL	**11,742**	**10,944**

LIABILITIES (IN € MILLION)	31.12.2014	31.12.2013
Provisions for end-of-cycle operations	**11,692**	**10,926**
incl. Civil Fund	4,822	4,713
Civil Fund–new facilities	31	24
Defence Fund	6,848	6,215
Defence Fund–new facilities	4	4
Government	-13	-29
Provisions for Cigeo readjustment	**16**	**-**
incl. Civil Fund	9	-
Defence Fund	6	-
TOTAL	**11,708**	**10,926**

These liabilities are covered by several types of asset:

- a claim on Government amounting to €12,141 million, of which €8,131 million in respect of the Defence Fund, €4,023 million under the Civil Fund and -€13 million for non-recoverable VAT on civil projects;
- a claim on Government for Cigeo readjustment, amounting to €7 million on the Defence Fund and €9 million on the Civil Fund;
- assets of €2 million with IRSN;
- Areva shares worth 9.09% of the capital allocated to the Civil and Defence Funds (7.45% for the Civil Fund and 1.64% for the Defence Fund), valued at €424 million on the basis of the net book value of equity per share in the Areva accounts as at 31 December 2013 as per the terms of article 5 of the three-year (2014–2016) agreement signed on 13 August 2014;
- a liquidity position (WCR[1] and cash including unrealised gains and net of the CEA's debt to Areva NC) at -€841 million.

On this basis, the CEA's assets-to-liabilities coverage ratio is 100.3% as at 31 December 2014.

[1] *WCR: Working Capital Requirement.*

7. PURCHASING MANAGEMENT

As a Government-owned public organisation, the CEA is governed, for its purchases, by the principles of free access to public procurement contracts, equal treatment of economic operators, and transparency of procedures, established by European legislation and transposed into French law. These principles seek to guarantee efficient purchasing and proper use of public funds.
Most of the purchasing rules applicable to the CEA stem from Directive 2004/18/EC of 31 March 2004. As the CEA holds status as an *établissement public à caractère industriel et commercial* (a public undertaking with industrial and commercial operations – EPIC), under French law it is not governed by the French Public Procurements Code but by legislation specific to this type of public undertaking, namely Order No. 2005-649 of 6 June 2005 and its Implementing Decree No. 2005-1742 of 30 December 2005, amended. Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 repeals Directive 2004/18/EC with effect from 18 April 2016, the date on which national rules transposing that law are required to enter into effect.
An Advisory Committee on Procurements, a regulatory body independent of the CEA, was established by an Order of 6 December 1952 (amended). The Committee examines, on the basis of a number of thresholds defined and set under in the above-mentioned Order,

the CEA's largest contracts or framework agreements, as well as planned public-private partnership agreements. It prepares an annual activity report which is examined by the Executive Board's Audit Committee, and the latter reports its findings to the Board.
During the year 2014, the Advisory Committee was asked by its Chairperson to examine 251 planned contracts, worth a total of €1,189.2 million ex-VAT. Of these 251 contracts, one planned contract was turned down. Through its opinions and recommendations, the Committee helps to improve the efficiency of CEA's purchases and the quality of procedures used.
As the CEA's programmes are often highly complex, the entity strives to anticipate contingencies more effectively. Via this approach, contractual solutions can be introduced to restrict use of amendments and thus improve time and termination cost management.
For example, owing to their specific features, nuclear-related contracts are awarded to industrial players whose skills are regularly re-assessed against the CEA's stringent requirements on security/safety. For R&D programmes involving prototype facility design or the use of advanced technology, the CEA strives to give contract opportunities to small and medium-sized enterprises and industries (SMEs/SMIs). CEA signed, on end-2004, the SME Pact. The CEA's Chairman renewed this commitment in 2011 by joining a newly-founded association established to support the SME Pact; these economic operators have extensive capacities for innovation, which CEA helps to stimulate to meet its needs: This also responds to the objective set by the Government in terms of expanding the scope of innovation.

8. OUTLOOK FOR 2015

Outlook for 2015—CEA budget

The CEA's 2015 budget income is predicted to hold steady compared to the 2014 budget (+0.1%).
The Government subsidy included in the 2015 budget, including Investments for the Future programmes, accounts for 61.6% of CEA's total funding, down by -1.1% compared to the 2014 budget.
External income is predicted to rise by +2% compared with the 2014 budget, driven by a +0.9% rise in the civil sector. It accounts for 21.5% of total funding on the 2015 budget.
The two dismantling funds, one civil and one defence-related, will represent 16.5% of CEA's total funding.
Civil sector expenditure is expected to fall -1.5% compared to the 2014 budget, mainly as a result of changes in expenditure on the High Performance Computing.
The total payroll of staff governed by the Labour Agreement will increase by +2% in the civil sector, with a slight rise of +0.2% in staff numbers, due to activities tied to running the regional technology transfer platforms (PRTT).
Numbers of general support staff will continue to fall (-0.4%) compared to the 2014 budget.
Defence sector expenditure will see a +2.1% rise compared to the 2014 budget, particularly in non-staff and non-investment expenditures.
The total payroll of staff governed by the Labour Agreement will hold steady in the defence sector, with a -1.5% decrease in staff numbers.

ANNUAL FINANCIAL STATEMENTS

1. INCOME STATEMENT

The net profit for 2014 was €255 million, essentially driven by €103 million in general budget and the positive balance of dedicated Funds. The Civil Fund result (€166 million) is primarily related to income from the disposal of the Areva shares and the Defence Fund (€7 million) result to insurance payouts received in the wake of the AVM incident (UP1), whereas that of the Civil Fund for new facilities (€1 million) was due to financial income on disposals of marketable securities.

- General budget (excluding carry-over) ______ €103M
- Civil Funds ______ €166M
- Defence Funds ______ €7M
- New civil facilities (INC) ______ €2M
- New defence facilities (IND) ______ €M
- ITER ______ €-23M
- DSND[2] ______ -€M
- DDCG ______ -€M
- AFNI ______ -€M
- I2EN ______ -€M
- IRT ______ -€M

The management balance of CEA's general budget excluding carry-over (€103 million) includes the €5 million variation in the provision for paid leave and the -€5 million variation in the provision for the time-savings account.

[2] DSND: Delegate for nuclear safety and radiation protection for activities and facilities concerning defence.

	Notes	2014	2013
Sales		6	16
Work		410	404
Services		201	197
INCOME	**NOTE 3**	**617**	**617**
Stored production		215	-257
Self-constructed assets		52	38
Budgetary operating revenue	NOTE 4	2,135	2,486
Reversal of provisions	NOTE 8	709	662
Reversal of equipment grants	NOTE 9	411	378
Other income		44	30
OPERATING INCOME		**4,183**	**3,954**
Year's expenditure	NOTE 5	-2,010	-1,943
Tax other than on income	NOTE 6	-203	-191
Payroll expenses	NOTE 7	-1,452	-1,437
Depreciation and provisions	NOTE 8	-456	-436
Income from joint-led operations	NOTE 10	-	-2
Other expenses		- 2	-
OPERATING EXPENDITURE		**-4,123**	**-4,009**
OPERATING INCOME/LOSS		**60**	**-55**
Financial income		579	466
Financial expenses		-586	-474
FINANCIAL INCOME/LOSS	**NOTE 11**	**-7**	**-8**
INCOME (LOSS) FROM OPERATIONS		**53**	**-63**
Non-operating income		435	379
Non-operating expenses		-233	-133
NON-OPERATING INCOME/LOSS	**NOTE 12**	**202**	**246**
CORPORATE INCOME TAX		**-**	**-**
NET INCOME/LOSS		**255**	**183**

(in € million)

2. BALANCE SHEET

The balance brought forward is well into the minus figures (-€3,099 million) and has mainly arisen from the management of the Civil Fund which initially produced a financial imbalance when it was set up. This imbalance is due to the difference between the book value of the Areva interest, posted in the CEA accounts at its historical acquisition value, and its estimated present value. It should be cancelled out, particularly through the disposal of the Areva shares allocated to the Civil Fund.

Assets	Notes	Amount as at 31.12.2014	Excluding dedicated funds	Dedicated funds	Amount as at 31.12.2013
INTANGIBLE ASSETS	**NOTE 13**				
Gross amounts		308	308	-	300
Depreciation		-223	-223	-	-216
PROPERTY, PLANT & EQUIPMENT					
Dismantling assets – own share	**NOTE 14**				
Gross amounts		-	-	-	-
Depreciation		-	-	-	-
Other tangible assets	**NOTE 13**				
Gross amounts		13,325	13,325	-	12,869
Depreciation		-6,543	-6,543	-	-6,339
DISMANTLING ASSETS – THIRD PARTIES	**NOTE 14**	**2**	**-**	**2**	**2**
LONG-TERM INVESTMENTS	**NOTE 15**				
Gross amounts		1,180	1,034	146	1,298
Provisions		-115	-115	-	-117
FIXED ASSETS					
Gross amounts		14,815	14,667	148	14,469
Depreciation and provisions		-6,881	-6 881	-	-6,672
NET FIGURES		**7,934**	**7,786**	**148**	**7,797**
INVENTORY AND WORK-IN-PROCESS	**NOTE 16**				
Gross amounts		5,963	5,963	-	5,764
Provisions		-17	-17	-	-17
NET FIGURES		**5,946**	**5,946**	**-**	**5,747**
ADVANCES AND DEPOSITS PAID ON ORDERS		**25**	**25**	**-**	**30**
TRADE RECEIVABLES					
Gross amounts		1,094	1,057	37	1,048
Provisions		-46	-46	-	-61
NET FIGURES		**1,048**	**1,011**	**37**	**987**
NET CLAIMS ON GOVERNMENT	**NOTE 18**	**12,157**	**-13**	**12,170**	**10,718**
OTHER RECEIVABLES	**NOTE 19**	**259**	**259**	**-**	**753**
CASH BALANCES AND SECURITIES	**NOTE 20**				
Gross amounts		1,038	943	95	913
Provisions		-6	-	-6	-5
NET FIGURES		**1,032**	**943**	**89**	**908**
OTHER		**16**	**16**	**-**	**16**
TRANSLATION EXCHANGE GAIN OR LOSS – ASSETS		**-**	**-**	**-**	**-**
DROP IN CLAIMS ON GOVERNMENT—ASSETS		**258**	**-**	**258**	**265**
GRAND TOTAL		**28,675**	**15,973**	**12,702**	**27,221**

