

Report by ONE, OXFAM and Sherpa: "Beyond Transparency" – New AREVA clarification

On April 13, 2017, ONE, OXFAM France and Sherpa published a report on the Transparency of the Extractive industry which contains false information and unfounded accusations regarding the payments made by AREVA to the government of Niger.

It is on the basis of the public reporting carried out by AREVA in application of Article L. 225-102-3 of the French Commercial Code that these NGOs have conducted their analyses in a false and misleading way. We would therefore like to refute a certain number of allegations and clarify some inaccuracies.

Firstly, we wish to make it clear that AREVA complies with all reporting rules, in accordance with French law, and that this reporting concerns subsidiaries that are financially consolidated. For Niger, it therefore includes SOMAÏR (63.4% AREVA-owned) and not COMINAK (34% AREVA-owned).

Regarding the declaration of project payments under partnerships or joint ventures, OXFAM observes that the situation is complicated, with no specific provision in the law, and states on page 14 that "AREVA discloses all the payments relating to the projects it operates. The company includes the amount of payments made by its partners. The amount disclosed does not correspond to what the company actually paid for its own share [...]".

AREVA would like to clarify that the amounts reported relating to payments made to governments are the total amounts paid by the projects, and not the amounts in proportion to the level of participation in the project. Furthermore, in accordance with the current rules, the payments declared constitute 100% of the payments made by its financially consolidated subsidiaries in its accounts.

AREVA refutes the figures stated by OXFAM on page 26:

- Around 10% of the uranium used by reactors in France comes from Niger, **not 30%**. "In France, nearly one in five light bulbs is lit by Nigerien uranium." EDF is supplied by multiple suppliers with production in various countries.
- AREVA's reporting concerns subsidiaries which are financially "consolidated" by AREVA and so for Niger this includes SOMAÏR (63.4% AREVA-owned) but not Cominak (34% AREVA-owned). SOMAÏR represents 24% of AREVA's consolidated production, not 30%. ("Nigerien uranium accounts for nearly 30% of [AREVA's] production").
- The figure put forward by OXFAM of a 15 million euro decrease in the mining royalty is totally unfounded. In fact, the royalty payment in Niger is fixed by the mining law as a percentage of the turnover of the mining companies. This percentage was stable in 2014 and 2015.

"Two years later [in 2016 for the year 2015] the company [...] disclosed the amounts it pays to the Nigerien government for the first time, as a result of the new European reporting requirements."

Since 2003, by lending its support to the Extractive Industries Transparency Initiative (EITI), AREVA has demonstrated its commitment to greater transparency in payments made to states, in relation to the management of extractive resources. In 2007, Niger joined the EITI, and since 2007, AREVA Mines Niger and its partner companies – SOMAÏR, COMINAK and IMOURAREN SA – have participated in the

local EITI process, declaring the payment of all taxes, mining rights, royalties and taxes on profits from mining operations.

On page 26, OXFAM states that:

"AREVA has undervalued its exports of uranium to France".

SOMAÏR and COMINAK sell to their shareholders at a price which reflects uranium market conditions. This price is set by agreement between the State of Niger and all the other shareholders according to a formula based on market indicators published by independent institutes. All the shareholders, Sopamin (which holds the Nigerien state's stake in SOMAÏR and COMINAK), OURD (Japan), ENUSA (Spain) and AREVA, therefore extract at the same negotiated market price.

In addition, AREVA categorically denies the assertion that "the AREVA Mines Niger subsidiary buys the uranium and then sells it back to the AREVA parent company". The overview of the chain of ownership of uranium mined at the SOMAÏR mines on page 45 is completely unfounded.

AREVA Mines Niger carries out exploration activities and leads social initiatives. AREVA Mines Niger does not buy uranium; rather, AREVA Mines SA (France) and SOPAMIN, OURD and ENUSA buy uranium from the mining companies SOMAÏR and COMINAK, in accordance with the contracts and volumes decided and approved by the Board of Directors of these two mining companies formed under Nigerien law.

AREVA Mines Niger does not export uranium. Only the mining companies SOMAÏR and COMINAK are authorized by the State of Niger to hold export licenses. Furthermore, it is important to note that SOMAÏR and COMINAK remain the owners of the uranium stock until it is sold, once it has arrived at the converter (Malvési).

According to OXFAM (page 28), "with a profitability level of 2.5% for SOMAÏR in 2015, AREVA paid royalties of 5.5% of the revenue generated by the mine, approximately 10.8 million euros. This is 5 million euros less than the royalties the company paid in 2013 for a roughly equivalent production volume." The figures given are incorrect.

In 2015, SOMAÏR's operating income was -2.5%, not 2.5%. In accordance with a 2006 law, the royalty level applied was indeed 5.5% of the income generated by SOMAÏR, for a lower production and sale volume that was not the same, as in 2015, SOMAÏR sold 2,562 tU against 2,730 tU in 2013.

"In 2015, the French company laid off several hundred Nigerien workers, justifying this in terms of a decline in the profitability of the mines. This decline was in particular due to the indexation of prices that the company itself had negotiated. (page 30)"

With very high production costs and low-grade uranium ore deposits showing geological characteristics that were less favorable than in the past and therefore less profitable, and in a situation of surplus capacity on the uranium market marked by a drop in the sales price to 51,253 CFA francs per kilogram of uranium in 2015, SOMAÏR introduced a restructuring plan to sustain itself over the long term, with the agreement and support of all the shareholders. This plan had four key areas:

- Economic area: reduce the company's costs by reducing the costs related to materials and services.

- Organizational area: adjust the company's organizational structure to take into account this drop in activity, with a view to achieving greater efficiency and performance in operations.
- Employment: ensure that the workforce was appropriately sized given the reduction in activity.
- Resources and reserves: increase the economically viable reserves by controlling production costs.

In response to the question asked on page 32: "But how much in taxes did AREVA's Nigerien subsidiary pay in 2014?" AREVA wishes to refute the following allegations:

The figure given by OXFAM, "for the years 2014 and 2015 [...], AREVA could have [...] paid less than 38,000 euros" is unfounded.

The 38,000 euros correspond to the pre-payment paid by AREVA Mines Niger for the year 2014 only, not for both 2014 and 2015. AREVA Mines Niger does not pay taxes on the companies, as it only records expenses from exploration or social initiatives, but it pays a profit tax pre-payment taken from supplier invoices in accordance with the Nigerien tax code.

As for SOMAÏR, it paid a profit tax pre-payment of 517,000 euros in 2014, and 448,000 euros in 2015, in addition to a payment of 7,600 million CFA francs in corporation tax in 2014.

In addition to corporation tax, it is important to remember that the direct economic benefits from the mining companies also include taxes, dividends, customs duties, mining royalties and land royalties (indexed to the area).

Finally, we have to stress that since the creation of the SOMAÏR and COMINAK companies, and up to the end of 2014, the State of Niger has received 83% of the direct economic benefits from the mining companies, consisting of the mining royalties, all other taxes and duties, and the dividends. To these direct benefits must be added indirect benefits, including the salaries paid to SOMAÏR and COMINAK employees and local purchases made by these companies, which have contributed to the development of the Agadez region.