Annual Report 2013

Synatom

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Thermal treatment of the vessel of a storage container for irradiated nuclear fuel
© Areva

2015

Picture cover : Yellow cake on belt filters
© Areva - P. Lesage

Mission

SYNATOM's mission is to manage the entire fuel cycle for Belgian nuclear power stations, both upstream and downstream of the fuel's consumption at the country's generating units.

In the context of this mission, **SYNATOM** actually owns the nuclear fuel throughout the entire cycle, including when it is in the reactor. The company is remunerated for all the services it provides by collecting a fee from the nuclear operator to cover all front-end and back-end costs.

Since 2003, **SYNATOM** has also been responsible for managing the provisions covering the costs of both the decommissioning of nuclear power stations and the management of irradiated fissile material in those nuclear power stations.

Special contribution 481 million EUR:
transferred to the Belgian State in 2013

Inside view of the new uranium centrifuge enrichment plant Georges Besse II (France) © Areva

7.3

Nuclear provisions 7.3 billion EUR of which

4.2

billion EUR for the management of the spent nuclear fuel

3.1

billion EUR for the decommissioning of the nuclear power stations

Shutdown of the nuclear units Doel 1 en 2

Message from **Wim De Clercq**, President and **Robert Leclère**, CEO of SYNATOM

In our 2012 annual report, we asked ourselves how to manage the future in a new world shaped by the liberalisation of energy markets while at the same time we are a company charged with a mission of general interest dependent on long-term decisions that are themselves subject both to decisions made by policymakers and to the constraints of international markets?

At first sight, it may seem like an impossible challenge. But as the great Canadian philosopher Charles Taylor wrote in 1991: *"Governing a contemporary society is continually recreating a balance between requirements that tend to undercut each other, constantly finding new creative solutions as the old equilibria become stultifying."*

We believe that what this modern thinker said about contemporary society may also apply to our company, SYNATOM.

Of course, our missions are well defined and even set out in legal texts, so the situation we face may initially look simple, but only if you ignore the context in which these missions have to be fulfilled.

For example, who could have foreseen the Fukushima disaster and its seemingly never-ending consequences for the markets of uranium production, conversion and enrichment? Who could have anticipated the expansion of shale gas exploitation in the United States and its impact on demand for uranium? And who could have predicted the indication of potential flaws deriving from hydrogen flaking in the reactor vessels of Doel 3 and Tihange 2, and their effects on the operation of these units?

In the front-end market, SYNATOM must continue striving to optimise orders and stocks, taking account of the dates set for the definitive decommissioning of Belgian nuclear units and of the risks associated with a temporary shutdown of one of these power plants.

As for the back-end of the cycle, our company's activities are largely determined by one decision - to definitively shut down Doel 1 and 2 in 2015 - and one 'non-decision' - the de facto ban in force since 1993 on reprocessing spent fuel. So the task we face is to put in place a strategy that will at least enable the storage of irradiated fuel before work starts on dismantling Belgian nuclear power stations. Our company has set itself the objective of removing all fuel assemblies from the cooling pools of the first two units at Doel within a little more than three years after shutdown.

In addition, it is well known that SYNATOM is not a mere industrial operator, but that our company also plays an important financial role by managing the nuclear provisions for processing fissile material and dismantling power stations.

While bearing in mind the growing short-term cash requirements, the role played by our company remains essentially unaltered: to ensure the flow of funds into these provisions and to continue to manage them prudently, within the framework of our legal obligations.

“Governing a contemporary society is continually recreating a balance between requirements that tend to undercut each other, constantly finding new creative solutions as the old equilibria become stultifying.”

Wim De Clercq
President

Robert Leclère
CEO

The front-end of the cycle: **the long shadow still cast by Fukushima**

The uranium supply chain, the front-end of the cycle, includes the following industrial activities:

- purchases of uranium concentrate (U_3O_8) from producers around the world;
- the conversion of the uranium concentrate into uranium hexafluoride (UF_6);
- the enrichment of the resulting UF_6.

Today it is impossible to talk about the front-end of the nuclear fuel cycle without recalling the consequences of the earthquake and tsunami which hit the east coast of Japan on 11 March 2011. Besides the substantial losses that ensued, in both human and economic terms, we remember how the Fukushima Daiichi power station was seriously damaged, causing the release of considerable quantities of radioactive material after the destruction already caused by the earthquake.

In 2013, the consequences of the accident were still very much in evidence, and Japan's 54 nuclear units remained closed throughout the year. So although in December the new Japanese government adopted an energy policy confirming that in the long-term the country would revert to nuclear energy to ensure its power supply, overall 2013 remained a year of delays and bad news from Japan.

In addition, the Fukushima disaster prompted a number of noteworthy political decisions to be taken around the world, reconsidering the part played by nuclear energy in national energy policies or even questioning the very future of nuclear power. The most prominent country to do so was Germany, which as early as 2011 decided to shut down 8 of its 17 active nuclear reactors and to abandon nuclear power by 2022.

Uranium: an 'offering' market plagued by uncertainty

The global market for uranium was in the doldrums all year. Many mining producers had anticipated a resurgence of demand, but it failed to materialise.

In addition to the Fukushima effect, which undoubtedly played a role in preventing the recovery of the uranium market, the exploitation of shale gas in the United States certainly did not help either, given the low cost of this energy source. In 2013, four nuclear units with a combined installed capacity of 3,600 MWe were shut down there, and other units remain threatened by the ever expanding supply of shale gas.

Against this backdrop it comes as no surprise that the price of uranium dropped, on both the spot and long-term markets. Faced with this situation, the mining industry stepped up its response during the year and the launch of numerous new projects was postponed. Other mines were closed or put on stand-by.

A lacklustre uranium conversion market

The conversion of uranium concentrate (U_3O_8) into uranium hexafluoride (UF_6) is the focal element in the front-end of the cycle.

Here, too, the market is depressed and major converters in the West have been - or still find themselves – faced with difficulties. Nonetheless, 2013 was not entirely without good news. More than a year after the closure of the factory of one US-based converter due to safety requirements imposed in the wake of Fukushima, America's Nuclear Regulatory Commission (NRC) authorised it to resume production in July 2013.