(in € million)

Liabilities	Notes	Amount as at 31.12.2014	Excluding dedicated funds	Dedicated funds	Amount as at 31.12.2013
Special fund	NOTE 21	13,237	12,792	445	12,831
Equipment grants received from third parties		884	884	-	816
Balance from previous financial years	NOTE 22	-3,354	-99	-3,255	-3,536
Balance for the year	NOTE 22	255	81	174	183
SELF-GENERATED EQUITY		**11,022**	**13,658**	**-2,636**	**10,924**
PROVISIONS FOR CONTINGENCIES & CHARGES	**NOTE 23**	**11,848**	**126**	**11,722**	**11,074**
FINANCIAL DEBTS		**155**	**155**	**-**	**389**
ADVANCES AND DEPOSITS RECEIVED ON ORDERS		**225**	**225**	**-**	**242**
ACCOUNTS PAYABLE		**1,766**	**792**	**974**	**1,784**
OTHER LIABILITIES		**975**	**975**	**-**	**1,057**
OTHER		**77**	**42**	**35**	**85**
TRANSLATION EXCHANGE GAIN OR LOSS – LIABILITIES		**-**	**-**	**-**	**-**
INCREASE IN CLAIM ON GOVERNMENT – LIABILITIES		**2,607**	**-**	**2,607**	**2,296**
GRAND TOTAL		**28,675**	**15,973**	**12,702**	**27,221**

(in € million)

3. RECONCILIATION WITH THE BUDGET

The accounting transactions for the financial year (operations and investment) and the budget balance are reconciled after eliminating off-budget operations (changes in supply inventories, depreciation/reversals, provisions/reversals of provisions on inventory, certain non-operating expenses/income, reversals of equipment grants, self-constructed assets) and neutralising the supplementary budgets, the dismantling funds, the IRT[3], AFNI (France International Nuclear Agency), DSND, DDCG, I2EN and ITER France Agency.
The budget balance for 2014 was positive by €103 million.

BUDGET EXPENDITURE	Total expenditure (A)	Of which nonbudget operations (B)	Of which supplementary budgets (C)	Of which DSND (D)	Of which DDCG (E)	Of which AIF (G)	Of which dedicated funds (H)	Of which AFNI (J)	Of which I2EN (K)	Of which IRT[3] (L)	Total budgeted expenditure (A)-(B)-(C)-(D)-(E)-(F)-(G)-(H)-(I)-(J)-(K)-(L)
OPERATING ACTIVITIES (BEFORE TAX)	-	-	-	-	-	-	-	-	-	-	-
OPERATING EXPENDITURE	-	-	-	-	-	-	-	-	-	-	-
Year's expenditure from third parties	2,012	48	4	2	-	125	-	-	1	1	1,831
Other tax	203	-	1	-	-	-	-	-	-	-	202
Payroll expenses	1,452	-3	3	4	1	2	-	-	-	-	1,445
DEPRECIATION AND PROVISIONS	**456**	**414**	-	-	-	**3**	**7**	-	-	-	**32**
INCOME FROM JOINT-LED OPERATIONS	-	-	-	-	-	-	-	-	-	-	-
FINANCIAL EXPENSE	**586**	**5**	-	-	-	-	**576**	-	-	-	**5**
NON-OPERATING EXPENSES	**233**	**86**	-	-	-	-	**115**	-	-	-	**32**
CORPORATE INCOME TAX	-	-	-	-	-	-	-	-	-	-	-
YEAR'S ALLOCATION TO THE SPECIAL FUND	**255**	**255**	-	-	-	-	-	-	-	-	-
INCOME STATEMENT TOTAL	**5,197**	**805**	**8**	**6**	**1**	**130**	**698**	-	**1**	**1**	**3,547**
Reclassification between income and expenses	-73	4	-	-	-	-59	-5	-	-	-	-13
TOTAL OPERATING ACTIVITIES	**5,124**	**809**	**8**	**6**	**1**	**71**	**693**	-	**1**	**1**	**3,534**
Investment operations (before tax)	-	-	-	-	-	-	-	-	-	-	-
Class 1	13	-	-	-	-	-	-	-	-	-	13
Class 2 Acquisitions of fixed assets	615	-	-	-	-	2	-115	-	-	2	726
Class 4 Variation in advances	-	-	-	-	-	-	-	-	-	-	-
TOTAL INVESTMENT OPERATIONS	**628**	-	-	-	-	**2**	**-115**	-	-	**2**	**739**
GRAND TOTAL	**5,752**	**809**	**8**	**6**	**1**	**73**	**578**	-	**1**	**3**	**4,273**
BUDGET BALANCE EXCLUDING CARRY-OVER FROM 2013: 103											

(in € million)

[3] IRT: Institut de recherche technologique - Technological Research Institute.

BUDGET INCOME	Total income (A)	Of which nonbudget operations (B)	Of which supplementary budgets (C)	Of which DSND (D)	Of which DDCG (E)	Of which AIF (G)	Of which dedicated funds (H)	Of which AFNI (J)	Of which I2EN (K)	Of which IRT (L)	Total budgeted expenditure (A)-(B)-(C)-(D)-(E)-(F)-(G)-(H)-(I)-(J)-(K)-(L)
OPERATING ACTIVITIES (BEFORE TAX)	-	-	-	-	-	-	-	-	-	-	-
OPERATING INCOME	**3,063**	**268**	**8**	**6**	**1**	**106**	**-673**	**-**	**1**	**1**	**3,345**
Reversals of depreciation and provisions	709	7	-	-	-	-	654	-	-	-	48
Reversals of equipment grants and contributions received from third parties	411	411	-	-	-	-	-	-	-	-	-
FINANCIAL INCOME	**579**	**8**	**-**	**-**	**-**	**-**	**556**	**-**	**-**	**-**	**15**
NON-OPERATING INCOME	**435**	**86**	**-**	**-**	**-**	**-**	**334**	**-**	**-**	**-**	**15**
YEAR'S ALLOCATION TO THE SPECIAL FUND	-	-	-	-	-	-	-	-	-	-	-
INCOME STATEMENT TOTAL	**5,197**	**780**	**8**	**6**	**1**	**106**	**871**	**-**	**1**	**1**	**3,423**
Reclassification between income and expenses	-73	-	-	-	-	-59	-5	-	-	-	-9
TOTAL OPERATING ACTIVITIES	**5,124**	**780**	**8**	**6**	**1**	**47**	**866**	**-**	**1**	**1**	**3,414**
Investment operations (before tax)	-	-	-	-	-	-	-	-	-	-	-
Class 1											
Financial debts	15	-	-	-	-	-	-	-	-	-	15
Subsidies received from third parties in the year	132	-	-	-	-	-	-	-	-	3	129
Allocation of the Government subsidy to the special fund and equipment grants	819	-	-	-	-	1	-	-	-	-	818
TOTAL INVESTMENT OPERATIONS	**966**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**3**	**962**
GRAND TOTAL	**6,090**	**780**	**8**	**6**	**1**	**48**	**866**	**-**	**1**	**4**	**4,376**

(in € million)

4. CASH FLOW SCHEDULE

	Notes	2014	2013
Operating activities			
Self-financing capacity	NOTE 25	-2,449	-2,865
Charge to balance brought forward, New facilities - Defence		-	-
Change in inventories		-168	215
Change in accounts receivable including advances and deposits on fixed assets		-503	-572
Change in liabilities		1,270	771
CASH FLOW FROM OPERATING ACTIVITIES (A)		**-1,850**	**-2,451**
Investment operations			
Income from the disposal of fixed assets (tangible and intangible)		339	358
Acquisitions of fixed assets (tangible and intangible)		-785	-813
Change in long-term investments		-118	-122
CASH FLOW FROM INVESTMENT OPERATIONS (B)		**-564**	**-577**
OPERATING CASH FLOW AFTER FINANCING OF INVESTMENTS (C=A+B)		**-2,414**	**-3,028**
Financing operations			
Change in financial debts		-34	47
Subsidies and contributions received from the Government and third parties		2,772	2,796
CASH FLOW FROM FINANCING OPERATIONS (D)		**2,738**	**2,843**
NET CHANGE IN TOTAL CASH POSITION (C+D)		**324**	**-185**
Cash position at start of year		612	797
Cash position at year-end		936	612
Change in net cash flow		324	-185

(in € million)

5. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

A - ACCOUNTING METHODS AND PRINCIPLES

Note 1 - General framework

• Status of the CEA

The provisions of order No. 2004-545 of 11 June 2004 – incorporated in articles L332.1 to L332.7 of the French Research Code – which repealed Order No. 45-2563 of 18 October 1945, confirm that the CEA (*Commissariat à l'énergie atomique et aux énergies alternatives,* the French Alternative Energies and Atomic Energy Commission) is a scientific, technical and industrial entity with legal personality and administrative and financial autonomy, falling within the category of public undertakings with industrial and commercial activities (EPIC). The CEA is also authorised to conduct its own financial management and to present its accounts in accordance with business rules and practices.

• Operation of the CEA

In addition to the Order of 2004 and the provisions of the 1945 Order temporarily maintained, the operation of the CEA and its relations with the Government are defined by various pieces of legislation, in particular Decree No. 70-878 of 29 September 1970 and its Implementing Decree No. 72-1158 of 14 December 1972.
This legislation stipulates the principles of presentation, verification and financing of the CEA's operations by the Government.

• Key events of the financial year

- On the basis of the framework agreement and rider 1 on the financing of long-term nuclear costs, the claim on Government was revalued by +€980 million over the year under changes to estimates, i.e. a total amount of €12,157 million. This also includes the allocation of the subsidy paid by the Government for the year (€309 million), which reduces the claim.
- Provisions for end-of-cycle obligations amounted to €11,692 million as at 31 December 2014 which also factors in the financial consequences of:

- changes to estimates in an amount of €981 million,
- changes in payment schedules, with a total impact of -€54 million,
- changes in projected rates amounting to +€116 million.

