

Reference document 2007



AREVA



REFERENCE DOCUMENT **2007**



This reference document was filed with the French financial market authorities AMF (Autorité des Marchés Financiers) on April 15, 2008, in accordance with articles 211-1 to 211-42 of its General Regulations. It may be used in support of a financial transaction if it is accompanied by an offering circular signed by the AMF.

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General comments

This reference document contains information on the AREVA group's objectives, prospects and development strategies, particularly in Chapters 4 and 7. This information is not meant as a presentation of past performance data and should not be interpreted as a guarantee that events or data set forth herein are assured or that objectives will be met. Forward-looking statements made in this document also address known and unknown risks, uncertainties and other factors that could, were they to translate into fact, cause AREVA's future financial performance, operating performance and production to differ significantly from the objectives presented or suggested herein. Those factors include, in particular, changes in international, economic or market conditions, as well as risk factors presented in section 4.14.3. Neither AREVA nor the AREVA group is committing to updating forward-looking statements or information contained in this document.

This reference document contains information on the markets, market shares and competitive position of the AREVA group. Unless otherwise indicated, all historical data and forward-looking information are based on group estimates (from AREVA sources) and are provided as examples only. To AREVA's knowledge, no report is available on the AREVA group's markets that is sufficiently complete or objective to serve as a sole reference source. The AREVA group developed estimates based on several sources, including in-house studies and reports, statistics provided by international organizations and professional associations, data published by competitors, and information collected by AREVA subsidiaries.

The main sources, studies and reports used include (i) the International Atomic Energy Agency (IAEA), the International Energy Agency (IEA), the World Nuclear Association (WNA), the Nuclear Energy Institute (NEI), Nuclear Assurance Corporation (NAC), the European Atomic Energy Community (Euratom), and the Commissariat à l'Énergie Atomique (CEA) for the nuclear business; and (ii) the IAEA for the electricity transmission and distribution business.

AREVA believes that this information provides an adequate picture of the size of these markets and of the group's competitive position. However, the estimates and studies used by the AREVA group have not been verified by independent experts. Accordingly, AREVA does not provide any guarantee that another person would obtain comparable results using different methods to compile, analyze or compute this information.

In this document, the company is referred to as "AREVA". The "group" or the "AREVA group" refers to AREVA and its subsidiaries.

A glossary defining technical terms can be found at the end of this reference document.

A table of concordance between appendix I of European Commission regulation No. 809/2004 dated April 29, 2004 and the contents of this reference document can be found on page 410.

Pursuant to article 28 of the above-mentioned EC regulations and article 212-11 of the general regulations issued by the French Market Authority (AMF), the following items have been included for reference:

- AREVA's consolidated financial statements for the year ended December 31, 2006 and the Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2006, discussed on pages 239 to 317 and 236 to 238 respectively of the reference document filed with the French Market Authority (AMF) on April 27, 2007 under number D.07-0406, and
- AREVA's consolidated financial statements for the year ended December 31, 2005 and the Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2005, discussed on pages 271 to 367 and 268 to 270 respectively of the reference document filed with the French Market Authority (AMF) on April 28, 2006 under number D.06-0348.

Chapters of reference document number D.06-0348 and reference document number D.07-0406 not mentioned above are either not applicable to the investor or covered in another section of this reference document.

01

PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT AND PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

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1.1. Person responsible for the 2007 reference document

1.1. | Person responsible for the 2007 reference document

Mrs. Anne Lauvergeon,
Chief Executive Officer of AREVA and Chairman of the Executive Board.

1.2. | Attestation by the person responsible for the reference document

"I hereby attest, having taking every reasonable measure to this effect, and to the best of my knowledge, that the information contained in this reference document fairly reflects the current situation and that no material aspects of such information have been omitted.

I attest that, to my knowledge, the financial statements are prepared in accordance with applicable accounting standards and give a fair presentation of the assets, financial position and operating results of the company and of all consolidated companies, and that the management report on page 192 presents a fair picture of the business, income and financial position of the company and of all consolidated companies as well as a description of the main risk factors they confront.

I have received an end-of-engagement letter from the Statutory Auditors indicating that they have verified information relating to the financial position and the financial statements provided in this reference document and have read the entire report.

The end-of-engagement letter does not contain any observations.

The historical financial information presented in this reference document has been covered in reports by the Statutory Auditors.

Without qualifying the Statutory Auditors' findings on the financial statements, their report on the consolidated financial statements for the year ended December 31, 2007 on page 244 of this reference document contains observations on:

- the valuation methods for end-of-life-cycle assets and liabilities described in notes 1.1, 1.18 and 13 to the consolidated financial statements and their sensitivity to assumptions adopted with regard to estimates, disbursement schedules, discount rates and the outcome of current negotiations with EDF;
- the terms and conditions for fulfillment of the OL3 contract and sensitivity of income at completion from this contract to adherence to current schedule, contract risks and claims, as described in Notes 1.1, 1.8 and 24 to the consolidated financial statements.

Without qualifying the opinion expressed concerning the financial statements, the Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2006 on page 236 of the 2006 reference document contains observations on:

- the valuation methods for end-of-life-cycle assets and liabilities described in notes 1.1, 1.18 and 13 to the consolidated financial statements and their sensitivity to assumptions adopted with regard to estimates, schedules of disbursements, discount rates and the outcome of current negotiations with EDF;
- the terms and conditions for fulfillment of the OL3 contract and the sensitivity of income at completion from this contract to adherence to the current schedule, contract risks and claims, as described in notes 1.1, 1.8 and 24 to the consolidated financial statements.

Without qualifying the opinion expressed concerning the financial statements, the Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2005 on pages 268, 269 and 270 of the 2005 reference document contains an observation on valuation methods for end-of-life-cycle assets and liabilities described in notes 1.18 and 25 to the consolidated financial statements."

Paris, April 14, 2008

Mrs. Anne Lauvergeon
Chief Executive Officer of AREVA and Chairman of the Executive Board

1.3. Persons responsible for auditing the financial statements

The term of office of the Statutory Auditors is six years.

1.3.1. Statutory Auditors

Mazars & Guérard

Exaltis – 61, rue Henry Regnault – 92075 La Défense Cedex – France

Represented by Jean-Luc Barlet

- first term granted by the Annual General Meeting of Shareholders convened June 26, 1989. Term renewed by the Annual General Meeting of Shareholders convened May 3, 2007, and to expire following the Annual General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2012.

Deloitte & Associés

185, avenue Charles-de-Gaulle – 92524 Neuilly-sur-Seine Cedex – France

Represented by Pascal Colin and Jean-Paul Picard

- first term granted by the Annual General Meeting of Shareholders convened May 31, 2002. Term renewed by the Annual General Meeting of Shareholders convened May 3, 2007, and to expire following the Annual General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2012.