> Optimise orders and stocks, taking account of the dates set for the definitive decommissioning of Belgian nuclear units and of the risks associated with a temporary shutdown of one of these power plants.

Likewise, in November 2013 a nuclear cooperation agreement between Kazakhstan and Canada pledged to invest a combined total of around USD 200 million in a uranium conversion facility that will be built in Kazakhstan. Once finished, the new plant is expected to be able to supply enough uranium to meet the demand of as many as 40 nuclear units.

Enrichment

Fukushima impacted on this market, too, uranium enrichers finding themselves up against excess capacity and falling prices.

Following the closure of a US-based gaseous-diffusion uranium-enrichment plant, this technology was effectively abandoned in favour of centrifuge enrichment.

Inside view of the new uranium centrifuge enrichment plant Georges Besse II (France) © Areva

Enrichment techniques

In its natural state, uranium is composed of two isotopes: 99.3% U238 and 0.7% U235. U235 is the only natural fissile isotope, meaning that its nucleus can undergo nuclear fission when bombarded by neutrons, this operation taking place inside a nuclear reactor. Uranium that contains between 3 and 5% of isotope 235 is needed to cause nuclear fission in a reactor.

The enrichment process entails increasing the proportion of the fissile isotope in natural uranium. It starts off with natural uranium and ends up with two sorts of product: enriched uranium (with a higher content of isotope 235) and depleted uranium (with a lower content of isotope U235). Traditionally, depleted uranium contains between 0.2 and 0.3% of U235.

1

The first and older method of enrichment by gaseous diffusion consumes vast quantities of energy and was abandoned in 2013 following the closure of the US gaseous-diffusion uranium-enrichment plant.

2

The gas centrifuge process is currently the most widely used technique (in Russia, the United States, the Netherlands, the United Kingdom, Germany, France and China), and new installations currently at the drawing-board or construction stage are based on this technology.

3

A third method, laser isotope separation, is still in its development phase, but could soon be rolled out for commercial exploitation.

SYNATOM and the front-end market

As stated in our 2012 annual report, SYNATOM faced two uncertainties associated firstly with the global market situation and secondly with the situation here in Belgium.

The decision to abandon nuclear power was confirmed by a law dated 18 December 2013, stipulating the closure of Doel 1 and 2 in 2015 and of five other plants between 2022 and 2025.

On the other hand, the Doel 3 and Tihange 2 power stations, which had been shut down in 2012 following the discovery of signs of flaws deriving from hydrogen flaking, were started up again in 2013. However, following additional tests, one of which did not produce results in line with experts' expectations, as a precautionary measure these plants were shut down again at the end of March 2014 pending the outcome of further tests.

Although not all sources of uncertainty have been removed, the company is able to function legally within a defined framework. Naturally, it has to take account of the political decisions that have been taken and be aware that these decisions could subsequently change. Be that as it may, by the end of this decade the company must know which procurement strategy it will have to apply.

For now, SYNATOM's strategic stock guarantees its access to enough fissile material to operate its power stations for the next few years.

New uranium centrifuge enrichment plant Georges Besse II (France)
© Areva

The back-end of the cycle

SYNATOM's mission also includes managing the back-end of the nuclear fuel cycle, which involves:

- taking charge of the irradiated spent fuel and putting it into totally safe temporary storage;
- either reprocessing it (including conditioning the waste) with a view to recycling material, or conditioning it with a view to its subsequent final disposal.

It should be noted that Doel and Tihange use different temporary storage methods.

At Doel, the spent fuel is discharged into the respective plant's cooling pool. Once its temperature has been lowered, the used fuel assemblies are transferred to (dry storage) containers, which are deposited on-site in a central repository.

At Tihange, reactor core assemblies are also stored in each of its three units' pools. Once cooled, these used fuel assemblies are moved to a communal pool in a separate building on the site, using a shuttle. SYNATOM has decided to procure a second shuttle for Tihange 1 and 2.

Where Doel is concerned, the definitive closure of Doel 1 and 2 in 2015 represents a key development. The aim is to remove all the fuel from the plants' pools within a little more than three years.

Meanwhile, the reprocessing of spent fuel is still subject to a ban imposed back in 1993. Contracts to reprocess our spent fuel had been concluded with AREVA in the 1970s. So far all vitrified high-level radioactive waste derived from fission has been repatriated to Belgium. The return of compacted intermediate level waste started in 2010 and the last two shipments took place in 2013. Several shipments of vitrified intermediate-level waste are scheduled to start in 2017.

Responsibility for the management of radioactive waste in Belgium lies with the Belgian Agency for Radioactive Waste and Enriched Fissile materials (ONDRAF/NIRAS). SYNATOM finances some of this agency's research and development work, especially related to the final disposal of conditioned fission products and intermediate and high-level waste in deep, stable geological formations.

“Put into place a strategy that will enable the storage of irradiated fuel before work starts on dismantling Belgian nuclear power stations.”

Thermal treatment of the vessel of a storage container for irradiated nuclear fuel © Areva

Nuclear provisions: a financial role

The law of 11 April 2003 made SYNATOM responsible for covering the costs of decommissioning nuclear power stations and any expense associated with the management of irradiated fissile material at these plants.

Decommissioning costs include the expenses associated with shutting down nuclear reactors and discharging fuel, physically dismantling the installations, decontaminating the sites and managing the resulting radioactive waste.

The law of 2003 set up a legally autonomous Nuclear Provisions Commission (CPN/CNV), with the competence to issue opinions and check the constitution and management of provisions for the decommissioning and management of irradiated fissile material.

Cautious management of nuclear provisions

On 31 December 2013, the nuclear provisions listed as liabilities on SYNATOM's balance sheet totalled EUR 7.3 billion. Of this sum, roughly 60% is earmarked for the management of fissile material and approximately 40% is set aside for decommissioning power stations.