- The UP1/plant project scenario rewrite prompted a €673 million estimate revision, for which the design assumptions and cost assessments were validated through an external audit.
- The supervising ministries signed the 2014-2016 and 2015-2017 three-year agreements on 13 August 2014.
- Exercise, on 11 December 2014 and in accordance with Article 2.1.2 of the Framework Agreement, of the third distribution option of Areva shares tied to the financing of dismantling operations.
  The move representing 7.15% of Areva stock, amounts to €334 million.
  In the wake of this operation, the CEA's participation in Areva amounts to 54.37%.
- Given the talks engaged between nuclear operators and the administrative authorities concerning a revision of the regulatory system putting a ceiling on the discount rate, in late 2014 CEA asked the Ministers of the Economy and Energy for a fresh dispensation from applying the regulatory ceiling rate to draw up the accounts as at

31 December 2014, and the requested dispensation extension was effectively granted up to 31 March 2015. Consequently, the discount rate applied 31 December 2014 is the rate resulting from the CEA's standard-practice method, i.e. 4.5% against 4.75% at 31 December 2013 and a forecast inflation rate of 1.75% against 1.90% at 31 December 2013.

- The CEA and Areva liaised to discuss the terms of how the CEA was to reimburse the debt tied to the transfer to Areva of CEA obligations covering future dismantling and cleanup costs on the La Hague site and the CFCa facility at Cadarache. This debt, amounting to €662.6 million at end-year 2014, will be reimbursed over the period December 2015 to December 2024 and revaluation-backed at a fixed rate of 2.85% counting from 1st July 2014. The corresponding rider 2 was signed on 27 February 2015.
- The Government has launched an official consultation phase spanning a panel of operators within the Cigeo project on deep repository storage and based on the project brief-phase cost assessment produced by Andra. In the wake of a phase for dialogue leaving waste producers two months to formulate their observations on new opportunities for potential optimizations, Andra will produce a cost estimate assessment that will also factor in the ASN and French National Assessment Committee recommendations. As the consultation process on the Cigeo cost estimate assessment had not reached a conclusion at the closing date of the year-end accounts on 31 December 2014, and given the persistent major divergence in assessments between Andra and the waste producers, the CEA is holding back until publication of a definitive assessment from the governing authorities before revising its book provision.
- As the net position of FT1CI, a company in which CEA holds a 20.8% stake, had improved as at 31 December 2014, zero additional provision for impairment was posted.
- In response to the letter of 21 June 2013, in which the Government notified the CEA of the termination on 31 December 2013 of the agreement 04-2008 that had been signed within the framework of the G8 Global Partnership, the 2014 accounts implemented this decision, which primarily consisted in balance of account brought forward amounting to €0.8 thousand.
- The assumptions used by the CEA to calculate commitments relating to staff as at 31 December 2014 have been revised to account for the following changes:
  - the change in discount rate, which fell from 3.25% at 31/12/2013 to 1.85% at 31/12/2014. Long-term inflation rate has dipped to 1.60% against 1.80%;
  - change in the generation-stratified actuarial life table, which now integrates the latest TGHF05 table which is not only more up-to-date but also better aligned to the data observed at the CEA.

Note 2 - Accounting methods and principles

• General principles

The annual financial statements of the CEA have been drawn up according to the methods and principles of the general chart of accounts in compliance with the French accounting standards setter (ANC 2014-03) ratified by the Order of 8 September 2014 published in the *Journal Officiel* of 15 October 2014.

Exemptions have been granted, if in the valuation of certain assets and liabilities and their calculation, the application of the accounting regulations laid down by these texts was deemed unlikely to produce a true representation of the business and assets, given their specialised nature (stock and work in progress) or their method of financing. Financing received at the end of the year, for services that have not yet been provided, is posted under "Budgetary operating income" then allocated to the "Special Fund" item.

Similarly, if, after allocation of income, the balance of transactions for the year results in a negative balance, namely as a result of cancellations of grants recorded over the year, in circumstances that do not allow a corresponding reduction in expenditure owing to commitments already fulfilled, this balance is allocated to the "Special Fund".

• Accounting methods and principles in force at year-end closing

a. Intangible assets

Intangible assets consist of patents and licences acquired, which are depreciated over the useful economic life of the said assets or their likely conditions of use. These correspond to the straight-line method and the rates applied to these asset categories, not exceeding a period of five years. They also include the pre-financing of Andra investments for the acquisition of disposal rights the depreciation of which is calculated in proportion to the effective use of the rights compared to the reserved volume.

R&D costs, whatever the outcome, are stated as expenditure for the year.

b. Property, plant & equipment

Property, plant and equipment is valued at the historical acquisition cost or production cost, excluding financial and administrative expenses.

The CEA applies the component approach for each of its major investments.

Depreciation schedules are determined for these assets on the basis of the useful economic life or the likely conditions of use thereof. These correspond to the straight-line method and the rates normally applied to these asset categories.

Depreciation booked on the "Land" line corresponds to depreciation of the developments made on these investments.

The principal life terms applied are as follows:

- Buildings ______ 20 years
- Light constructions ______ 10 years
- Technical facilities ______ 10 to 30 years
- Equipment and machinery ______ 3 to 10 years
- Transport equipment ______ 4 years
- Furniture, office equipment and computer hardware _ 3 to 10 years

Investment subsidies received for fixed asset purchases are posted under "Equipment grants received from Government" and "Equipment grants received from third parties".

c. Dismantling assets

The portion of provisions for end-of-cycle operations corresponding to funding expected from third parties (IRSN) is recognised in an account called "Dismantling assets - third parties".
These assets are valued symmetrically to the corresponding provisions, on a discounted basis (cf. note 2k (2)).

d. Long-term investments

Long-term investments are valued at their historical cost.
Their inventory value is calculated on the basis of the share of the net worth of the subsidiary on the closing date. A provision is booked when this inventory value, calculated on a share-by-share basis, is lower than the historical cost.

e. Inventory

Inventories of raw materials, basic inputs and strategic materials are valued at their estimated weighted average cost.
Inventories of consumables are valued at their weighted average cost.
Work-in-process, goods-in-process and finished products are valued at their cost price. Cost price corresponds to the purchase cost of goods and services or the production cost excluding overheads and financial expenses.
In terms of presentation, the value used for weapon systems and resources made available to the Armed Forces is the value of the materials alone, which will ultimately be recovered by the CEA.
As these materials were procured and funded under specific programmes, they cannot be converted into realizable or disposable assets and are not therefore depreciated.
Inventories of consumables and basic inputs are considered used once they have been made available to the end user or have entered the reactor or become part of a cycle involving exposure to radiation.
At year-end closing, the value of inventories of consumables is assessed on the basis of their value in use or the utility value of the materials.

f. Claims on Government

The provisions of amendment 1 to the Government/CEA framework agreement on the funding of the CEA's long-term nuclear costs set the amount of the claim on Government as at 31 December 2014 (€12,157 million).
The impacts of this agreement on the accounts are explained in note 18.

g. Impairment of trade receivables

This is valued on a case-by-case basis according to the assessment of the risk at the end of the quarter. Barring exceptional and duly justified scenarios, a provision is booked on 31 December for any trade receivable still unpaid six months after the due date.

h. Short-term investments

Short-term investments are posted in the balance sheet at their acquisition cost.
Furthermore, on the closing date, unrealised gains or losses are calculated on the basis of the last known net asset value of the units for UCITSs, and on the basis of the last price in December for bonds.
A provision is booked for unrealised losses recognised at year-end closing.

i. Budget subsidy received from Government

The budget subsidy notified by the Government is successively entered in "Equipment grants", "Special fund" or "Budgetary operating income" depending on the type of expenditure it is used to finance.
In the accounts, given the national importance of the CEA's activity, these revenues are allocated first to financing ongoing needs, and the balance is allocated to financing net operating expenses of the year.
The amount entered in "Equipment grants" corresponds to the residual value of intangible and tangible fixed assets, excluding non-budget transactions concerning advances and deposits paid on orders for fixed assets.
The amount entered in the "Special fund" mainly represents the financing of long-term investments and inventories. The amount entered in "Budgetary operating income" represents the portion of funds received from the Government allocated to net operating expenditure of the year.

j. Equipment grants received from Government and third parties

These are credited to the income statement according to the estimated service life or length of use of the fixed assets that they were used to finance.

k. Provisions for contingencies and charges

A provision is booked where there is an obligation to a third party on the closing date, whether legal, contractual or implicit, that will probably give rise to an outflow to the third party which the CEA is able to estimate with sufficient reliability.
No provisions are booked for any liabilities corresponding to an obligation that is neither likely nor definite on the closing date.
These liabilities, if significant, are mentioned in the Notes.

1. Commitments relating to staff

In view of how the CEA is financed, its commitments to its staff, consisting of leave banks for retirement benefits and other postemployment commitments are not provisioned, but posted in off-balance sheet commitments, with the exception of those actually invoiced to customers, for which a provision for expenses is booked.

2. End-of-cycle commitments

a) Nuclear facility dismantling financing

Provisions relating to the dismantling of nuclear facilities correspond to the total cost of the operation when the CEA is the nuclear operator of the facility, or to the share attributable to it through its past involvement in a programme or the joint operation of a facility where the CEA is not considered to be the nuclear operator. As the deterioration is immediate, these provisions are booked as soon as the facility is commissioned for active operation.

The corresponding entry of the portion of provisions to be funded by third parties is broken down into the following items:

- posting in a "Dismantling assets to be financed by third parties" account. This asset is not depreciated but converted into accrued income over the years the facility in question is dismantled, to reflect the Fund's claim in relation to the third party in accordance with the agreed contractual provisions;
- future financing expected from the Government is now posted in a "Claim on Government" account, in accordance with the provisions of the Government-CEA framework agreement. The liquidity of this claim is reflected by the introduction of rolling three-year agreements.

In a letter dated 1st December 2008, the DGEC[4], which is the administrative authority that controls the hedging of nuclear operators, confirmed that these assets were eligible as hedging assets within the meaning of Article 20 of the Law of 28 June 2006 during the transition period provided for under that Law.

Similarly, the CEA uses the assumption that the cash provided by these assets will meet its cash flow requirements.

This assumption is supported by the French Government's decision to confirm its undertaking to contribute to the CEA's dedicated funds, by signing an agreement stipulating, on a three-year basis, the manner in which the Government will provide the necessary cash.

b) Evaluation of nuclear facility dismantling costs

Facility dismantling costs are assessed using a method designed to produce the best estimate of the costs and lead-times of operations at any given time:

- upstream, from the commissioning phase, a technical-economic model is applied to the various types of facilities to be dismantled, based on an inventory of the equipment, and its projected radiological situation, and on models involving scenarios and elementary cost ratios.
  Given the variety of facilities to be dismantled and the resulting variation from one facility to another, assessment models are based on standard scenarios applied to the dismantling of standard units corresponding to functions (spent fuel pool, ponds, fabricated equipment and pipework, trenches, etc.) and associated with radiation and contamination levels, accessibility and the possibility of carrying out work (existence of materials handling equipment, equipment for cutting inside the cell, etc.);
- once the dismantling project is initiated, studies are successively conducted to assess cleanup and dismantling costs with a consistently smaller margin of error;
- finally, during the work, termination costs are regularly reviewed based on orders and contracts in progress.