Salustro Reydel, member of KPMG International

1, cours Valmy – 92923 Paris-La Défense – France

Represented by Denis Marangé

- first term granted by the Annual General Meeting of Shareholders convened May 31, 2002, and to expire following the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2007.

1.3.2. Deputy Auditors

Max Dusart

Espace Nation – 125, rue de Montreuil – 75011 Paris – France

- first term granted by the Annual General Meeting of Shareholders convened June 18, 2001, and to expire following the Annual General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2012.

BEAS

7-9, villa Houssay – 92524 Neuilly-sur-Seine Cedex – France

Represented by Alain Pons

- first term granted by the Annual General Meeting of Shareholders convened May 31, 2002, and to expire following the Annual General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2012.

Jean-Claude Reydel

1, cours Valmy – 92923 Paris-La Défense – France

- first term granted by the Annual General Meeting of Shareholders convened May 31, 2002, and to expire following the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2007.

14. Persons responsible for financial information

1.4. | Persons responsible for financial information

The persons responsible for financial information are:

- Alain-Pierre Raynaud, Chief Financial Officer and member of the Executive Committee
Address: 33, rue La Fayette – 75009 Paris – France
E-mail: alain-pierre.raynaud@areva.com
- Isabelle Coupey, Financial Communications and Investor Relations Director
Address: 33, rue La Fayette – 75009 Paris – France
E-mail: isabelle.coupey@areva.com

1.5. | Communications policy and tentative financial communications schedule

It is the Executive Board's objective to report on the group's operations to shareholders and investment certificate owners. Accordingly, AREVA has had a financial communications program in place since it was formed. The goals of this program are to build

strong relations with our shareholders and investment certificate owners and to develop the group's presence on the financial markets by providing information on our operations.

1.5.1. Information programs

Information of a financial, commercial, organizational or strategic nature that may be of interest to the financial community is provided to the national and international media and to press agencies *via* press releases. All information provided to the financial markets (press releases, audio and video presentations of a financial or strategic nature) is available in the "Finance" section of the group's website at www.areva.com. Individuals wishing to receive press releases by e-mail may register on the group's website, which also features a schedule of upcoming events and announcements.

AREVA publishes half-year and annual results and makes quarterly sales announcements in accordance with French legislation. It should be noted that, in the nuclear business, comparisons of quarterly data from one year to that of the preceding year may show significant variances that may not be a good indicator of the expected trend for the year as a whole.

At least twice a year, the group organizes information meetings to comment on its business and financial performance. These meetings are broadcast live on the Internet.

1.5.2. Tentative financial communications schedule

A tentative schedule of upcoming events and announcements is provided below. It is regularly updated on the AREVA website.

Date	Event
April 17, 2008	Annual General Meeting of Shareholders (not open to investment certificate holders)
April 24, 2008	First quarter 2008 sales revenue and related information
June 30, 2008	Dividend payment for fiscal year 2007
July 24, 2008	First half 2008 sales revenue
August 29, 2008	First half 2008 income
October 23, 2008	Third quarter 2008 sales revenue and related information
January 2009	2008 sales revenue
February / March 2009	2008 income

1.5.3. Technical information on the group's businesses

The AREVA group organized a series of presentations and site tours to enhance the financial community's understanding of the group's operations from a technical as well as economic point of view.

Six sessions of the AREVA Technical Days program to introduce the group's businesses and technologies have been held since the program was launched in 2002, each time with 100 to 150 people attending, including analysts, investors, journalists and investment advisors. At the sixth session, held in India in April 2007 and

devoted to the Transmission & Distribution division, the energy challenges facing India were presented.

In addition, analysts and investors are invited to learn about the group's operations throughout the year by going to the plant sites. Five industrial tours were organized in 2007.

1.5.4. Contacts

The Investor Relations Director (see section 1.4.) is assisted by:

- Manuel Lachaux, Financial Information and Analysis Manager
Address: 33, rue La Fayette – 75009 Paris – France
E-mail: manuel.lachaux@areva.com
- Pauline Briand, Marketing and Retail Shareholding Manager
Address: 33, rue La Fayette – 75009 Paris – France
E-mail: pauline.briand@areva.com

The Shareholders department can be reached at our toll-free number (calls in France only): 0810 699 756 or by e-mail to: actionnaires@areva.com

02

INFORMATION PERTAINING TO THE TRANSACTION

Not applicable

In the event of a financial transaction involving publicly-raised funds, information covered by this chapter will be disclosed in a prospectus and filed with the French Financial Market Authority (AMF) for approval.

03

GENERAL INFORMATION ON THE COMPANY AND ITS SHARE CAPITAL

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3.1. | Information on AREVA

3.1.1. Legal name (article 2 of the by-laws)

The company's legal name is AREVA.

This change was approved by the Decree of July 27, 2007.

3.1.2. Establishing order

The establishing order for Société des Participations du Commissariat à l'Énergie Atomique (CEA) is Decree no. 83-1116 of December 21, 1983. This decree was amended, mainly by Decree no. 2001-342 of April 19, 2001, then by Decree no. 2003-94 of February 4, 2003. It provides the following:

- changes to company by-laws are approved by decree; however, capital increases are subject to joint approval by the Minister of Industry and the Minister of the Economy (article 2, paragraphs 2 and 3);
- the CEA shall retain the majority of the company's capital (article 2, paragraph 1);
- the sale or exchange of any AREVA shares held by the Commissariat à l'Énergie Atomique (CEA) is subject to the same conditions as for capital increases (article 2, paragraph 2).

Decree no. 2007-1140 of July 27, 2007 authorized certain modifications to the by-laws, in particular changing the company's legal name to AREVA, relocating the corporate office and making changes necessary to ensure compliance with the Law of July 26, 2005 (the "Breton" Law).

3.1.3. Legal form of the company and applicable legislation (article 1 of the by-laws)

AREVA is a *Société anonyme à Directoire et Conseil de Surveillance* (business corporation with an Executive Board and a Supervisory Board) governed by Book II of the French Commercial Code, by Decree no. 67-236 of March 23, 1967 on business corporations, as amended, and by Decree no. 83-1116 of December 21, 1983.