On 18 September 2013, SYNATOM submitted its triennial review of the provisions to the CPN/CNV, whose acceptance on 18 November 2013 prompted the following three changes:

- the lowering of the provision for managing irradiated fissile material;
- an increase in the provision for decommissioning nuclear power stations;
- a decrease in the discount rate, from 5 to 4.8%.

Provision for the management of irradiated fissile material:

The management of irradiated fissile material entails two extreme scenarios: either the reprocessing of all irradiated fuel, or no reprocessing, but conditioning for final storage.

The assessment submitted to the Nuclear Provisions Commission (CPN/CNV) in 2010 presented a full reprocessing scenario, which was considered a financial envelope capable of covering every other possible scenario.

Today, thinking is shifting towards a mixed scenario initially comprising the reprocessing of some irradiated fuel followed by conditioning of the rest, without reprocessing.

This new 'mixed' scenario is both economically realistic and tallies with operational reality, with reprocessing providing a solution to technical problems linked to storage and processing of some types of assembly. Confirmation that Belgium will indeed abandon nuclear energy by 2025 makes the full reprocessing option difficult to implement.

The presentation of this scenario resulted in the lowering of the provision for the management of irradiated fissile material at the end of 2013.

Provision for decommissioning nuclear power stations

The valorization of the provision for decommissioning is assured by Electrabel, acting in conjunction with a specialised German engineering consultancy which provides feedback from other units currently being decommissioned.

At the end of 2013, allowances were made for an increase in the provisions for decommissioning.

Management of the funds corresponding to nuclear provisions

Article 14, paragraph 6 of the law dated 11 April 2003 stipulates that SYNATOM must at all times have sufficient resources available in the form of cash investments and disposable assets to be able to finance any expenses associated with the decommissioning and management of irradiated fissile material for the next three years of operation. SYNATOM must justify the availability of these funds vis-à-vis the CNP/CNV.

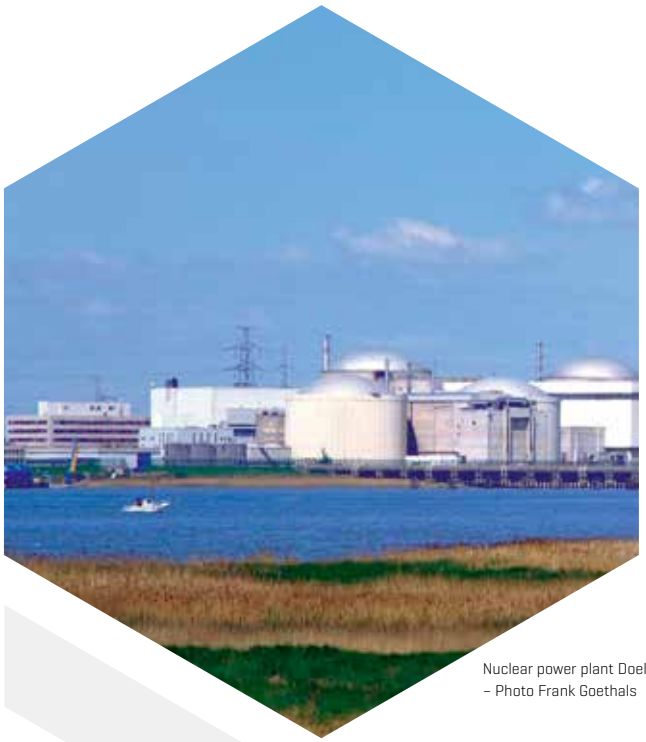
Out of caution, SYNATOM is aiming first and foremost to maintain the capital it manages. The sums concerned are invested solely in high-quality bonds.

Finally, 2013 saw the first use of the provisions for decommissioning with an eye to the definitive closure of Doel 1 and 2 in 2015.

Collecting the special contribution **on behalf of the Belgian state**

Under the law of 2003, SYNATOM is also competent and responsible for acting on behalf of the Belgian state to collect both the special contribution and additional special contribution that are levied on nuclear operators.

Pursuant to the amendments made in December 2013 to the aforementioned law of 11 April 2003, the special contribution was lowered by 12.48% to take account of the closure of Doel 3 and Tihange 2 in 2012. Consequently, SYNATOM transferred a sum totalling EUR 481.1 million to the Belgian federal budget.



Nuclear power plant Doel, Electrabel GDF Suez – Photo Frank Goethals

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Sophie VAN DE WOESTYNE[2]
Mr Yves DE GRAEVE[2]

Auditor

DELOITTE Réviseurs d'Entreprises, SC s.f.d. SCRL,
represented by Mr Laurent BOXUS

[1] Until January 10, 2013
[2] As of January 10, 2013

Director's Report

Ladies and Gentlemen,

In accordance with the relevant legal and statutory requirements, we are honoured to present our company's management report for its forty-fourth financial year and to submit for your approval the annual accounts for the year ended December 31, 2013.

General

During the financial year under review, 40,625 GWh of nuclear power was generated in Belgium.

In 2013, nuclear power plants in Belgium operated at an average load factor of 78.2%, compared with 74.8% in 2012.

Shareholder structure, capital and mission

SYNATOM has a capital of EUR 49.6 million, of which around 25% is paid-up capital, and is represented by two million registered shares. All of those shares are held by Electrabel, except one specific share which is held by the Belgian State, giving the latter certain special rights in the Board of Directors and in the SYNATOM General Meeting.

SYNATOM's core business is to supply Belgian nuclear power plants with enriched uranium, manage the back-end of the nuclear fuel cycle and manage the provisions covering both the decommissioning of nuclear power plants and the management of irradiated fissile material in those power plants.

Technical and commercial activities

Nuclear fuel supplies

As in previous years, our activities in 2013 were influenced in large part by ongoing uncertainties both on the market and in relation to the operation of nuclear units across generation facilities in Belgium.

In terms of uncertainty regarding the operation of nuclear units, in 2012 we had to grapple with both doubts as to when Doel 3 and Tihange 2 would restart, and the lifetime extension of Tihange 1 after 40 years of operation. However, these issues were resolved in 2013 and we can now finally focus on the future, despite the difficulties in coming to terms with a definitive phase out from nuclear energy. Unless circumstances change, our needs will not vary over the next few years.