Provisions for the dismantling of nuclear facilities and for waste retrieval and conditioning are booked on the following bases:

- an inventory of the cost of bringing the site to the decommissioning level which, unless there are any particular requirements to be considered, generally involves the total, unconditional release of the site, i.e. aiming to completely eliminate all areas with a radioactive risk, keeping the civil engineering structures in place.
- the commencement of operations immediately after the final shutdown of "production", which means that assessments do not take projected monitoring costs into account;
- assessment of expenditure based on projected costs, including labour costs of operational staff (operators), managerial staff and radiation protection staff, consumables and equipment, the treatment of the resulting waste, including final disposal. The valuation also takes into account a share of the technical support costs of the CEA units in charge of decommissioning.
- Lastly, it takes into account the financial impact resulting from the risk analyses carried out for each project. For projects in progress, the analysis is based on a list of contingencies and risks, and an estimation of their impact in terms of cost and time, weighted according to their likelihood of occurrence. When this analysis is not available, the CEA uses a macroscopic approach taking into account the difficulty of the project and the extent of knowledge of what remains to be done depending on the achievement, or otherwise, of the following steps: internal drawings, preliminary design, final design, RFPs, phase completions. This approach is transitional pending the results of risks analyses. For other projects, scheduled for completion in the medium and long term, the analysis is based on feedback from ongoing projects according to the type of facility (reactor, laboratory, etc.) and the expense items (project and works management, operation, waste);
- inclusion of VAT, calculated on the basis of the applicable VAT rate (20% as at 31 December 2014) and of the flat taxation rate.

[4] DGEC: the Directorate General for Energy and Climate, administrative authority controlling the coverage of nuclear operators.

c) Long-term management of radioactive waste packages

Future expenses relating to deep disposal are assessed at the end of each year, based on the quantities of high- and intermediate-level waste produced (HLW-LL and ILW-LL) governed by the Law of 28 June 2006, and the assumption that a deep geological repository will be used. Under the stewardship of the DGEAC, a working group was set up in 2004, made up of representatives from Andra, EDF, Areva and the CEA. The group submitted its report in the second half of 2005. The CEA appropriately applied the working group's findings and calculated unit costs per waste category based on a total estimate of €14.1 billion (under 2003 economic conditions) for the deep geological repository.

The Government has initiated a process to update this assessment:
- In 2009, Andra made an assessment based on technical studies in progress, changes in the inventory and economic conditions (inflation, price of raw materials, etc.). Producers asked for technical optimisations to be taken into account (lengthening of above-ground vaults, tunnelling, etc.). These optimisation potentials are examined within the framework of outline studies.
- Andra filed its outline-phase assessment package with the Government authorities in December 2014. At the date said report was drafted, a formal consultation phase was underway with the panel of operators;
- The Minister for Energy will decide on the storage cost assessment in accordance with the Environment Code and will make it public after obtaining producers' observations and seeking the opinion of the French Nuclear Safety Authority.

For information, a €1 billion rise (under 2003 economic conditions) in the estimate for the deep geological repository would have an estimated impact of €170 million in gross value and of €69 million in discounted value on CEA's end-of-cycle provisions, using the same applied costs between producers.

The provisions also incorporate the share of costs of monitoring two disposal facilities, one in La Manche and one in the Aube, which have received or receive low-level, short-lived waste, as well as the expenses for the removal and planned sub-surface disposal of low-level, long-lived waste owned by the CEA (composed of graphite and radium-bearing waste).

d) Accounting for dismantling and waste retrieval and conditioning obligations

End-of-cycle provisions are booked on a discounted basis by applying a rate of inflation and a discount rate to the projected cash flows positioned by maturity. These rates are estimated according to the following principles:
- the rate of inflation corresponds to the long-term objective of the European Central Bank,
- the discount rate is obtained taking into account:
  . the rolling average over four years of the 30-year constant maturity rate fungible Treasury bonds,
  . and the average of the rolling averages over four years of the margins applied to AA, A and BBB companies, capped at 100 basis points in accordance with regulations in force (limit set by Order of 21 March 2007 of the Ministry of the Economy and Finance).
- Given the talks engaged between nuclear operators and the administrative authorities concerning a revision of the regulatory system putting a ceiling on the discount rate, in late 2014 CEA asked the Ministers of the Economy and Energy for a fresh dispensation from applying the regulatory ceiling rate to draw up the accounts as at 31 December 2014, and the requested dispensation extension was effectively granted up to 31 March 2015. Consequently, the discount rate applied 31 December 2014 is the rate resulting from the CEA's standard-practice method, i.e. 4.5% against 4.75% at 31 December 2013 and a forecast inflation rate of 1.75% against 1.90% at 31 December 2013.

The effects of accretion over time are accounted for each year in the balance sheet by increasing the provisions for end-of-cycle operations with a corresponding entry in "Financial expenses", the part relating to financing to be received from third parties and the Government being recognised by increasing the claim on Government with a corresponding entry in "Financial income".

The changes in assumptions concerning changes in estimates, discount rate and schedules are governed by amendment no. 1 to the Government/CEA Framework Agreement.

e) Systems and means made available to the Armed Forces

Analyses carried out during the year 2012 dispelled uncertainties and led the CEA to include irradiated fuel elements of defence facilities in the end-of-cycle provisions for the year.

The costs of dismantling weapons systems and means made available to the Armed Forces are not presented as off-balance sheet commitments, as they are met by the Armed Forces themselves. The same applies to the cost of retrieving the corresponding materials which are considered necessary for the CEA's operations.

f) Main sources of uncertainty or significant risks on the close of accounts and contingent liabilities

On the closing date of the year-end accounts, the assessments used for end-of-cycle provisions are the CEA's best estimation of the resources required to perform its current and future dismantling and cleanup obligations of its own facilities (including waste retrieval and conditioning).

Furthermore, certain obligations will probably give rise to an outflow that the CEA cannot reliably estimate given the information available at the date of year-end closing. Other obligations (contingent liabilities) remain only potential at this stage and are contingent on one or more uncertain future events not fully within the CEA's control actually occurring or not occurring.

These end-of-cycle costs are thus estimated making allowance for significant uncertainties that, being inherent in the expected duration of operations (several tens of years), warrant being stated in the Notes. Examples include the following factors:

- the target end-state of facilities and sites to be dismantled may change according to demands from public and safety authorities (study under way between ASN and CEA on the dismantling strategy, particularly the target end-state of civil facilities);
- the estimation of future expenses for deep disposal of high- and intermediate-level waste is, as things stand, based on a reference scenario dating back to 2003 and currently being reviewed by Andra;
- the safety, security and environmental requirements laid down by public and safety authorities may change, and thus impact the schedule and performance of work;
- detailed knowledge of the actual condition of certain aging facilities must sometimes be reinforced by inventory and radiological characterisation operations which will only be possible during future dismantling operations. It will be necessary to adapt the dismantling scenarios to in response to subsequent knowledge progressively acquired on the facilities;
- project schedules are often interlinked, such that any late performance on one project can cause delays and extra costs on all end-of-cycle operations. As an example, the non-availability of disposal facilities on the due dates would have a significant impact on end-of-cycle scenarios, particularly on waste retrieval and conditioning programmes;
- nuclear facility end-of-cycle operations require ongoing coordination and negotiations between the various waste producers, in order to coordinate their individual scenarios with financial needs, transport capacities and the actual capacities of waste disposal facilities.
  The CEA may even be required to amend its own scenarios to allow for these factors;
- the premature stoppage of certain facilities or certain projects may lead to cleanup and dismantling work being launched much earlier than planned in the initial scenarios;
- the scope and conditions of the future waste handling by Andra in its LL-LL and Cigeo disposal facilities;
- the internalization of end-to-end management of all sources used and certain used fuels used, wastes or effluents, and the observations of the "Standing committee on Waste" on the solid and liquid wastes management strategy;
- possible changes to waste and facility treatment and cleanup technologies could impact the final cost of end-of-cycle operations;
- the time-phasing of dismantling operations results in schedules of outflows integrated into the financial scenarios. The CEA works on the assumption that the outflows scheduled are consistent with the funding that will be effectively made available to it.

I. Tax and social security liabilities

The CEA's commitments to staff in respect of paid holiday due but not yet taken, and paid holiday accrued but not yet due, have been recognised since 2006.

In 2012, the CEA extended recognition to the leave entitlement recorded by staff in a leave bank (CET-PERCO).

B - COMMENT ON THE FINANCIAL STATEMENTS (*in € million*)

Note 3 - Operating income

Operating income represents research, work and services invoiced by the CEA to third parties in the performance of its programmes or services.

Note 4 - Budgetary operating income

This item corresponds to the balance of the Government subsidy for the financial year allocated to the financing of operating expenditure for the year.

Note 5 - Expenditure for the year

The year's expenditure breaks down as follows:

	2014	2013
Inventory purchases	**71**	**-3**
Subcontracting	**681**	**683**
Non-inventory materials and supplies	**386**	**371**
Outsourcing:		
Maintenance and repair	293	292
General subcontracting	256	265
Travel - Assignments	48	48
Intermediaries and fees	59	61
Temporary and seconded staff	41	42
Transport of property and personnel	34	38
Training courses	15	16
General and technical documentation	6	14
Telecommunications - Postal costs	6	7
Rentals	35	36
Other expenses	79	73
TOTAL	**2,010**	**1,943**

(in € million)

Note 6 - Tax other than on income

The “tax other than on income” item breaks down as follows:

	2014	2013
Non-recoverable VAT on goods and services	50	61
Payroll tax	58	58
Tax on basic nuclear facilities	61	37
Other tax	34	35
TOTAL	**203**	**191**

(in € million)

Note 7 - Payroll expenses

Payroll expenses break down as follows:

	2014	2013
Wages and salaries	996	990
Social security contributions	456	447
TOTAL	**1,452**	**1,437**

(in € million)

Note 8 - Allocations and reversals of depreciation and provisions

Depreciation and provisions and reversals thereof break down as follows:

	2014	2013
Depreciation		
Allocations	-385	-381
Reversals	-	-
Provisions for impairment of assets		
Allocations	-47	-31
Reversals	31	17
Provisions for contingencies and charges		
Allocations	-24	-25
Reversals	678	646
TOTAL	**253**	**226**

(in € million)

The depreciation booked concerns intangible assets and property, plant and equipment (€385 million in 2014). The reversal of provisions in 2014 of €709 million mainly relates to the dismantling of nuclear facilities and the treatment of waste and unused fuel (€656 million).