3.1.4. Purpose of the company (article 3 of the by-laws)

The corporate purpose of the company, in France and abroad, is:

- to manage any industrial or commercial operation, especially in the nuclear, renewable energies, and electricity transmission and distribution fields, and to this end:
 - to examine projects concerning the creation, development or reorganization of any industrial enterprise,
 - to implement any such project or contribute to its implementation by all appropriate means, particularly by acquiring equity or interests in any existing or proposed business venture, and
- to provide financial resources to industrial enterprises, especially by acquiring equity interests and through loan subscriptions;
- to acquire direct or indirect equity and interests, in whatever form, in any French or foreign company or enterprise involved in financial, commercial, industrial, real estate or securities operations;
- to purchase, sell, exchange, subscribe or manage any equity shares and investment securities;

- to provide any type of service, particularly services supporting the operations of all of the group's companies; and
- more generally, to undertake any industrial, commercial, financial, real estate or securities operation, in France or abroad,

that is directly or indirectly related to the above in furtherance of its purpose or supporting that purpose's achievement and development.

3.1.5. Corporate office (article 4 of the by-laws)

The company's corporate office is located at 33, rue La Fayette, 75009 Paris, France. Telephone: +33 1 34 96 00 00

3.1.6. Statutory term (article 5 of the by-laws)

AREVA was registered to do business in France on November 12, 1971. Its business registration expires on November 12, 2070, unless this term is extended or the company is dissolved beforehand.

The statutory term of the company is 99 years from its date of registration, unless earlier extended or the company is dissolved beforehand.

3.1.7. Business registry, business code, registration number

AREVA is registered with the Business Registry of Paris under number 712 054 923.

Business code (APE): 741J (Company management).

Business registration number (Siret): 712 054 923 000 40.

3.1.8. Availability of incorporating documents

The incorporating documents, or copies thereof, may be reviewed at 33, rue La Fayette, 75009 Paris, France:

- the Establishing Decree no. 83-1116 of December 21, 1983 and the by-laws of AREVA;
- the Decree no. 2007-1140 of July 27, 2007 published in the *Journal Officiel* on July 28, 2007 and the by-laws of AREVA;
- any report, correspondence and other documents, historical financial data, assessments and statements given by an expert at AREVA's request, some of which are included or referred to in this document;
- historical financial data of AREVA and its consolidated subsidiaries for the fiscal years ended December 31, 2005, December 31, 2006 and December 31, 2007;
- any other document which is made available to the shareholders.

3.1.9. Annual financial statements

3.1.9.1. Accounting year (article 43 of the by-laws)

The accounting year is the 12-month period beginning January 1 and ending December 31 of each year.

3.1.9.2. Corporate financial statements (article 44 of the by-laws)

After year-end closing, the company's Executive Board presents a balance sheet, an income statement with notes and a management report. The Supervisory Board submits its remarks on the Executive Board's report and on the financial statements to the Annual General Meeting of Shareholders.

Any shareholder, investment certificate owner or voting right certificate holder has the right to review these documents, as well as any other document that must be provided by law, subject to the conditions stipulated in current regulations. He or she may also request that these documents be provided to him or her by AREVA, as provided by the regulations.

3.1.9.3. Information on subsidiaries and equity interests (article 45 of the by-laws)

Information on subsidiaries and equity interests required by law is included in the report presented to the Annual General Meeting of Shareholders by the Executive Board and, as applicable, by the Statutory Auditors.

The Executive Board reports on the operations of all subsidiaries, defined as companies in which the group's equity interest is greater than 50% of share capital. The report is segmented by business line and discloses actual financial performance.

The Executive Board attaches a table to the balance sheet presenting the position of said subsidiaries and equity interests in the format required by law.

3.1.9.4. Consolidated balance sheet and financial statements (article 46 of the by-laws)

The Executive Board prepares the consolidated balance sheet, income statement, notes to the financial statements and management report.

The method used to prepare the consolidated balance sheet and income statements must be disclosed in a note attached to those documents.

3.1.9.5. Appropriation and distribution of earnings (article 48 of the by-laws)

1. The net profit or loss for the period consists of the difference between income and expenses, net of depreciation, depletion, amortization and provisions.
2. No less than 5% of the profits for the year, adjusted for any prior year losses, are allocated to a reserve fund called "legal reserve". This allocation is no longer required once the legal reserve reaches 10% of the company's share capital.
3. The earnings available for distribution are equal to the earnings for the year less prior year losses, and less reserve allocations required by law and the company by-laws, plus retained earnings.
4. Except in cases of capital reduction, there shall be no earnings distribution to the combined shareholders and equity investors if shareholders' equity is less than an amount equal to share capital plus legal reserves, in accordance with the law and the company's by-laws, or if the distribution would cause it to fall below that amount.

3.1.10. Information on General Meetings of Shareholders and voting right certificate holders

3.1.10.1. Provisions common to all meetings

Forms and deadlines for Notices of Meeting (article 30 of the by-laws)

Meetings are convened as provided by law.

Admission to Meetings – Deposit of securities (article 32 of the by-laws)

1. Any shareholder or holder of a voting right certificate may participate in person or by proxy in General Meetings of Shareholders, as provided by law, by offering proof of his or her identity and of his or her ownership of the shares or voting right certificates, either by registering the shares or certificates with the company at least three days before the General Meeting of Shareholders or, in the case of bearer shares (when such shall exist), by delivering a certificate of ownership through an authorized account representative confirming the registration of the shares in the bearer share accounts.
2. In the event of the subdivision of share or certificate ownership, only the voting right holder may participate in or be represented at the General Meeting.
3. Joint owners of undivided shares and/or voting right certificates are represented at the General Meeting by one of the joint owners or by a single proxy who shall be designated, in the event of disagreement, by order of the President of the Commercial Court in an urgent ruling at the request of any of the joint owners.
4. Any shareholder or voting right certificate holder who owns securities of a given class may participate in any Special Meeting of the Shareholders for that particular class of securities, subject to the conditions outlined above.
5. The Company Works Council shall designate two of its members to attend General Meetings of Shareholders, one from among the company's managers, technicians and supervisors, and the other from among its administrative/clerical personnel and craft/manual workers. Alternatively, the persons mentioned in Article L. 432-6 of the French Labor Code may participate in the meetings.

Voting procedures (article 35 of the by-laws)

1. The voting rights attached to shares of capital stock or jouissance shares and to voting right certificates are proportionate to the fraction of capital represented by such shares. Each full share shall be entitled to at least one vote.
2. The voting right attached to a share or a voting right certificate belongs to the usufructuary in Annual General Meetings of the Shareholders and to the bare owner in Extraordinary General Meetings or meetings dealing with statutory matters.

Voting rights attached to shares given as collateral remain with the owner of the shares.