In this connection, we have pursued our supply policy as previously. The policy is based on source diversification and relies on the retention of strategic stock in line with the recommendations of the Euratom Supply Agency.

While we ended 2012 with particularly high levels of stock following the extended and unscheduled shutdown of Doel 3 and Tihange 2, we have benefited from favourable market conditions to maintain our strategic stock.

The repercussions of the Fukushima disaster of March 11, 2011 are still being felt on the market. As a result of power plants being shut down in Japan and Germany and new construction projects being put on hold at a time when most players were embracing expansion policies and capitalising on the positive outlook, supply is still outstripping demand both for natural uranium and enrichment services.

The spot price for uranium fell from USD 43.50 per pound to USD 34.50 per pound and the indicator for long-term contracts fell from USD 56 per pound to USD 50 per pound. On the enrichment market, prices fell even more dramatically: the spot price for enrichment services fell by 17.5% while on the long-term market it fell by 15.5%.

In 2013 SYNATOM abandoned its strategic investment in Powertech, selling it to an investment fund.

SYNATOM's supply portfolio and strategic stock will provide it with the fissile material it needs to operate power stations in the coming years.

Management of irradiated fissile material and waste

The power plants continued to provide additional on-site storage of irradiated fuel elements.

At Doel, three dry storage containers were loaded then placed in the storage unit, bringing the number of containers in storage to 85.

At Tihange, thirteen batches consisting of 156 irradiated fuel elements were transferred from the spent fuel storage pool in unit 2 to the centralised underwater storage facility. These transfers were carried out using container TN17T. A second shuttle was ordered for carrying out transfers, specifically from Tihange 1 and 2. In the event of anything happening to the current container in the meantime, a contingency plan was put in place to rent another container if necessary.

Given that Doel 1 and 2 are scheduled to close definitively in 2015, SYNATOM took steps to enable the emptying of their shared spent fuel storage pool within a relatively short time frame, the aim being to place the assemblies in a safe storage location as quickly as possible once the units are closed. However, these last fuel assemblies to be transferred differ from the other assemblies that have been routinely loaded in that they will have spent less time in the spent fuel storage pool, so they will have greater residual thermal power. To address this issue, a major order has already been placed for storage containers.

Two transport operations for compacted waste were organised in 2013. Each transport operation involved two containers accounting for a total of 48 180-litre canisters. Transportation from the Areva plant in La Hague to the storage facility on the Belgoprocess site passed off without any incident.

The last transport operation of 2013 drew to a close SYNATOM's compacted-waste repatriation campaign. A final campaign for repatriation of intermediate-level vitrified waste is scheduled for 2017. This will conclude the repatriation of waste resulting from the reprocessing of irradiated fuel at La Hague under old reprocessing contracts.

Research and Development

Research and development is still being carried out by the Belgian Agency for Radioactive Waste and Enriched Fissile Materials (ONDRAF/NIRAS) and financed by SYNATOM and the major producers of radioactive waste. The work is geared chiefly towards the final disposal of intermediate and high level waste and conditioned irradiated fuel in deep geological repositories.

Following the submission of the ONDRAF/NIRAS Waste Plan and despite the absence of any decision in principle by the government on the storage of radioactive waste in geological repositories in clay in Belgium, research is continuing in this vein. ONDRAF/NIRAS and waste producers, including SYNATOM, have jointly agreed that if the decision in principle is fundamentally different to the reference scenario, the relevant parties will hold discussions to determine the impact of such a decision.

Management of nuclear provisions

Establishment of nuclear provisions

Pursuant to the Law of April 11, 2003 on the provisions for the decommissioning of nuclear power plants and the management of irradiated fissile material in those power plants, SYNATOM submitted the fourth updated triennial review of nuclear provisions to the Nuclear Provisions Commission on September 18, 2013.

The opinion of the Nuclear Provisions Commission was submitted on November 18, 2013. The accepted new dossier brings about the following changes:

- with effect from December 31, 2012, a reduction of EUR 498.8 million in the provision for management of the back-end of the cycle;
- with effect from December 31, 2012, an increase of EUR 465.7 million in the provision for the dismantling of nuclear power plants;
- a reduction in the discount rate from 5% to 4.8%.

Special contribution

Since 2008 SYNATOM has had the power and the duty to support the State in collecting the special contribution.

The Law of December 27, 2013 amending the Law of April 11, 2003 on the provisions for the decommissioning of nuclear power plants and the management of irradiated fissile material in those power plants provided for two amounts to be paid by nuclear operators in 2013:

- a basic special contribution of EUR 218.8 million – a reduction of 12.48% taking into account the shutdown in 2012 of the Doel 3 and Tihange 2 units;
- an additional special contribution of EUR 262.3 million – also a reduction of 12.48%.

SYNATOM transferred the total amount of EUR 481.1 million to the State budget on December 31, 2013 and informed the nuclear operators of their individual share of the contribution, as per the instructions set down in the law.

All of the nuclear operators had paid their share to SYNATOM by January 31, 2014.

Derivative financial instruments and hedging policy

SYNATOM applies the GDF Suez Group policy on the use of derivative financial instruments primarily to manage its exposure to exchange rate fluctuations for supplies in US dollars.

Disputes

Since 2008 SYNATOM has been responsible for collecting and recovering taxes related to the special contribution imposed on nuclear operators. This law has led to a number of disputes:

With regard to the disputes between SYNATOM on the one hand and EDF Luminus and EDF Belgium on the other regarding the base year used to calculate the respective shares of the special contribution, the Court of First Instance of Brussels confirmed on September 12, 2012 that the special contribution payable by nuclear operators each year was calculated on the basis of data relating to the previous year. SYNATOM recalculated the special contribution. The amounts due and receivable were paid and received in June 2013. As such, these disputes are considered closed.