Note 9 - Reversals of equipment grants and contributions received from third parties

This item corresponds to the deduction made from the “Equipment grants received from Government” and “Equipment grants received from third parties” items, according to the useful or service life of the assets financed.
Reversals in 2014 (€411 million) mainly financed depreciation booked for the year intangible assets and property, plant and equipment (€385 million) after taking into account a reversal of provisions for impairment of fixed assets.

Note 10 - Income from joint operations

None to post for 2014.

Note 11 - Financial income/loss

The financial loss stands at -€7 million in 2014, against -€8 million in 2013, and breaks down as follows:

	2014	2013
Dividends	8	8
Investment income and interest on receivables	6	10
Revaluation of the “Provision for dismantling”	493	410
Reversals of provisions	64	22
Other financial income	5	4
Reversal of provision for depreciation in shares	3	12
FINANCIAL INCOME	**579**	**466**
Interest on borrowings and debts	85	45
Net charges on the disposal of short-term investments	-	-
Provisions	501	428
Other financial expenses	-	1
FINANCIAL EXPENSE	**586**	**474**

(in € million)

Provisions booked for the year 2014 (€501 million) break down into €374 million to cover the impact of the accretion of provisions for end-of-cycle operations (effect of inflation and accretion), €117 million for the impact of projected change in discount rate on schedules for end-of-cycle operations, €6 million for the impairment of short-term investment booked as unrealised losses at year-end closing.

In financial income, the revaluation of the “Provision for dismantling” item includes all provisions for dismantling facilities and treating waste on discounted bases (effect of inflation and accretion).

The reversal of provisions amounting to €64 million mainly covers end-of-cycle provisions, with the reversal linked to the impact of changes in the payment schedules (€58 million) and the reversal of the provision for impairment of short-term investments (€5 million).

Note 12 - Non-operating income/loss

Non-operating income amounted to €202 million in 2014 and breaks down as follows:

	2014	2013
Reversals of equipment grants received from the Government	86	5
Income from the disposal of assets	339	358
Reversals of provisions	3	5
Other non-operating income	7	11
NON-OPERATING INCOME	**435**	**379**
Management operations	30	8
Retirement of fixed assets	201	123
Depreciation and provisions	-	-
Other non-operating expenses	2	2
NON-OPERATING EXPENSES	**233**	**133**

(in € million)

The “Reversals of equipment grants received from the Government” item (€86 million) corresponds to the net book value of retirement of assets during the year.

The “Income from the disposal of assets” item (€339 million) mainly corresponds to the sale of the Areva shares.

The “Retirement of fixed assets” item corresponds to the net book value of the assets disposed of or scrapped over the year for €201 million (€123 million in 2013), including €115 million in net book value of the Areva shares sold during the year.

Note 13 - Intangible assets and property, plant & equipment

Movements in intangible assets and property, plant and equipment, together with the corresponding depreciation and provisions, are as follows:

GROSS AMOUNTS	Balance as at 31.12.2013	Acquisitions and productions 2014	Retirements 2014	Other operations 2014[5]	Balance as at 31.12.2014
Intangible assets	251	8	7	8	260
Land and developments	193	-	-	3	196
Constructions	2,378	15	4	99	2,488
Specific facilities and other property, plant & equipment	6,083	45	238	258	6,148
Assets (intangible assets and property, plant and equipment) in progress and nearing completion	4,264	697	51	-368	4,542
TOTAL	**13,169**	**765**	**300**	**-**	**13,634**

(in € million)

DEPRECIATION/PROVISIONS	Balance as at 31.12.2013	Depreciation and provisions allocation 2014	Reversals of provisions and retirements 2014	Other Operations 2014	Balance as at 31.12.2014
Intangible assets	216	13	7	-	222
Land and developments	100	8	-	-	108
Constructions	1,620	102	4	-	1,718
Specific facilities and other property, plant & equipment	4,618	293	194	-	4,718
TOTAL	**6,555**	**416**	**205**	**-**	**6,766**

(in € million)

[5] *Allocation of work-in-progress as completed assets, adjustments and account-to-account transfers.*

Note 14 - Third-party dismantling assets

Amounting to €2 million as at 31 December 2014, this item represents future financing expected from the IRSN in respect of the contribution to the cleanup costs of the Cabri facility.

Note 15 - Long-term investments

This item breaks down as follows:

	01.01.2014	Increase	Decrease	31.12.2014
Equity interests	1,279		115	1,164
Investment-related receivables	10		2	8
Loans	8		2	6
Other long-term investments	1			1
TOTAL	**1,298**	**0**	**119**	**1,179**
Provision for depreciation	117		2	115

(in € million)

Equity interests primarily consist of the CEA's stake in the capital of Areva, a holding that holds the CEA's equity interests, worth €872 million after the disposal in 2014 of 7.15% of the Areva shares, a €260 million stake in the capital of FT1CI, a €27 million stake in CEA Investissement, and a €1 million stake in Minatec, a local semi-public company.

Receivables relating to investments and EIGs stand at €8 million at year-end 2014, compared to €10 million at the end of 2013.

The "Loans" item represents a net balance of €6 million at the year-end 2014, down by €2 million compared to 2013.

This item breaks down as follows:

- loans to personnel: €4 million, down by €1 million compared to 2013
- full discharge loans to collecting organisations: €2 million, identical to 2013.

Note 16 - Inventory and work-in-process *(gross amounts)*

This item breaks down as follows:

	31.12.2014	31.12.2013
Raw materials and other supplies	3,486	3,533
Work-in-process	1,247	986
Semi-finished and finished products	1,230	1,244
TOTAL	**5,963**	**5,763**

(in € million)

Note 17 - Maturities of receivables

At year-end closing, the situation was as follows:

	Maturing in less than 1 year	Maturing in over 1 year
Fixed asset receivables	3	12
Current asset receivables	1,714	11,822
Accruals	15	1
TOTAL	**1,732**	**11,835**

(in € million)

Note 18 - Claims on Government

The signing of a Framework Agreement between the Government and the CEA and end-2011 rider on the financing of the CEA's LT[6] nuclear costs served to define the valuation methods used for this item.

Several source factors explain the change in this item in addition to the transfer on 1st January 2011 of the amounts posted in the "DMT[7] Assets, OS[8] and Government" item, including mainly:

- variation in the Areva share price;
- impacts tied to the dismantling provisions;
- lastly, the change in WCR and amounts required to hedge liabilities.

Note 19 - Other receivables

The "Other receivables" item stands at a net amount of €259 million at year-end 2014 compared to €753 million at year-end 2013, i.e. a €494 million decrease primarily due to:

- subsidies to be received from third parties, €212 million in 2013 compared to €170 million at year-end 2014, representing a €42 million decrease,
- the change in the "Invoices receivable" item (-€7 million);
- the change in payment credits to be received from the Government (-€451 million);
- the change in the accounts receivable item (€3 million).

Note 20 - Cash and short-term investments

This item covers the position of all bank accounts and investments, representing a gross value of €1,038 million as at 31 December 2014. Bank accounts in credit are posted under "Financial debts".

This item breaks down as follows:

	31.12.2014	31.12.2013
Liquid assets and investments allocated to ongoing operations	204	282
Liquid assets allocated to the national loan	739	538
Liquid assets and investments committed to end-of-cycle operations	95	93
TOTAL	**1,038**	**913**

(in € million)

[6] LT: long-term. [7] DMT: Dismantling. [8] OS: Own share.

The portfolio committed to end-of-cycle operations breaks down as follows:

	31.12.2014	31.12.2013
In market value:		
Equity investment funds	60	58
Bonds and money market funds	35	35
TOTAL	**95**	**93**
By geographic area:		
Euro zone	80	88
World	15	5
Other	-	-
TOTAL	**95**	**93**

(in € million)

OBJECTIVE OF THE DEDICATED PORTFOLIO

As an operator of nuclear facilities, the CEA has a legal obligation to secure and dismantle its facilities once they have been fully or partly decommissioned. When it is not the nuclear operator of a facility, the CEA must still contribute to financing these operations in proportion to its use of the facility in question, or its participation in a programme involving the operation of nuclear facilities.

Similarly, it must sort and condition the waste and scrap materials induced by its research activities and the dismantling of its facilities, in accordance with standards in force, with a view to the final disposal of this waste.

The CEA has several sources of funding to meet its commitments:

- Civil Fund: commitments concerning civil centres, excluding nondeductible VAT;
- Defence Fund: commitments under the UP1 programme in Marcoule and the Military Applications Division units;
- The Government, excluding funds: non-deductible VAT burden on civil centre commitments.

Part of the CEA's liquid assets is allocated to the civil and defence dismantling funds and committed to future expenditure on facility dismantling and waste and spent fuel management.

There are four Dedicated Funds, two for the civil sector and two for the defence sector, facilities commissioned before 31 December 2009 ('FDC' and 'FDD') and after 1st January 2010 ('INC' and 'IND') being monitored separately.

Based, at the outset, on the expenditure payment schedule, which mostly covers a period up to 2040 and beyond, the portfolios of the civil and defence dismantling funds (FDC and FDD) were initially managed with long-term prospects. In the absence of sufficient contributions, investment horizons were shortened when the two Funds neared depletion, respectively in 2011 (FDD) and 2012 (FDC). These portfolios currently comprise venture capital funds subscribed at the outset and still active, as well as money market portions to meet dismantling costs after the annual supplementary contributions.

The INC and IND portfolios are invested via open-end mutual investment funds, the management of which is outsourced. As at 31 December 2014, they comprise 54% of equity funds, 34% of bond funds, and 12% of money-market funds. Dedicated to expenditure that will only be made several decades after the commissioning of facilities starting in 2010, these portfolios are managed with very long-term prospects and will soon be 70% invested in equity and 30% in interest rates.