3.1.10.2. Rules governing Annual General Meetings of Shareholders

Quorum and majority (article 39 of the by-laws)

The Annual General Meeting of Shareholders may deliberate validly after the first notice of meeting only if the shareholders and/or voting right certificate holders present in person, represented by proxy or voting by mail, or attending via videoconference or a telecommunications medium allowing them to be identified, possess at least 25% of the shares and certificates entitled to a vote. No quorum is required for a meeting held after a second notice of meeting has been given.

The Annual General Meeting of Shareholders adopts resolutions by a majority vote of the shareholders or voting right certificate holders present in person, represented by proxy or voting by mail, or attending the Annual General Meeting via videoconference or a telecommunications medium allowing them to be identified.

3.1.10.3. Rules governing Extraordinary General Meetings of Shareholders

Purpose and conduct of Extraordinary General Meetings of Shareholders (article 40 of the by-laws)

1. The Extraordinary General Meeting of Shareholders has sole authority to amend any of the provisions of the company by-laws, or to increase or decrease the company's share capital. However, the Extraordinary General Meeting of Shareholders may not increase the obligations of any shareholder or investment certificate holder, except in the case of properly executed share combinations or in the case of fractional shares resulting from a capital increase or decrease.

2. As an exception to the exclusive jurisdiction of the Extraordinary General Meeting of Shareholders in matters of by-laws amendment, the Executive Board may modify by-law provisions relating to the company's share capital or the number of shares, investment certificates or voting right certificates representing such capital, insofar as such amendments automatically result from a duly authorized capital increase, decrease or amortization.

Quorum and majority (article 41 of the by-laws)

Unless otherwise provided by law, the Extraordinary General Meeting of Shareholders may deliberate validly after the first notice of meeting only if 25% of the shareholders and voting right certificate holders are present in person, represented by proxy or voting by mail, or attending the Meeting via videoconference or a telecommunications medium allowing them to be identified, in accordance with applicable laws and regulations. The quorum required after the second notice of meeting is 20% of all shares and voting right certificates entitled to vote.

If no quorum has been reached for the second notice of meeting, the second Meeting may be postponed for two months after the date for which it had been called.

Unless otherwise provided by law, resolutions of the Extraordinary General Meeting are adopted by a two-thirds majority of the voting rights of the shareholders or voting right certificate holders present in person, represented by proxy, voting by mail, or participating via videoconference or a telecommunications medium allowing them to be identified, in accordance with applicable laws and regulations.

3.1.10.4. Rules governing Special Meetings of Investment Certificate Holders (article 42 of the by-laws)

All investment certificate holders may participate in the Special Meeting

The Special Meeting has the authority, in instances provided by law, to waive the preemptive subscription right held by investment certificate holders.

The Special Meeting is called at the same time and in the same form as General Meetings of Shareholders called to decide on a proposed capital increase, convertible bond issue, or bond issue with stock purchase warrants.

Investment certificate holders are admitted to the meeting in accordance with the same procedures as those applicable to the shareholders, described in article 32 of the by-laws.

The Special Meeting of Investment Certificate Holders may deliberate validly after the first notice of a meeting only if one third of the certificate holders are present in person, represented by proxy or voting by mail, or attending the Meeting via videoconference or a telecommunications medium allowing them to be identified, in accordance with applicable laws and regulations. The quorum required after the second notice of meeting is 20% of all certificate holders entitled to vote.

The Special Meeting of Shareholders adopts resolutions according to the rules applicable to the Extraordinary General Meeting of Shareholders.

3.2. Information on share capital and voting rights

3.2.1. Share capital

3.2.1.1. Share capital (article 6 of the by-laws)

The company's share capital is fully paid up and stands at one billion three hundred forty-six million eight hundred twenty-two thousand six hundred thirty-eight euros (1,346,822,638 euros), divided into thirty-four million thirteen thousand five hundred ninety-three shares (34,013,593) with a par value of thirty-eight euros (38.00 euros) per share, and one million four hundred twenty-nine thousand one hundred eight (1,429,108) investment certificates with a par value of thirty-eight euros (38.00 euros) per certificate, and one million four hundred twenty-nine thousand one hundred eight (1,429,108) voting right certificates.

There is only one class of shares.

3.2.1.2. Capital increase (article 8 of the by-laws)

The share capital may be increased either by issuing new shares, investment certificates and voting right certificates, or by increasing the par value of outstanding shares and investment certificates.

New shares and investment certificates may be paid up in cash or by offsetting liquid debt due by the company, or by incorporating

reserves, earnings or additional paid-in capital, or by contributing assets, or by any other means, including the creation of shares having a rank which differs from the rank of the outstanding shares.

Current shareholders or investment certificate holders have a preferential right to subscribe to any capital increase for shares issued in cash in proportion to the value of the shares or investment certificates they hold. This right can be traded or sold during the subscription period under the same conditions as apply to the trading or sale of the shares or investment certificates themselves.

However, the Extraordinary General Meeting of Shareholders convened to decide the capital increase on the advice of the Executive Board and the Statutory Auditors may waive this right.

3.2.1.3. Reimbursement and reduction of share capital (article 9 of the by-laws)

The Extraordinary General Meeting of Shareholders may also reduce the share capital by reducing the number of shares or investment certificates and, in conjunction with this, the number of voting right certificates, or by any other means insofar as the share capital remains greater than the minimum legal requirement.

3.2.2. Changes in share capital since 1989 (article 7 of the by-laws)

Changes in share capital since 1989

Transaction date	Transaction	Number of capital securities issued/canceled			Nominal amount of increase/decrease in capital*	Total premium stock issue/merger/asset contribution*	Cumulative amount	Number of capital securities after transaction			Nominal amount*		
		Shares	Investment certificates	Total				Shares	Investment certificates	Total	Shares	Investment certificates	Amount of share capital after transaction*
May 29, 1989	Capital increase (conversion of 3,112 equity securities)	0	12,448	12,448	3,112,000	311,200	3,423,200	27,985,200	12,448	27,997,648	250	250	6,999,412,000
May 31, 1990	Capital increase (conversion of 17,088 equity securities)	0	68,352	68,352	17,088,000	1,708,800	18,796,800	27,985,200	80,800	28,066,000	250	250	7,016,500,000
March 23, 1992	Capital increase (conversion of 337,077 equity securities)	0	1,348,308	1,348,308	337,077,000	33,707,700	370,784,700	27,985,200	1,429,108	29,414,308	250	250	7,353,577,000
June 23, 2000	Capital reduction (for conversion into euros)	0	0	0	(3,301,883)	n.a.	n.a.	27,985,200	1,429,108	29,414,308	38	38	1,117,743,704
September 3, 2001	Capital increase (for acquisition merger of Biorisys and Framatome SA)	5,279,748	0	5,279,748	200,630,424	1,540,164,350	1,740,794,774	33,264,948	1,429,108	34,694,056	38	38	1,318,374,128
September 3, 2001	Capital increase (for payment of transfer of COGEMA shares)	748,645	0	748,645	28,448,510	143,931,861	172,380,371	34,013,593	1,429,108	35,442,701	38	38	1,346,822,638

* In French francs until June 23, 2000; in euros thereafter.