On September 8, 2011, Electrabel summoned the Belgian State and SYNATOM to appear before the Tax Chamber of the Court of First Instance of Brussels with a view to recovering its share of the special contribution that it paid in 2008, 2009 and 2010. The court handed down an interlocutory judgement on September 30, 2013 and ordered the resumption of proceedings from February 11, 2014.

EDF Luminus appealed against the ruling of April 4, 2011 upholding SYNATOM's request for full repayment of the amounts lent to EDF Luminus, approximately EUR 63 million, because EDF Luminus did not have the credit rating specified in Article 14 of the Law of April 11, 2003 on nuclear provisions. The case will be heard before the Court of Appeal of Brussels on March 19, 2014.

Board of Directors

The directorship of Paul Rorive will expire at the end of the 2014 statutory General Meeting.

Discharge

Pursuant to article 554 of the Company Code, we ask the General Meeting to give discharge to the directors and auditor within the limits of the said laws.

Acknowledgements

The Board of Directors would like to thank the company's employees for the dedication and professionalism they have shown in carrying out their duties.

Annual Accounts

Below, we comment on some important items included in the balance sheet and the income statement.

Balance sheet

Financial assets

Our main financial assets relate to our shareholding in Eurodif. Following the definitive shutdown of Eurodif's enrichment plant in June 2012, it was decided that we would write off our whole shareholding in the company.

All our shares in Powertech were sold in November 2013. As this shareholding had been the subject of a 100% impairment, resale resulted in the write-back of EUR 1.6 million, covered under the heading Extraordinary income.

Long-term receivables

Under the heading trade debtors, there is an item relating to an amount receivable from Electrabel for the proportion of their dues relating to irradiated fissile material as well as the loan issued to Electrabel in consideration for the decommissioning provisions. Since mid-2005, part of the provisions has been invested outside the nuclear operator, in line with the legislation on nuclear provisions. We have an outstanding loan of EUR 454 million made to Elia, EUR 80 million in commercial papers issued by Ores and a loan of EUR 66 million made to Sibelga.

Receivables within one year – Trade debtors

At the end of 2013, this item covered both the current trade receivables and a sum of EUR 346 million accounting for the share of the long-term trade receivable from Electrabel that is due in 2014.

Receivables within one year – Other receivables

At the end of 2013, this item primarily consisted of the special contribution to be paid by Electrabel, EDF Luminus and EDF Belgium in respect of 2013.

The balance of EUR 12 million from the 2008, 2009, 2010 and 2011 special contribution, which was contested by EDF Luminus and EDF Belgium, was corrected based on the newly calculated special contribution and re-invoiced or credited to the various producers in the course of 2013.

This item also includes the Eandis loan of EUR 80 million due for repayment in 2014, and the share of the loan to Sibelga due to be paid back in 2014, corresponding to an amount of EUR 8 million.

Deposits, securities and bonds

Pursuant to the legislation governing nuclear provisions, this item covers the amounts needed to finance the expenditure relating to the management of irradiated fissile material for the next three years of operation as well as a part of the provision funds that must be invested outside the nuclear operator.

Provisions and deferred taxes

These provisions are intended to cover the cost of managing irradiated fissile material and for the decommissioning of nuclear power plants in accordance with the legislation governing nuclear provisions. The principles governing the establishment of these provisions are set out under the section 'Management of nuclear provisions' (see above).

Amounts payable within one year - Other debts

As in 2012, this item primarily comprises the advance paid by GDF Suez Treasury Management to finance a share of the amount paid to the State budget in respect of the special contribution for 2013.

Results

Turnover

Turnover consists primarily of the contributions for the supply of fissile material, which amount to EUR 243 million. This was markedly affected by the extended shutdown of the Doel 3 and Tihange 2 power plants in 2013 (these two units were not restarted until early June).

This heading also includes the payment of provisions for the management of irradiated fissile materials (reimbursement of EUR 498.8 million) and the decommissioning of nuclear power plants (additional invoice of EUR 465.7 million) following the opinion of the Nuclear Provisions Commission on the nuclear provisions triennial review dossier.

Supplies and goods

This heading covers the purchases of natural uranium as well as conversion and enrichment services.

Services and other goods

This item mainly covers the costs during the financial year for the management of irradiated fuel (around EUR 30 million) and for the ONDRAF R&D programme (around EUR 12 million).

Financial income

This heading covers the interest both on long-term receivables and on investments relating to the Law on nuclear provisions.

Extraordinary income

This heading covers the write-back of the impairment on the Powertech shareholding following the sale of shares held in that company.

Profit

The annual accounts for the 2013 financial year show a profit of EUR 691,857.00, compared with EUR 713,096.33 in 2012.

Subsequent events and outlook

The hypotheses on which the established provisions are based factor in all environmental regulatory requirements either already in existence or scheduled to be implemented in Europe, nationally or regionally. If more legislation is implemented in future, the estimated costs behind the calculations might be subject to change. However, SYNATOM is not aware of any further regulatory changes likely to significantly affect the provision funds.

The decision taken by the government to extend the life of Tihange 1 was transposed into the Law of December 18, 2013 amending the Law of January 31, 2003 on the phase-out of nuclear energy for the purpose of industrial power generation, and amending the Law of April 11, 2003 on the provisions for the decommissioning of nuclear power plants and the management of irradiated fissile material in those power plants. In its opinion on the nuclear provisions triennial review dossier, that was submitted for approval on September 18, 2013, the Nuclear Provisions Commission requested that, by the end of June 2014, a detailed dossier be submitted on the cost of decommissioning, taking into account the extended lifetime of Tihange 1. The submitted dossier was a purely financial estimate based on extrapolation of the legal situation at the time of submission of the dossier, in this case the shutdown of Tihange 1 in 2015.

If needs be, the provision amount for the decommissioning of nuclear power plants will be amended based on the results of this study.

At the time the Doel 3 and Tihange 2 reactors were restarted, an agreement was reached with the nuclear safety authority (FANC/AFCN) concerning a programme of additional tests, primarily to ascertain how the reactor vessels affected by hydrogen defaults would behave over time. One of the additional tests conducted did not yield the results experts were expecting, so as a precautionary measure the decision was taken to bring forward the scheduled shutdown of both reactors to March 26, 2014 pending further findings.