TERM BOND FUND

The bond maturities are in line with the calls.

Minimum ratings at the time of entering into transactions are P1 (Moody's), A1 (Standard & Poor's), and F1 (FITCH).

- **Fund valuation**

  The inventory value of term bond funds is determined by valuing the shares held by each fund at their market value on the last day of the financial year.

VENTURE CAPITAL FUND

Given the reduction in the portfolio's exposure to equities, only subscriptions in venture capital investment funds remain. The lack of liquidity requires investments to be held during the creation of the funds, generally for a period of around ten years.

- **Venture capital fund mix**

  The funds' assets are made up of shares giving access to the capital of companies that are either unlisted or listed on one of the regulated growth stock markets.

- **Venture capital fund valuation**

  Non-listed securities are valued at their subscription price and revised as applicable, in the event of a downturn in the companies' prospects. Shares admitted for trading on a regulated market are valued at their net asset value.

Note 21 - Allocation fund

Changes to the allocation fund break down as follows:

	Amount as at 31.12.2013	Allocation 2014	Reversal 2014	Amount as at 31.12.2014
Allocation funds received from Government	7,134	196	-	7,330
Equipment grants received from Government	5,697	655	444	5,908

(in € million)

Note 22 - Accumulated balance of the financial years

The accumulated balance of the financial years, after recognition of the 2014 balance (€255 million), amounts to -€3,099 million.

It breaks down as follows:

- General budget ______ - 22
- Civil Funds ______ -3,197
- Defence Funds ______ 116
- New facilities - Civil ______ -
- New facilities - Defence ______ -
- Supplementary budgets ______ 1
- PMG8 ______ -
- ITER ______ 1
- DSND ______ 2
- DDCG ______ -
- AFNI ______ -
- I2EN ______ -
- IRT ______ -

Total -3,099

The change between 2013 and 2014 breaks down as follows:

	Amount as at 31.12.2013	Allocation to balance brought forward	2014 balance	Situation as at 31.12.2014
General budget	-125	-	103	-22
Civil Fund	-3,363	-	166	-3,197
Civil Fund - new facilities	-2	-	2	-
Defence Fund	109	-	7	116
Defence Fund - new facilities	-1	-	1	-
G8GP	1	-1	-	-
Supplementary budgets	1	-	-	1
ITER	24	-	-23	1
DSND	2	-	-	2
DDCG	-	-	-	-
AFNI	-	-	-	-
I2EN	1	-	-1	-
TOTAL	**-3,353**	**-1**	**255**	**-3,099**

(in € million)

This negative balance has mainly arisen from the management of the Civil Fund which initially produced a financial imbalance when it was set up. This imbalance is due to the difference between the book value of the Areva interest, posted in the CEA accounts at its historical acquisition value, and its estimated present value. It should be cancelled out, particularly through the disposal of the Areva shares allocated to the Civil Fund.

The balance of the general budget (-€22 million) has been affected by the paid leave and leave bank (CET) provision totalling €208 million, which will be financed by the subsidy.

This situation should not jeopardize the CEA's continuation as a going concern.

Note 23 - Provisions for contingencies and charges

Provisions for contingencies and charges changed over the year as shown below:

	Amount as at 31.12.2013	Allocations 2014	Reversals 2014 [10]	Amount as at 31.12.2014
Provision for dismantling and treatment of waste and unused fuel	10,926	1,481 [9]	715	11,692
Provision for dismantling allocated to facilities financing	25	-	1	24
Provision for litigation	45	10	20	35
Provisions for Cigeo readjustment	-	16	-	16
Provision for normal waste treatment	28	3	-	31
Provision for retirement obligations	43	2	5	40
Provision for service medals	6	1	-	7
Provision for retrieval of sources	-	-	-	-
Other	1	2	-	3
TOTAL	**11,074**	**1,515**	**741**	**11,848**

(in € million)

[9] Operations with the "Claim on Government" item: €996 million (allocation: €996 million).

[10] Including a reversal of unused provisions: operating = €1 million and non-operating: €0 million.

In provisions for contingencies and charges, provisions for dismantling and treatment of waste and unused fuel amount to €11,692 million at year-end 2014, i.e. 99% of the total amount of these provisions. They break down as follows:

	Total	Civil Fund and CEA	INC	Defence Fund	IND	Excluding Government/ third-party funds
SITUATION AS AT 01.01.2014	**10,926**	**4,713**	**24**	**6,215**	**4**	**-29**
Impact of inflation and accretion	373	161	1	212	-	-1
Impact of projected rate changes	115	44	-	72	-	-1
Reversal on works	-653	-285	-	-369	-	1
Change in estimates and scope effects	982	209	3	757	-	13
Impact of new facilities	3	-	3	-	-	-
Change in schedules and forecast inflation	-54	-19	-	-39	-	4
SITUATION AS AT 31.12.2014	**11,692**	**4,822**	**31**	**6,848**	**4**	**-13**

(in € million)

As at 31 December 2014, the application of a discount rate 0.5% higher or lower than the rate used would have altered the value of provisions for end-of-cycle operations falling within the scope of the decree by -€682 million or +€696 million, respectively.

On total provisions (within and outside the law), values amount to €11,011 million and €12,389 million.

As at 31 December 2014 and 2013, provisions for the dismantling of facilities and treatment of waste and unused fuel, within the scope of the Decree of 23 February 2007 on securing funding for nuclear costs break down as follows:

CATEGORY OF COSTS	Cost in gross value		Cost in discounted value	
	Total cost 2013	Total cost 2014	Total cost 2013	Total cost 2014
1. DISMANTLING				
1.1 to 1.4 Facilities where CEA is nuclear operator	8,104.7	8,889.7	5,722.7	6,323.7
1.1 to 1.4 CEA share in facilities operationally under third-party operation	46.5	43.3	42.5	40.2
1.5 Third-party nuclear operator	405.6	377.9	324.4	311.2
SUB-TOTAL	**8,556.8**	**9,310.9**	**6,089.6**	**6,675.1**
2. FUEL MANAGEMENT				
2.1 Recycling in built or build-in-progress industrial facilities	1,163.1	1,147.2	524.3	526.3
2.2 Other fuels	149.5	248.5	129.2	203.9
SUB-TOTAL	**1,312.6**	**1,395.7**	**653.5**	**735.6**
3. RETRIEVAL AND CONDITIONING OF LEGACY WASTE				
3.1 Retrieval and conditioning operations on waste held at a CEA-facility repository	3,145.8	3,086.7	2,535.9	2,333.4
SUB-TOTAL	**3,145.8**	**3,086.7**	**2,535.9**	**2,333.4**
4. CENTRALISED MANAGEMENT OF RADIOACTIVE WASTE PACKAGES				
4.1 CEA-led management of waste packages	348.4	528.7	272.1	354.2
4.2 Long-term management of waste packages	2,807.2	2,800.5	1,250.4	1,294.8
SUB-TOTAL	**3,155.6**	**3,329.2**	**1,522.5**	**1,649.0**
5. MONITORING OF DISPOSAL FACILITIES AFTER CLOSURE				
5. Monitoring of disposal facilities after closure	581.2	583.4	67.0	69.9
SUB-TOTAL	**581.2**	**583.4**	**67.0**	**69.9**
TOTAL PROVISIONS IN SCOPE OF THE LAW EXCLUDING NON-DEDUCTIBLE VAT LAW	**16,752.1**	**17,705.8**	**10,686.4**	**11,462.9**
Non-deductible VAT in scope of the law	-97.5	-75.3	-28.3	-13.0
TOTAL PROVISIONS IN SCOPE OF THE LAW OF 28 JUNE 2006	**16,654,6**	**17,630.5**	**10,658.1**	**11,649.8**
Provisions for costs off scope of the law ('ICPE' classified facilities...)	327.5	296.1	268.7	243.0
Non-deductible VAT in scope of the law	-2.8	-1.9	-1.0	-0.4
TOTAL PROVISIONS OFF SCOPE OF THE LAW	**324.7**	**294.2**	**267.7**	**242.6**
TOTAL PROVISIONS IN/OFF SCOPE OF THE LAW	**17,079.6**	**18,002.0**	**10,955.2**	**11,705.9**
Non-deductible VAT in/off scope of the law	-100.3	-77.2	-29.4	-13.4
TOTAL PROVISIONS AS AT 31 DECEMBER	**16,979.3**	**17,924.7**	**10,925.8**	**11,692.4**

(in € million)

Note 24 - Schedule of debt maturities

At year-end closing, the situation was a follows:

	Maturing in less than 1 year	Maturing in 1 to 5 years	Maturing in over 5 years
Financial debts	109	44	2
Debts to third parties	1,774	637	555
Accruals	41	1	35

(in € million)

Note 25 - Cash flow from operations

EBITDA	-604
Income from joint-led operations	-
Financial expenses payable	-4
Collectible financial income	19
Non-operating expenses payable	-33
Collectible non-operating income	7
Budgetary operating revenue	-1,834
Income tax	-
TOTAL	**-2,449**

(in € million)

Note 26 - Off-balance sheet commitments as at 31.12.2014

COMMITMENTS IN	
Guarantees received from banks to cover holdbacks paid to suppliers	106
Various bank guarantees	2
COMMITMENTS OUT	
Staff benefits [11]	**917**
Retirement liabilities:	
- Retirement benefits	334
- Early retirement scheme	479
Pensioners' health scheme	104
Exchange cover	**9**
Other commitments	**13**

(in € million)

[11] *Including €40 million in commitments provisioned.*

Commitments for staff benefits are valued on bases discounted at 1.85% as at 31 December 2014, including 1.60% for inflation.

The discount rate applied to social liabilities is defined on the basis of market conditions at the end of November, based on Government borrowing rates covering a period equivalent to the social liabilities in question. An average risk premium is then added, based on first-rate industrial and commercial corporate bonds.

The resulting rate is rounded up or down in 25 bp steps, taking into account the trend in interest rates:

- for the Euro zone, the resulting rate is 1.85%;
- the reference rate is therefore identical to 2012.

Compared to 2013, these commitments are up by €31 million (€917 million at year-end 2014 compared with €886 million at year-end 2013).