The share capital was not modified in 2002, 2003, 2004, 2005, 2006 or 2007.

3.2.3. Shareholders and voting rights

The company's share capital as of December 31, 2007 is as follows:

- 34,013,593 shares;
- 1,429,108 investment certificates (IC); and
- 1,429,108 voting right certificates.

In addition to ordinary shares, AREVA has investment certificates and voting right certificates. An original share is reestablished with full rights and privileges when a voting right certificate and an investment certificate are reunited.

The CEA owns all of the voting right certificates. The investment certificates are quoted on Compartment A of Euronext™ Paris and are held by the public.

With the exception of investment certificates, which by definition are devoid of voting rights, all AREVA securities carry a single voting right.

Each member of the AREVA Supervisory Board, including members of the Board representing salaried personnel, but excluding members representing the French State, holds one share of stock. Members of the Executive Board do not own stock in the company.

To AREVA's knowledge, no agreement exists whose implementation could result in a change in its control at a later date.

The table below shows the percentages of share capital and voting rights owned by shareholders, holders of investment certificates, and holders of voting right certificates as of December 31, 2007:

		CEA	French State	Caisse des Dépôts et Consignations	ERAP	EDF	Framépargne (employees)	Calyon	Group Total	IC holders (public)	Supervisory Board members***	Total
12/31/2001	% capital	78.96	5.19	3.59	3.21	2.42	1.58	-	1.02	4.03	n.s.	100
	% voting rights	82.99*	5.19	3.59	3.21	2.42	1.58	-	1.02	-	n.s.	100
12/31/2002	% capital	78.96	5.19	3.59	3.21	2.42	1.18**	0.40**	1.02	4.03	n.s.	100
	% voting rights	82.99*	5.19	3.59	3.21	2.42	1.18**	0.40**	1.02	-	n.s.	100
12/31/2003	% capital	78.96	5.19	3.59	3.21	2.42	1.06**	0.52**	1.02	4.03	n.s.	100
	% voting rights	82.99*	5.19	3.59	3.21	2.42	1.06**	0.52**	1.02	-	n.s.	100
12/31/2004	% capital	78.96	5.19	3.59	3.21	2.42	0.86**	0.72**	1.02	4.03	n.s.	100
	% voting rights	82.99*	5.19	3.59	3.21	2.42	0.86**	0.72**	1.02	-	n.s.	100
12/31/2005	% capital	78.96	5.19	3.59	3.21	2.42	0.79**	0.79**	1.02	4.03	n.s.	100
	% voting rights	82.99*	5.19	3.59	3.21	2.42	0.79**	0.79**	1.02	-	n.s.	100
12/31/2006	% capital	78.96	5.19	3.59	3.21	2.42	0.73**	0.85**	1.02	4.03	n.s.	100
	% voting rights	82.99*	5.19	3.59	3.21	2.42	0.73**	0.85**	1.02	-	n.s.	100
12/31/2007	% capital	78.96	5.19	3.59	3.21	2.42	0.69**	0.89**	1.02	4.03	n.s.	100
	% voting rights	82.99*	5.19	3.59	3.21	2.42	0.69**	0.89**	1.02	-	n.s.	100

* The reason for the difference in the percentage of share capital and percentage of voting rights held by the CEA in AREVA is that the CEA owns all of the voting right certificates.

** Calyon entered into a liquidity guarantee with Framépargne under which it agreed to acquire, in the event of insufficient liquidity, AREVA shares held by Framépargne that the latter would have to sell to meet share repurchase requirements. Pursuant to this guarantee, Calyon purchased some AREVA shares beginning in July 2002. Since the passage of the Law of December 30, 2006 and its Implementing Decree of October 24, 2007, AREVA itself may provide this liquidity guarantee.

*** Each member of the AREVA Supervisory Board holds one share of stock.

3.2.4. Treasury shares

AREVA does not own any treasury shares, whether directly, in its own name, or through its subsidiaries.

3.2.5. Form of shares, investment certificates and voting right certificates (article 11 of the by-laws)

Subject to the condition precedent that the shares and/or investment certificates issued by AREVA are listed for trading on a regulated market, the holders may, at their discretion, record their ownership on the company's registers or hold their securities as bearer shares. All securities are registered in an account in accordance with applicable laws and regulations.

Provided that securities that confer an immediate or future right to vote in meetings of AREVA shareholders are listed for trading on a regulated stock market, the company may request the name

(or the legal name in the case of a legal entity), nationality, year of birth (or year of establishment in the case of a legal entity) and address of each holder of such securities from the clearing organization at any time for the purpose of identifying the holders of the securities as well as the number of securities held by each and any restrictions on same, in accordance with the law in these matters.

Ownership of voting right certificates must always be recorded on the company's registers.

3.2.6. Transfer of shares, investment certificates and voting right certificates (article 12 of the by-laws)

1. Shares and investment certificates are transferred from account to account upon sale. If the shares or investment certificates transferred are not fully paid up, the transferee must also sign the transfer order. Any transfer expenses are borne by the buyer.
2. The sale to a third party of company shares not listed for trading on a regulated market, for whatever reason, even when the sale is limited to bare ownership or usufruct of such shares, is subject to the prior approval of the Supervisory Board in the manner and under the conditions set forth below.
 - a) The request for approval of transfer shall be delivered to the company by registered mail with return receipt requested and shall include the last name, first name, middle name and address of the transferee, the number of shares to be transferred, and the price offered.
 - b) If the sale is approved, the company shall notify the transferor by registered mail with return receipt requested. However, the request shall be deemed to have been granted if no answer is provided within three months of the date of the request.
 - c) If the Supervisory Board rejects the transfer and the transferor maintains its intention to sell the shares, the company shall, within a legal time period, cause a third party to acquire the shares, or shall acquire the shares itself for the purpose of reducing the company's capital. The original transfer request shall be deemed approved if the company-sponsored acquisition has not been completed within the time frame mentioned above. However, the deadline may be extended by a court ruling at the company's request.
 - d) In the absence of an agreement between the parties, and in all instances of acquisition under the provisions of the preceding paragraph, the share price shall be set by an appraiser as provided under Article 1843-4 of the French Civil Code.
3. Investment certificates may be sold freely.