If necessary, SYNATOM will assess the impact on its policy and strategy as regards fuel supply to nuclear power stations.

It is proposed to the General Meeting of May 14, 2014, deliberating on the accounts for financial year 2013, that the amount of EUR 34,593 be appropriated to the statutory reserve and a dividend of EUR 1.31 per fully paid-up share be paid out, giving a total amount of EUR 656,965. The remainder of the profit for the financial year (EUR 299) is to be carried forward.

Unless there is a major unforeseeable event, the profit for the current financial year should enable SYNATOM to pay a similar dividend for the 2014 financial year in 2015.

We do not anticipate any other significant circumstances that could substantially influence the future development of the company.

Woluwé-Saint-Lambert, March 27, 2014

Statutory auditor's report

Statutory auditor's report for the year ended 31 December 2013 to the shareholders' meeting.

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the financial statements together with the required additional comments.

Unqualified audit opinion on the financial statements

We have audited the financial statements of Société Belge des Combustibles Nucléaires SYNATOM SA for the year ended 31 December 2013, prepared in accordance with the accounting principles applicable in Belgium, which show total assets of EUR 7,816,363 (000) and a profit for the year of EUR 692 (000) .

The board of directors of the company is responsible for the preparation of the financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren".

Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence that we have obtained provides a reasonable basis for our opinion.

In our opinion, the financial statements as of 31 December 2013 give a true and fair view of the company's assets, liabilities, financial position and results in accordance with the accounting principles applicable in Belgium.

Additional comments

The preparation and the assessment of the information that should be included in the directors' report and the company's compliance with the requirements of the Companies Code and its articles of association are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comments and information which do not change the scope of our audit opinion on the financial statements:

- The directors' report includes the information required by law and is in agreement with the financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the company, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- No transactions have been undertaken or decisions taken in violation of the company's articles of association or the Companies Code such as we would be obliged to report to you. The appropriation of the results proposed to the general meeting is in accordance with the requirements of the law and the company's articles of association.

Diegem, 28 March 2014

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Laurent Boxus

Balance sheet

As per 31 December (in thousands of EUR)

ASSETS	2013	2012
Fixed assets	15	22
Furniture, vehicles and equipment	15	22
Financial assets	1	1
Non-consolidated companies		
- Shares	pm	pm
Other financial assets		
- Other amounts receivable	1	1
Long-term receivables	5,647,269	5,518,611
Trade debtors	4,997,634	4,831,031
Other receivables	649,635	687,580
Stocks and contracts in progress	479,811	495,322
Stocks		
- Work in progress	479,811	495,322
Receivables within one year	864,555	842,225
Trade debtors	347,396	343,550
Other receivables	517,159	498,675
Deposits, securities and bonds	819,517	747,115
Other deposits	819,517	747,115
Cash and cash equivalents	789	52
Prepayments and accrued income	4,406	5,835
TOTAL ASSETS	**7,816,363**	**7,609,183**

EQUITY AND LIABILITIES	2013	2012
Capital	**12,453**	**12,453**
Issued share capital	49,600	49,600
Capital not fully paid-up (-)	37,147	37,147
Share premiums	**141**	**141**
Reserves	**1,619**	**1,584**
Legal reserve	1,568	1,533
Non-available reserve		
- Other	14	14
Tax free reserve	37	37
Profit brought forward	**7**	**7**
Provisions and deferred taxes	**7,293,982**	**6,930,706**
Provisions for liabilities and charges	7,293,982	6,930,706
Amounts payable within one year	**503,980**	**658,582**
Trade payables		
- Suppliers	81,287	159,061
Taxes, payroll and social security		
- Taxes	112	7,623
- Payroll and social security	215	326
Other amounts payable	422,366	491,572
Accruals and deferred income	**4,181**	**5,710**
TOTAL EQUITY AND LIABILITIES	**7,816,363**	**7,609,183**

Income Statement

(in thousands of EUR)

	2013	2012
Operating income	196,832	340,710
Turnover	212,274	274,614
Variation in stocks of finished good, work and contracts in progress (increase +; decrease -)	-15,510	66,058
Other operating income	68	38
Operating charges	528,707	650,287
Supplies and goods	117,881	213,530
Services and other goods	45,477	50,432
Payroll, social security costs and pensions	2,064	2,147
Depreciation and amounts written off on formation expenses, tangible and intangible assets	7	8
Provisions for liabilities and charges (increase +; decrease -)	363,276	384,168
Other operating charges	2	2
Operating result	-331,875	-309,577
Financial income	331,439	327,860
Income from financial assets	0	0
Income from current assets	331,439	327,860
Financial charges	469	737
Debt charges	355	505
Other financial charges	114	232
Pre-tax operating result	-905	17,546
Exceptional income	1,597	0
Write-back of impairment on financial assets	1,597	0
Exceptional charges	0	16,833
Impairment on financial assets	0	16,833
Pre-tax result for the year	692	713
Taxes on profit	0	0
Profit (loss) for the year	692	713
PROFIT OF THE YEAR TO BE APPROPRIATED	692	713

APPROPRIATION ACCOUNT	2013	2012
Profit to be appropriated	**699**	**719**
Profit for the period	692	713
Profit brought forward from previous year	7	6
Appropriation to capital and reserves	**35**	**35**
To legal reserve	35	35
Result to be carried forward	**7**	**7**
Profit to be distributed	**657**	**677**
Dividends	657	677

Additional Notes

(in thousands of EUR)

Fixed assets

	Furniture, vehicles and equipment
Gross value	
At the end of the previous period	220
At the end of the period	220
Depreciation and write downs	
At the end of the previous period	198
Movements :	
Additions	7
At the end of the period	205
Net book value at the end of period	**15**