This change breaks down as follows:

- rights acquired during the year ____ 5 M€
- impact stemming from the change in discount rate ____ 97 M€
- impact of labour-force moves and experience gaps ____ -61 M€

MEMORANDUM OF UNDERSTANDING BETWEEN THE *CAISSE DES DÉPÔTS ET CONSIGNATIONS* (CDC; FRENCH DEPOSIT AND CONSIGNMENT OFFICE) AND THE *COMMISSARIAT À L'ÉNERGIE ATOMIQUE ET AUX ÉNERGIES ALTERNATIVES* (CEA)

On 28 December 2001, the CDC and the CEA signed an agreement in principle whereby the parties agreed, in particular, that in the event of Areva shares being admitted for trading on a regulated market through the disposal of Areva shares held by the CEA, the CEA undertook to ensure that CDC could, if it wished, sell a number of Areva shares in the course of the operation, equivalent to the number put up for sale by the CEA. The CEA also undertook to make every effort to enable the CDC to sell its shares should it wish to withdraw from the capital of Areva, and in certain specific circumstances, in particular if:

- the shares of a company in which Areva holds more than half the capital and voting rights (other than FCI, which Areva sold on

3 November 2005) were to be admitted for trading on a regulated market in France;
- the CEA ceased to hold a majority stake in the capital of Areva or its voting rights.

The CDC did not wish to dispose of its stake in Areva's capital and remains an Areva shareholder with 3.59% of the capital.

MEMORANDUM OF UNDERSTANDING OF 12 MARCH 1993 CONCERNING AREVA TA

The capital of Areva TA is held as follows: 24.9% by Areva, 65.1% by Cedec and the remaining 10.1% of shares are held by the EDF group.
The memorandum states in particular that should the CEA's interest in Areva fall below 51%, the CEA must take over any Cedec or Areva TA shares held by Areva (i.e. 90.14% of Cedec's registered capital or 83.56% of that of Areva TA).

GOVERNMENT/CEA/KUWAIT INVESTMENT AUTHORITY (KIA) SHAREHOLDERS' AGREEMENT

This shareholders' agreement was entered into for a term of ten years starting from the reserved capital increase of Areva.
Under its provisions, the Government and the CEA undertake not to sell Areva shares for a price below the KIA's subscription price for 18 months, except for disposals of shares on the market and sales to a public body or a subsidiary fully owned by the Government.

Note 27 - Information about disputes and contingent liabilities

The presentation below concerns risks for which no provision has been booked for want of a definite obligation and/or because the liability cannot be reliably valued. As such, they are considered contingent liabilities in accordance with the governing accounting regulations.
These risks concern disputes arising in connection with direct local taxes.
The CEA considers that it is not liable for the *Contribution économique territoriale* (regional development fund pay-in), as its defence-related activities are of direct concern to national defence, and its civil activities focus on fundamental research.
For the same reasons, and also because some of its sites are listed on the French government property register (TGPE), the CEA considers that it is not liable for property tax either.
At the end of the 1990s, some local authorities disputed this reasoning, bringing a vicarious liability action against the tax authorities. Further to this action, the tax authorities issued tax rolls.
In each case, the CEA brought claims to obtain total relief from these taxes. Court decisions on the first cases confirm that the CEA's position is justified, particularly at Military Applications Division centres.
These decisions led to exemptions from business tax and in 2010, to reimbursements and interest on overpayments.
Now that it is liable for corporate income tax and must file its corporate income tax return since 2006, the CEA also intends to claim the benefit of the value-added tax ceiling.
The year 2009 saw the beginning of an audit procedure at several civil centres covering business tax, property tax and annual tax on offices in the Île-de-France region.
Following two years of audit, the *Direction des vérifications nationales et internationales* (DVNI) sent the CEA a rectification proposal implementing a sectorization method of activities taxable under local tax; this proposal was sent to the Tax Legislation Directorate (DLF) in 2011. The latter was unable to validate the approach and is still examining the case.
Thus, the DLF is currently initiating another tax audit at military centres. At the same time, pending an agreement with the central administration, the DVNI renewed audit operations at the civil centres previously audited. Finally in 2012, the DVNI did not conduct any audit on the said centres.
Therefore, provisions are only posted for amounts already notified by the DVNI.
Failing a permanent agreement on a methodology and a taxation scope, the possible risk bearing on the CEA's other centres cannot be estimated at this stage.
The risks also concern a stock of tritiated waste belonging to the CEA, stored at its centres and with its suppliers.
There is some uncertainty as to the waste removal and disposal costs, as there is no final disposal solution to date. Furthermore, under Law No. 2006-739 of 28 June 2006 on the sustainable management of radioactive materials and waste, the CEA conducted a study in 2008 to find a solution for storing tritiated waste prior to disposal at Andra's centres.
Similarly, the assumption concerning the cost of disposal of some of the bituminous waste stored at Marcoule has not been confirmed by Andra. The final disposal solution for this type of waste has yet to be defined. Studies are underway to determine whether it would be technically and economically suitable to dispose of the part of the waste initially intended for above-ground storage in a near-surface disposal facility instead.

Note 28 - Other information

- **Situation concerning corporate income tax**

The CEA's position with regard to corporate income tax was clarified with the publication of an Instruction (Instruction 4H-4-08 of 30 May 2008), explaining Article 28 of the research programme law. This law exempts public research organisations from paying tax on income derived from public research activities (No. 2006-450 of

18 April 2006 - Article 207-1-9° of the French General Tax Code).
As these new provisions concern financial years closed after 20 April 2006, the CEA has filed its corporate income tax returns as of 2006.
The Instruction also provides for the sectorization of activities.In accordance with this principle, the CEA's earnings from equity interests have been allocated to the taxable sector.

• Policy on insurance

The CEA's policy concerning insurance consists of a set of clear, consistent and coordinated principles that result from regular discussions between the Insurance Department and the various operational and functional divisions. These discussions have led to a consensus on the aims of the CEA's insurance policy and the implementation thereof. They have been set out in a series of documents (memos and circulars) that together form the "insurance baseline" communicated to those concerned at all levels of management to guide them in their management decisions and activities. Policy in this area is defined in order of management level. The overall principles are approved by the CEA's Senior Management based on Insurance Department proposals. The specific principles are approved, based on the areas in question, by Finance, Human Resources and Industrial Relations, and the other divisions concerned.
Implementation of this policy, defined from a long-term perspective, is based on a set of studies and decisions aimed at selecting, coordinating and managing resources, and taking measures to meet general objectives in accordance with the policy defined (site inspections for building and regulated facility status monitoring).
Implementing the CEA's policy on insurance is part of a risk management initiative, now a standard practice in all high-risk sectors of industry. This entails identifying risks, managing insurance programmes to cover the consequences of their occurrence and keeping dashboards to monitor efficiency.
Furthermore, to limit risks, the CEA transfers them whenever possible to contractors with which it does business. Such transfers are only possible for risks for which it is contractually liable.
In addition, to reduce the financial impact of certain potential events, the CEA has decided to transfer some of its risks to insurers. Above and beyond the preventive aspect, insurance offers an economic advantage consisting, by paying insurance premiums, in converting into a fixed operating expense the unpredictable burden induced by certain potential occurrences that could compromise its budget.
By covering fortuitous risks, the financial burden of which has been transferred to its insurers, the CEA asserts its undertaking to safeguard itself against the consequences of damage caused to third parties, to respect the environment, and to protect its assets and its staff.

a. Third-party liability Insurance

1. Nuclear third-party liability

Given the special provisions applicable to nuclear third-party liability, the CEA has taken out nuclear operator, nuclear transport and arms and weapons third-party liability insurance in accordance with the Paris Convention on Third-party Liability in the Field of Nuclear Energy and the provisions of Law No. 68-943 of 30 October 1968.

2. Conventional third-party liability

The CEA is covered by a third-party liability insurance policy for the financial consequences of the liability it may incur owing to physical injury, material damage and consequential losses caused to third parties, under applicable law, including contractual commitments, and resulting from an act committed in the performance of its activities.
Furthermore, in order to comply with Law No. 2008-757 of 1st August 2008 on environmental responsibility and various provisions for adaptation to Community law, the CEA is insured for its third-party liability within the framework of environmental damage liable to occur in performance of its various activities.

3. Motor vehicle liability insurance

To meet the motor vehicle third-party liability insurance obligations introduced by the Law of 27 February 1958, the CEA has insurance for all 1,578 vehicles (2014 data) which it either owns or leases. Many of these vehicles are also governed by damage insurance.
In addition, out of concern to control risks and make savings, the CEA has introduced a so-called retention system. The insurance Policy covering the CEA's vehicle fleet, whether it owns or leases such vehicles, generally applies above an annual "retention" deductible. This system means that the CEA remains liable for a portion of expenses arising in the event of claims involving its vehicles, whether under the third-party liability or the damage insurance cover. The insurance manages the amount paid in respect of the retention and uses the reserve primarily to settle claims in the same way as if they were fully insured, until such reserve has been fully used up. Where applicable, if the annual cost of claims is less than the retention reserve paid at the start of the year, the remaining balance is returned to the CEA. This system substantially reduces insurances taxes as the retention reserve is exempt therefrom.

b. Insurance covering the CEA's assets

In view of the significant security and preventive measures in place at its centres to respond in particular to nuclear security requirements, the CEA has opted not to automatically insure its equipment, buildings and facilities, and to partially outsource the risks identified (in amount) to its insurers.

By retaining some or part of the risks when it considers insurance costs too high, it financially optimises management of its insurance policies for material damage.
The CEA's policy on insurance distinguishes between damage caused to its assets during construction, then during any operating phase, and lastly damages occurring during dismantling work.

1. Material damage caused during construction

The CEA takes out insurance to cover risks involved in construction or civil engineering work, whether or not concerning nuclear activities. With this insurance cover, the CEA is sure to swiftly secure financing in the event of loss.
The CEA therefore has a comprehensive Contractor's, Assembly and Testing policy, on behalf of all those participating in the work, if the construction operation exceeds an amount set at €2 million.
This type of policy covers accidental property damage affecting building, civil engineering or process work during the construction period through to acceptance. It also covers, as an option, damage caused to existing structures during renovation work for example or to any neighbouring buildings.
Regarding insurance for damage occurring after acceptance of the structure, the CEA took out Construction Damage insurance for projects in excess of €2 million or, for civil engineering projects, a ten-year liability policy.