A voting right certificate may be sold only in combination with an investment certificate, unless the buyer already owns an investment certificate, in which case the transaction shall result in the permanent re-creation of a share.

3.2.7. Rights and obligations attached to shares, investment certificates and voting right certificates

Possession of a share, an investment certificate or a voting right certificate automatically signifies acceptance of the company's by-laws and of the resolutions duly adopted in any General Meeting of Shareholders.

The rights and obligations attached to any share, investment certificate or voting right certificate remain attached to the securities regardless of owner (article 14 of the by-laws).

The French Atomic Energy Commission (CEA), as AREVA's principal shareholder, does not hold specific rights attached to the shares or voting right certificates it holds.

3.2.8. Liens

There are no liens on AREVA shares or investment certificates.

The shares of group subsidiaries held by AREVA are similarly unencumbered by pledges.

There are no liens on any significant AREVA asset.

3.2.9. Breaching shareholding thresholds

On the date this reference document was filed, there were no statutory thresholds which, if breached, would give rise to any reporting obligation, other than those prescribed by law.

3.3. | Investment certificate trading

3.3.1. Trading exchange

The investment certificates are quoted on Compartment A of Euronext™ Paris, under the reference code Euroclear 004540972 and the reference code ISIN FR 0004275832.

3.3.2. Custodian services

Custodian and transfer services are provided by:

CACEIS CT
Investor Relations Department
14, rue Rouget-de-Lisle
92130 Issy-les-Moulineaux – Cedex 9 – France
Tel.: +33 1 57 78 34 44
Fax: +33 1 57 78 34 00
E-mail: actionnariat.ge@caceis.com

3.3.3. Historical data

Summary of investment certificate prices and trading volumes since January 2005.

2005

<i>(in euros)</i>	High*	Low*	Volume traded	Traded value
January	339.5	305.0	123,980	39,990,600
February	379.0	299.0	399,299	130,365,600
March	395.0	315.0	288,326	101,341,300
April	350.0	301.0	152,017	49,526,656
May	336.0	302.5	121,854	39,187,668
June	369.0	325.6	104,834	36,619,044
July	395.7	353.0	121,648	46,224,508
August	400.0	334.1	66,793	25,121,602
September	472.0	372.0	131,664	56,717,980
October	443.5	365.0	137,112	55,404,036
November	409.0	373.3	71,269	27,927,086
December	412.0	372.2	118,269	46,755,504

2006

<i>(in euros)</i>	High*	Low*	Volume traded	Traded value
January	474.0	403.0	108,905	48,526,342
February	562.0	466.0	126,476	63,346,962
March	598.0	500.0	139,666	75,517,521
April	650.0	528.5	106,845	64,114,190
May	628.0	494.0	174,662	96,875,610
June	549.5	460.0	115,878	57,276,050
July	570.0	445.2	123,037	59,294,350
August	505.0	452.1	68,503	33,060,610
September	531.0	462.1	97,767	48,250,700
October	510.0	457.0	83,607	40,184,040
November	579.0	500.0	97,228	52,361,180
December	587.5	535.5	81,597	45,598,410

2007

<i>(in euros)</i>	High*	Low*	Volume traded	Traded value
January	642.0	552.5	121,100	72,468,830
February	764.5	621.0	229,541	156,207,700
March	743.0	648.4	129,391	89,144,010
April	795.0	705.1	133,697	101,713,600
May	778.0	720.6	149,038	110,813,100
June	828.8	722.8	198,895	154,026,600
July	831.5	770.3	113,955	91,262,010
August	794.0	625.0	211,513	147,078,000
September	745.0	671.1	120,719	85,127,920
October	782.7	701.0	130,192	95,959,380
November	780.0	675.0	135,717	100,112,300
December	798.0	725.0	92,222	70,059,250

2008

<i>(in euros)</i>	High*	Low*	Volume traded	Traded value
January	788.0	580.0	189,654	127,161,600
February	725.0	641.0	95,628	64,783,840

* Intraday prices.
Source: Reuters.

3.3. Investment certificate trading

From AREVA's establishment on September 3, 2001 through February 29, 2008, the price of the investment certificate has risen by 387.5%, outperforming the CAC 40, which gained 3.5% over the same period, and the EuroStoxx 50, which gained 0.9%. In 2007, the price of the investment certificate rose by 39.06%, as compared with increases of 0.69% for the CAC 40 and of 6.79% for the EuroStoxx 50 index. The average daily trading

volume was 7,067 shares in 2007, compared with 5,255 in 2006 and 7,127 in 2005.

In value, average trading climbed to 5,097,674 euros in 2007, compared with 2,715,897 euros in 2006 and 2,542,000 euros in 2005.

3.4. | Dividends

3.4.1. Dividend payment (article 49 of the by-laws)

Dividends are paid annually on the date and place set by the Annual General Meeting of Shareholders or, in the absence of such a decision, within nine months of the fiscal year-end on the date and place set by the Executive Board.

Dividends properly received are not subject to recovery. Dividends that have not been collected within five years from the date set for distribution are forfeited to the French State.

3.4.2. Six-year dividend data

<i>(in euros)</i>	Dividend	Tax credit	Gross dividend
2000	22.85	11.42	34.27
2001	6.20	3.10	9.30
2001 (exceptional dividend)	12.28	6.14	18.48
2002	6.20	3.10	9.30
2003	6.20	3.10	9.30
2004	9.59	-	9.59
2005	9.87	-	9.87
2006	8.46	-	8.46
2007*	6.77*	-	6.77*

* Dividend proposed to the Annual General Meeting of Shareholders of April 17, 2008.