Financial assets

	Companies	
	Non- consolidated companies	**Others**
Participating interests, holdings and shares		
Gross value	29,595	
Movements :		
Disposals	12,762	
At the end of the period	**16,833**	
Impairment at the end of the previous period	29,595	
Changes during the period :		
Reversal	1,597	-
Reversal following disposal	11,165	
Impairment at the end of the period	**16,833**	**-**
Net book value at the end of the period	**0**	**-**
Receivables		
Net book value at the end of the previous period	-	1
Net book value at the end of the period	**-**	**1**

Participations and shares hold in other companies

The companies in which the company has a participation are mentioned below

Name and head offices	Interest in the activities			Data of the last available annual accounts		
	directly (number)	directly (%)	through subsidiaries (%)	Annual accounts at the end of	Equity (in thousands of EUR)	Net result (in thousands of EUR)
Eurodif S.A. of French law Tour Areva 1, place Jean Millier 92400 Courbevoie FRANCE	1,111,112	11.1	-	31/12/2012	96,051	32,592

Deposits, securities and bonds, prepayments and accrued income

	2013	2012
Deposits, securities and bonds		
Shares	620,000	520,000
Net book value inclusive non-fully paid-up amount	620,000	520,000
Bonds at fixed interest rate	159,649	217,175
Of which issued by financial companies	2,100	4,600
Term accounts with financial institutions	39,868	9,940
With residual term of one month	39,868	9,940
Prepayments and accrued income		
Accrued interests	4,406	
	4,406	

Equity and shareholders

Capital	2013
Issued share capital	
At the end of the previous period	49,600
At the end of the period	**49,600**
Representation of the capital	
Type of shares:	
- Registered shares: 2,000,000	

Non fully paid-up	2013
Shareholders (non-called capital)	
Electrabel	37,147

Shareholder's structure	
Electrabel	1,999,999 shares
Belgian State	1 share
	2,000,000 shares

Provisions for liabilities and charges

	2013
Spent fuel and management of waste issued from reprocessing	4,228,155
Decommissioning of the nuclear power plants	3,065,827
	7,293,982

Liabilities, accruals and deferred income

Taxes, payroll and social security	2013
Taxes	
Due taxes	-
Not yet due taxes	112
Estimated taxes	-
	112
Payroll and social security	
Due liabilities to social security	-
Other debts related to payroll and social security	215
	215
Accruals and deferred income	
Deferred sales	4,029
Miscellaneous	152
	4,181

Operating results

	2013	2012
Operating income		
Turnover		
Fees for the availability of fissile material	244,362	273,977
Regularization of nuclear provisions	(-) 33,121	-
Miscellaneous	1,033	637
	212,274	**274,614**
Operating charges		
Number of staff hired		
Total at the end of period	16	18
Average number of staff in full time equivalent	16.6	18.5
Effective hours	27,496	30,788
Employment costs		
Payroll and social benefits	1,472	1,538
Employer's contribution to social security	449	447
Employer's premiums for non-statutory insurance	93	83
Other personnel costs	50	79
	2,064	**2,147**
Provisions for liabilities and charges		
Increase	891,985	422,175
Use and decrease	(-) 528,709	(-) 38,007
	363,276	**384,168**
Other operating charges		
Taxes related to operations	2	2
Other	-	-
	2	**2**
Interim staff and personnel hired from other companies		
Total number at the end of period	3	4
Average number in full time equivalent	3.7	4
Number of effective hours	6,555	7,040
Cost for the company	1,008	1,354

Financial and extraordinary results

	2013	2012
Financial results		
Other financial charges		
Bank charges and commissions	114	232

Taxes

	2013	2012
Income taxes		
Main sources of disparities between pre-tax profit, expressed in the accounts, and the estimates taxable profit		
Disallowed expenses	60	
Write-back of impairment on participation	(-) 1,441	
Value added tax and retained taxes charged to third parties		
Value added tax charged		
To the company (deductibles)	4,053	4,569
By the company	54,034	57,557
Retained taxes charged to third parties		
On wages and salaries	559	555

Off balance sheet rights and commitments

Other commitments

In the nuclear sector, there are purchase contracts for raw materials and services related to uranium concentrates, conversion and enrichment as well as contracts for the back-end of the fuel cycle.

Brief description of the additional retirement or survival pension system

Members of staff enjoy an income guarantee in case of retirement or survival based on their seniority as a staff member of the company or as a staff member of affiliated companies and dependent upon their remuneration at the end of their career.

In order to cover engagements deriving from these guarantees, the company transfers contributions to the above mentioned companies and their pension fund and concluded a group insurance policy.

Relations with affiliated and associated companies

	Affiliated companies		Associated companies	
	2013	**2012**	**2013**	**2012**
Financial assets				
Participation	-	-	pm	pm
Other receivables			-	-
Receivables				
Long-term (more than 1 year)	4,997,634	4,791,031	-	-
Short-term (less than 1 year)	767,709	821,695	7	16
	5,765,343	**5,612,726**	**7**	**16**
Liabilities				
Short-term (less than 1 year)	422,703	490,951	-	28,118
	422,703	**490,951**	**-**	**28,118**
Financial results				
Income from current assets	309,894	304,912		

Related party transactions which are not concluded at arm's length

In the absence of any legal criteria to inventory significant non-arm's length transactions with related parties, no transactions are recorded here.

For information purposes and in the interest of transparency, all significant transactions with related parties (apart from transactions with companies which are (more or less) wholly owned by the group to which we belong) are listed below.

Eurodif

Eurodif is a French company in which SYNATOM has a minority interest of 11.11%.

Eurodif was established in 1973 and owns a gaseous diffusion uranium enrichment plant run by Eurodif Production, a wholly owned subsidiary of Eurodif.

As the enrichment facility was shut down in June 2012, we didn't have any important transactions with Eurodif.

Eandis

Eandis is an independent company that carries out operational tasks and obligations of public service for part of the transmission network of electricity and gas distribution in Flanders.

SYNATOM granted a loan of EUR 80 million for a period of five years maturing in 2014.

Ores

Ores is an operator for all management and operating tasks related to part of the distribution network for natural gas and electricity in Wallonia.

SYNATOM endorsed commercial paper issued by Ores for a total amount of EUR 80 million expiring in 2017 and 2019.