2. Material damage during operation

The CEA has a comprehensive industrial insurance policy covering all movable assets and real estate (buildings, plant, machines and equipment including basic nuclear facilities) of which the CEA is the owner, tenant, user, or holder in any capacity whatsoever.
According to the clauses and conditions of the contract, it covers material damage caused by events such as fire, lightning, explosion, subsidence, natural disasters, water damage, acts of terrorism and sabotage and, under certain conditions, nuclear damage resulting from a criticality accident, contamination or a radiation incident.
Fire and related hazard prevention inspections are organised by the Insurance Department in connection with the insurance companies on the CEA's facilities. These inspections are organised to identify the main potential dangers and to assess fire alarm systems particularly with regard to standards in force.
The insurance company's prevention engineers make recommendations to improve the status of facilities based on the risks identified.
The comprehensive industrial policy also covers all cleanup and dismantling operations performed under the operating safety standards, prior to the publication in the French *Journal Officiel* of the facility decommissioning and dismantling decree for civil facilities or the equivalent for military facilities.

The CEA's insurance programme also includes insurance policies specially designed to cover its plant, machinery and equipment.
These are mainly policies to cover nuclear and non-nuclear machinery breakage, comprehensive computer insurance (hardware either owned or leased by the CEA) and comprehensive transport insurance.

3. Material damage caused during dismantling

The CEA takes out insurance to cover risks involved in dismantling operations following the publication in the *Journal Officiel* of a facility decommissioning and dismantling decree or a change to the safety standards.
The CEA therefore has a comprehensive dismantling work insurance policy, where the dismantling operation exceeds €2 million, on behalf of all those participating in the work, without recourse by the insurer. This guarantees fast, comprehensive financing in the event of a claim.

c. Personal insurance

The CEA has taken out death and disability insurance for its staff, with optional or compulsory participation.
As far as compulsory cover is concerned, the insurance taken out primarily provides:
- a capital payment to the beneficiary (ies) in the event of the employee's death;
- payment of an educational grant for dependent children;
- payment of an invalidity pension to the employee in addition to Social Security benefits.

Provision is also made for assistance services and additional payments in the event of bodily harm suffered during accidents occurring in the course of assignments in France or abroad.
The CEA also offers optional schemes such as loan insurance, death/disability insurance and insurance for pensioners and expatriates.

• Accrued income – accrued expenses

Accrued expenses and accrued income over the fiscal year amount to €1,185 million and €484 million, respectively.

Note 29 - Staff

Staff as at 31.12.2014:

• managerial	9,938
• non-managerial	6,124
Total	**16,062**

Note 30 - Post-closing events

Nil.

C - DISCLOSURES ON SUBSIDIARIES AND HOLDINGS AS AT 31 DECEMBER 2014 *(in € million)*

COMPANY	Capital	Reserves [12] and balance brought forward before allocation of income	Share of capital held %	Book value of shares held		Loans and advances granted by the company and not repaid	Guarantees granted by the company	Sales ex-VAT of the last year	Profit/loss of the last year closed [13]	Dividends collected by the company in the year	Observations on provisions for impairment of receivables
				Gross	Net						
1) FRENCH SUBSIDIARIES (DETAILED INFORMATION)											
AREVA SA 33 rue la Fayette 75442 PARIS Cedex 09	1,456.2	5,206.8	54.37	872.2	872.2	-	-	487.1	-5,309.3	-	-
CO-COURTAGE NUCLEAIRE (389518853) Le Ponant D 25 rue Leblanc 75015 PARIS	*ns*	0.2	90	*ns*	*ns*	-	-	0.7	0.3	0.1	-
CEA-INVESTISSEMENT [13] (423426899) Le Ponant D 25 rue Leblanc 75015 PARIS	27.2	- 6.2	100	27.3	21	-	-	0.9	0.2	-	-
FT1CI [13]	68.2	583.9	20.76	260.3	151.7	-	-	-	94.1	7.8	-
2) FRENCH HOLDINGS (DETAILED INFORMATION)											
MINATEC [14] Hôtel du Département 7 rue Fantin Latour BP 1096 38022 GRENOBLE Cedex 1	6.8	0.9	22.21	1.5	1.5	-	-	7.5	1.3	-	-
SEML Route des Lasers [14] 20, rue de Suson 33830 BELIN BELIET	-	-	11.55	1.8	1.8	-	-	-	-	-	-
GIE III V LAB Route de Nozay 91460 MARCOUSSIS	5	-	20	1	1	-	-	8.3	-	-	-

(in € million)

[12] Including regulated provisions and investment subsidies.
[13] Income/loss before approval of the 2014 accounts.
[14] Figures from the last year not available.

STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

YEAR ENDED ON 31 DECEMBER 2014

Ladies and Gentlemen,

In accordance with the assignment entrusted to us by the Minister of the Economy and Finance, we hereby present our report for the financial year ending 31 December 2014, on:
- the audit of the annual financial statements of the French Alternative Energies and Atomic Energy Commission, as appended hereto;
- the grounds for our opinions;
- the specific control-checks and information required by law.

As the Executive Board has approved the annual accounts, it is our duty on the basis of our audit, to express our opinion of these accounts.

1 – Opinion on the annual accounts

We conducted our audit in accordance with professional standards applicable in France requiring the performance of procedures sufficient to provide reasonable assurance that the annual accounts do not contain any significant anomalies. An audit consists in examining, by selective tests or other selective methods, the evidence supporting the amounts and information presented in the accounts. It also involves an assessment of the accounting principles applied, of significant estimations used to establish accounts and of the general presentation of information. We consider that the information we gathered provides a reasonable basis for the opinion stated below.

We certify that, having regard for accounting principles and rules applicable in France, the annual financial statements present a true and fair view of the results of business over the past year and of the Entity's assets and financial position at the end of the year.

Without detracting from the opinion expressed above, we would like to draw your attention to the following points:

- The first paragraph of Note 1 "General framework – Key events of the financial year" of the Notes on the accounting methods and principles which refers to the effects on the accounts of amendment 1 to the Government/CEA Framework Agreement on the financing of long-term nuclear costs whereby the Government undertakes to balance the CEA's long-term nuclear costs burden.

- Paragraphs a) and f) of note 2 k-2 "Accounting method and principles – Provisions for contingencies and charges – End-of-cycle commitments" of the Notes on the accounting methods and principles referring to a structuring assumption adopted to draw up the accounts, whereby the CEA's cash funds will be compatible with the schedule of dismantling operations currently planned. This assumption is supported by the French Government's decision to confirm its undertaking to contribute to the CEA's dedicated funds, by signing agreements stipulating, on a three-year basis, the manner in which the Government will provide the necessary cash.

- Paragraphs c) and f) of note 2 k-2 "Accounting method and principles – Provisions for contingencies and charges – End-of-cycle commitments" of the Notes referring to the main sources of uncertainty and judgment inherent to the valuation of end-of-cycle costs, including the costs of long-term management of radioactive waste packages, the target end-state of sites to be dismantled and the physical and radiological characterization of facilities to be dismantled.

2 – Grounds for our opinions

In accordance with the provisions of Article L823-9 of the French Commercial Code on the grounds explaining our assessments, your attention is drawn to the following points:

- **Accounting rules and methods**

As part of our assessment of the accounting methods and rules applied by the CEA, we satisfied ourselves that the accounting principles used and the exemptions applied are appropriate to present the entity's activities and assets as accurately as possible.

- **End-of-cycle commitments**

The provisions for dismantling and waste retrieval, amounting to €11,692 million and posted in the balance sheet, were calculated in accordance with the accounting rules and methods and valuation principles described in note 2 k-2 "Accounting methods and principles – Provisions for contingencies and charges – End-of-cycle commitments" to the accounting methods and principles and 23 "Provisions for contingencies and charges" of the Notes.

As the corresponding entry for these provisions, the CEA posts, in respect of liability coverage and in accordance with the Government/CEA Framework Agreement, a claim on Government and a liabilities/assets differential pursuant to the above-mentioned agreement. As stated in Notes 2 k-2 a) "Accounting methods and principles – Provisions for contingencies and charges – End-of-cycle commitments" to the accounting methods and principles and 18 "Claims on Government" of the Notes, these assets correspond to the claim to be financed by the Government.

As part of our audit, we reviewed the estimations of dismantling liabilities and the share to be financed by the Government, assessing whether the assumptions made were reasonable and taking into account, in particular, the change in estimates and negotiations in progress.

- **Long-term investments**

Note 2 D "Long-term investments" of the Notes on the accounting methods and principles presents the method applied to value equity interests. We assessed the approaches used by the CEA to justify that the inventory values of the shares are at least equal to their net book values.

- **Subsidies**

Notes 2 I "Budgetary subsidy received from the Government" and 2 J "Equipment grants received from Government and third parties" of the Notes on the accounting methods and principles explain the method of accounting for subsidies received from the Government and partners. As part of our audit, we satisfied ourselves that this method has been correctly applied and presented.

• Off-balance sheet commitments

Notes 2 L "Tax and social security liabilities" the accounting methods and principles and 26 "Off-balance sheet commitments" of the Notes thereto explain the methods used to assess the retirement commitments and the assumptions used to calculate them. As part of our audit, we satisfied ourselves that this method had been correctly applied and presented.

The assessments thus made are in line with our audit procedure which concerns the annual accounts taken as a whole and are used to form the opinion given in the first part of this report.

3 – Checks and specific information

We also performed, in accordance with professional standards applicable in France, the specific checks required by law.

Except for the impact of the information given in the first part of this report, we have no other comments to make as to the fairness and consistency with the annual accounts of the information presented in the Executive Board's management report and in the documents sent to the Executive Board concerning the financial position and the annual financial statements.

Paris La Défense, 10 June 2015

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Division of KPMG SA

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Associate

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Associate

MAZARS

Thierry Blanchetier
Associate

David Chaudat
Associate

10 CEA CENTRES IN FRANCE

1 HEAD OFFICE

CIVIL APPLICATIONS CENTRES

2 SACLAY (Headquarter)
3 FONTENAY-AUX-ROSES
4 GRENOBLE
5 MARCOULE
6 CADARACHE

MILITARY APPLICATIONS CENTRES

7 DAM Île-de-France
8 LE RIPAULT
9 VALDUC
10 CESTA
11 GRAMAT

REGIONAL TECHNOLOGY TRANSFER PLATFORMS

12 TOULOUSE
13 BORDEAUX
14 NANTES
15 METZ

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THE CEA AT THE HEART OF GREAT NEW CHALLENGES - 2014 EDITION

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