Sibelga

Sibelga is the sole manager of networks for electricity and natural gas distribution for the 19 municipalities of the Brussels Region.

In October 2012, Electrabel has transferred to SYNATOM two tranches of a loan to Sibelga. The loan, with an actual outstanding amount of EUR 74 million, is repayable in annual instalments until December 2026.

Financial relations with:

A. Directors and managers

Direct and indirect salaries and pensions to directors and managers charged to the income statement: EUR 31 (914)

B. The auditor(s) or associated persons

Audit fees: EUR 39 (000)

Valuation rules

Formation expenses

The formation expenses are included in the financial year in which they are made.

Tangible fixed assets

Purchase value

Tangible fixed assets are booked on the assets side of the balance sheet at their acquisition price, cost price, or contribution value.

Additional costs

Additional costs linked to investments are included in the original cost of the tangible fixed assets concerned.

They are depreciated at the same rate as the installations to which they relate.

Depreciation

Tangible fixed assets are depreciated as from the date on which they are brought into service. With regard to furniture and vehicles, this date normally corresponds to the date of purchase.

Provisions for depreciation are calculated using the linear method at the following depreciation percentages:

- Furniture: 10%
- Office equipment: 20%
- Second-hand equipment: 33.33%
- Renovations: over the term of the lease.

Financial fixed assets

Participations, stocks and shares

Participations, stocks and shares of non-consolidated companies are booked on the assets side of the balance sheet at their acquisition value or contribution value, excluding additional costs and reduced by any sums outstanding which may still have to be paid.

At the end of each financial year, each security is valued individually according to the situation, profitability or prospects of the company concerned. The method of valuation is chosen objectively, taking into account the nature and characteristics of the security concerned. In most cases, the net asset value is opted for, or the market value if the latter is lower than the net asset value. The criterion chosen for a security is applied systematically from one financial year to the next, unless a change in circumstances justifies doing otherwise, in which case this is specifically mentioned in the notes to the accounts.

Where the valuation thus made reveals a permanent loss of value relative to the inventory value, the securities are written down by an amount equal to the permanent part of the loss in value reported.

An exceptional write-back of amounts written down may be made where a permanent increase in value is reported for securities the value of which was previously written down. Except in this situation, the securities are never revalued, even if permanent increases in value come to light during a valuation of the securities.

Amounts receivable recorded as financial fixed assets

Amounts receivable recorded in the accounts as financial fixed assets are recorded at their nominal value. Fixed-income securities are entered in the accounts at their original cost. If the full or partial repayment of these amounts receivable or securities on their due date appears uncertain or is endangered, the value of these amounts receivable and securities are written down by the corresponding amount.

Amounts receivable after more than one year and amounts receivable within one year

Amounts receivable are recorded at their nominal value and are written down if their full or partial repayment on the due date appears uncertain or is endangered.

In the event of bankruptcy or an arrangement with creditors, unpaid amounts receivable are automatically deemed to be bad debts and their total net value (excluding VAT) is immediately written down. Other amounts receivable may be written down, depending on each situation.

Stocks

Stocks of fuel

Fuel and other raw materials are booked on the assets side of the balance sheet at their original cost, which includes, in addition to the purchase price, additional costs such as non-recoverable taxes and any transport costs.

Stocks are valued at the end of the accounting period on the basis of the weighted average price. Write-downs are recorded in the accounts when the market price proves to be lower than the net book value.

Short-term investments and term deposits

Fixed-income securities

Fixed-income securities are valued on the basis of their actuarial rate of return calculated at the time of purchase.

Provisions for liabilities and charges

At the end of each financial year, the Board of Directors, acting with prudence, sincerity and in good faith, determines the provisions to be made to cover all the forecast risks or any losses which have arisen during the financial year or previous financial years.

Provisions for decommissioning of nuclear power stations

The decommissioning costs coverage is assured, under the supervision of the Nuclear Provisions Commission created by the law of 11 April 2003, by the build-up of provisions on the liabilities side of the balance sheet. These provisions correspond to the discounted value of the best estimate of the future cost of shutdown, decommissioning and decontamination of nuclear power stations.

Provisions for management of irradiated fissile material

Cover for the future costs concerning storage, processing and removal of irradiated fuel in nuclear power stations (back-end of the cycle) is assured, under the supervision of the Nuclear Provisions Commission created by the law of 11 April 2003, by the build-up of provisions on the liabilities side of the balance sheet. These provisions are determined on the basis of an average unit cost established using the discounted value of the best estimate of the costs corresponding to all the quantities used during the period of operation of the nuclear power stations.

Amounts payable

Amounts payable are recorded in the accounts at their nominal value.

Off-balance sheet rights and commitments

Off-balance sheet rights and commitments are mentioned in the notes to the accounts, by category, for the nominal value of the obligation shown in the contract or, failing this, for the estimated value. Rights and commitments which cannot be quantified are mentioned for the record.

Transactions, assets and commitments in foreign currencies

Current operations in foreign currencies are recorded in the accounts at the spot rate of exchange on the date of transaction. In the case of forward foreign exchange contracts, the asset or liability entries concerned are valued at the coverage rate.

Non-monetary assets and liabilities (mainly formation expenses, tangible and intangible fixed assets, financial assets and stocks) continue to be valued at the historic conversion rates; this value serves as a basis for calculation of depreciation and any amounts written down (see above).

Exchange differences reported on realization of monetary assets and liabilities (amounts receivable, loans and amounts payable) are entered directly in the income statement.

Advance payments are deemed to be monetary or non-monetary assets depending on where they are allocated.

At the end of the financial year, the main monetary items in foreign currencies are revalued on the basis of the valid spot rate of exchange on the date of closure of the accounts, except for items which are the subject of specific hedging and for which the hedging rates are applied. The net conversion differences per foreign currency reported on this occasion are entered in the prepayments and accruals if an unrealized profit is involved, or as a liability in the income statement if an unrealized loss is involved. The currency conversion differences reported on the cash at bank and in hand are included in the income statement, even if a profit is involved.

Colophon

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