3.4.3. Dividend policy

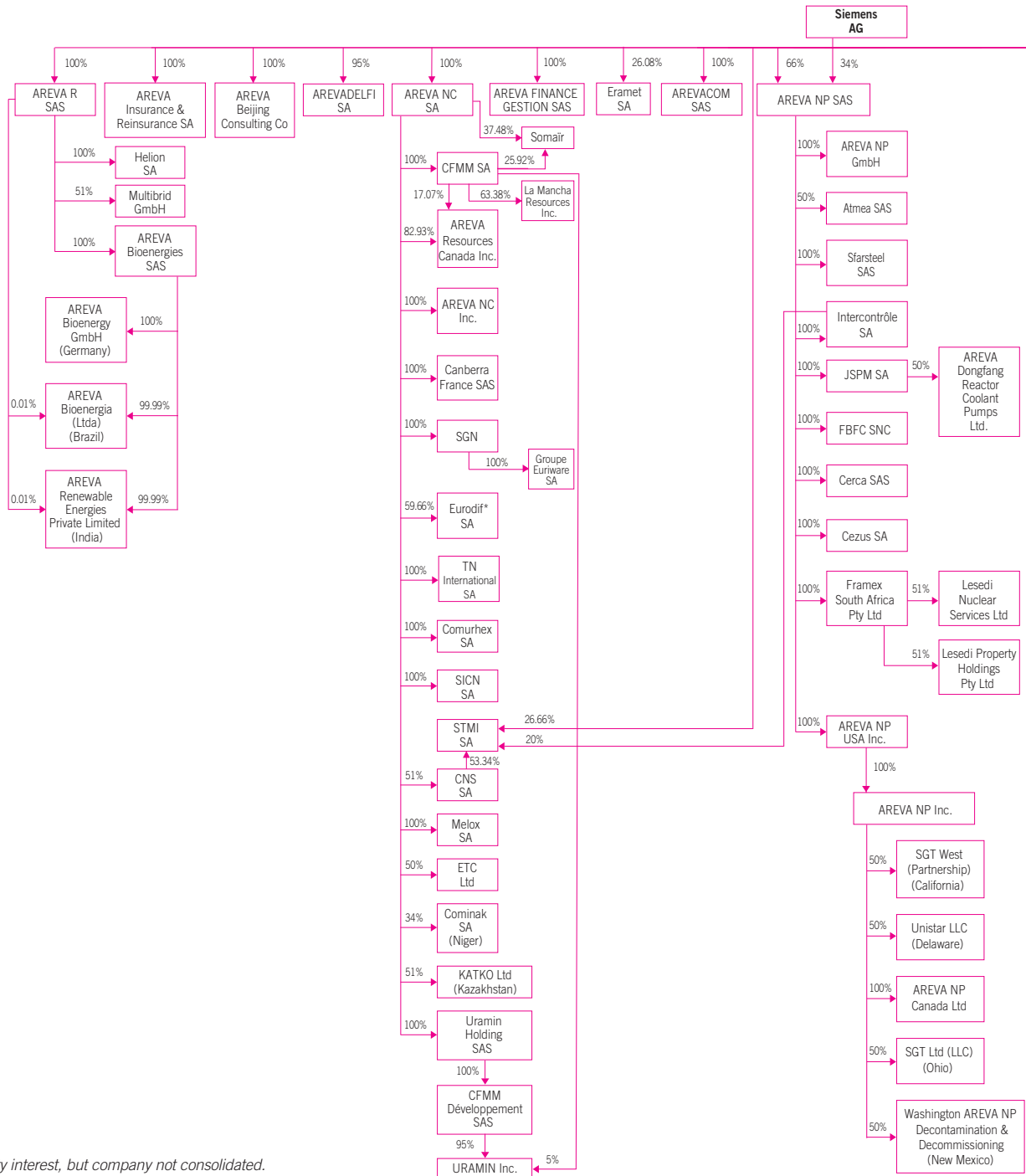
No dividend distribution policy has yet been established.

The annual dividend amount is set with representatives of the French government and the CEA, which together hold a majority of the group's capital. The Supervisory Board will submit a proposal to the Combined Annual General Meeting of Shareholders of April 17, 2008 to distribute a dividend of 6.77 euros per share or investment certificate for 2007, compared with 8.46 euros for the previous year.

The dividend of 6.77 euros corresponds to a distribution rate of 32.3% of 2007 consolidated net income and will be paid on June 30, 2008. The distribution rates for 2003, 2004, 2005 and 2006 were, respectively, 57%, 80%, 33.3% and 46% of consolidated net income for those years. These distribution rates are not an indication of the company's future dividend policy.

3.5. | Organization chart of AREVA group companies

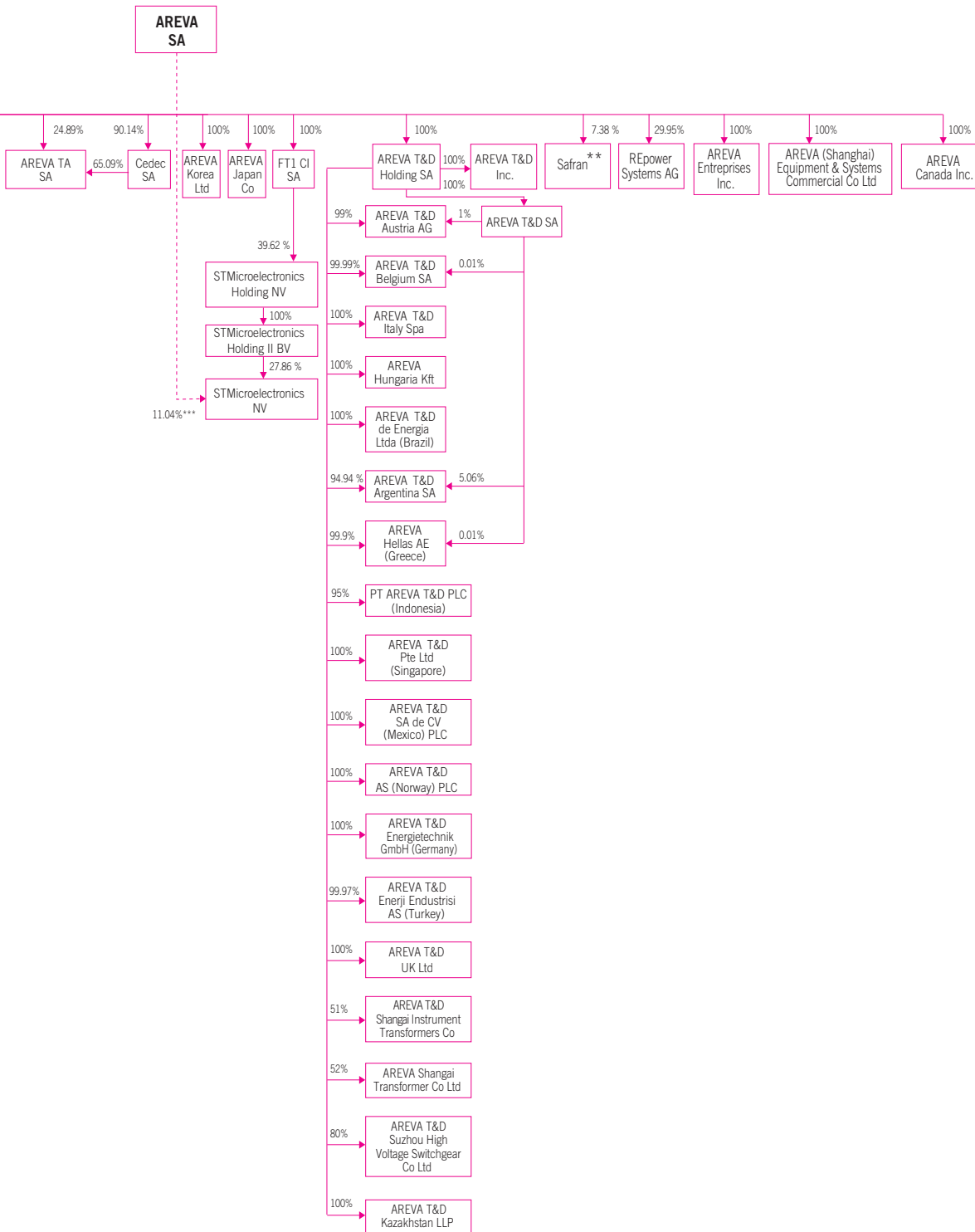
Simplified organization chart of the AREVA group as of March 31, 2008:



** Significant equity interest, but company not consolidated.

*** Percent of indirect interest.

* Eurodif SA: direct and indirect equity interest via Solidif.



3.6. | Equity interests

The AREVA group has significant equity interests, as described hereunder.

STMicroelectronics NV

- Percentage owned indirectly via holding companies: 11.04%
- Business: STMicroelectronics is one of the largest semiconductor companies in the world. In 2007, it had sales revenue of 10.001 billion US dollars.
- History of the AREVA group's involvement: Since its establishment, CEA's Leti laboratory has collaborated with STMicroelectronics to develop integrated circuit technology. In 1993, STMicroelectronics was equally controlled by the Italian company Stet and public shareholders in Italy on the one hand, and by the French company Thomson-CSF on the other. STMicroelectronics, which at the time was in financial difficulty, received fresh capital from a French vehicle, FT1CI, jointly set up by CEA-Industrie (subsequently AREVA) and France Telecom (which has not been a shareholder of FT1CI since August 2005). FT1CI owns its interest in STMicroelectronics through holding companies jointly held with Italian partners, STMicroelectronics Holding NV and STMicroelectronics Holding II BV. STMicroelectronics Holding II BV was the majority shareholder in the past and remains the leading shareholder in STMicroelectronics today, with 27.86% of its share capital. FT1CI, the holding company that holds AREVA's indirect equity interest in STMicroelectronics (STM), and Finmeccanica concluded an agreement providing that FT1CI shall acquire part of Finmeccanica's indirect equity interest in STM (i.e. 2.89% of STM's share capital) to equalize the indirect equity interests held in STM by FT1CI on the one hand, and by Finmeccanica and Cassa Depositi e Prestiti on the other. This acquisition will be financed by the Commissariat à l'Énergie Atomique (CEA) through FT1CI. This will make CEA a minority shareholder of FT1CI and a party to the STM Shareholders Agreement. AREVA, CEA, Finmeccanica and Cassa Depositi e Prestiti shall respectively hold 11.04%, 2.89%, 3.80% and 10.19% of STM's share capital through STMicroelectronics Holding NV (STH).
- Consolidation: Equity method (the group carries its total interest in FT1CI, i.e. 11.04%, under the equity method).
- Stock exchanges: Compartment A of Euronext™ Paris, the New York Stock Exchange, and Milan.
- Market capitalization as of December 31, 2007: 13.132 billion US dollars (8.921 billion euros).

Eramet

- Percentage owned: 26.24% of the share capital and 30.73% of the voting rights.

- Business: Eramet is a mining and metallurgy group that produces nonferrous metals, high-performance specialty steels and alloys. Eramet's sales revenue as of December 31, 2007, totaled 3.792 billion euros.
- History of the AREVA group's involvement: A reorganization of the French state's equity interest in Eramet was decided when the state reorganized its equity interests in mining. This reorganization was implemented, in particular, by exchanging the Eramet shares held by Erap, representing 22.5% of Eramet's capital, for AREVA NC shares. In addition, AREVA NC bought back the Eramet shares held by BRGM, representing 1.5% of Eramet's capital. AREVA NC contributed its equity interests to an entity set up for that purpose, Biorisys, whose share capital was taken over by merger with AREVA, effective September 4, 2001.
- Consolidation: Equity method.
- Trading exchange: Compartment A of Euronext™ Paris.
- Market capitalization as of December 31, 2007: 9.063 billion euros.

Safran

- Percentage owned: Through its subsidiaries AREVA NC and Cogerap, AREVA holds 7.38% of the share capital and 10.73% of the voting rights (compared with 12.5% as of December 31, 2006). This results from the double voting rights acquired by the French state, which brought the AREVA group's holding to 9.42%. The French state subsequently converted shares to bearer shares, thus losing the corresponding double voting rights. This increased AREVA's share of voting rights to 10.73%.
- Business: Safran is a high-tech group with two operating branches, telecommunications and defense. It is ranked second in France in telecommunications and third in Europe in defense and security electronics. Safran had 2007 revenues of 12.003 billion euros.
- History of the AREVA group's involvement: AREVA NC formerly owned a 5.1% equity interest in Sagem. The AREVA group's equity position in Safran increased automatically to 17.4% in December 2003 as a result of Safran's takeover-merger of Coficem, in which the group had purchased a 20% interest in 2002. The AREVA group's equity interest was then diluted during the takeover-merger of Snecma by Sagem, which gave birth to Safran in May 2005.
- Consolidation: This equity share is not subject to consolidation and appeared at market value on the balance sheet at December 31, 2007 as "Available-for-sale securities" under "Other non-current financial assets".
- Trading exchange: Compartment A of Euronext™ Paris.
- Market capitalization as of December 31, 2007: 5.851 billion euros.

Suez

- Percentage owned: 2.18% of the share capital and 1.98% of the voting rights as of December 31, 2007.
- Business: Suez, an international manufacturing and services group, designs sustainable and innovative solutions for public services management as a partner to municipalities, companies and individuals in electricity, gas, energy services, water and clean-up. Suez had 2007 sales revenue of 47.475 billion euros.
- History of the AREVA group's involvement: The group has held a stake in Suez since 1997-1998 as part of its portfolio of securities earmarked for end-of-life-cycle operations. The market value of this line rose to more than 1.286 billion euros in 2007, before the Suez capital increase. To balance its dedicated portfolio, the group decided to remove the Suez line from the portfolio and replace it with cash, reinvested in other products.
- Consolidation: The equity share is not subject to consolidation and appeared at market value on the balance sheet at December 31, 2007 as "Available-for-sale securities" under "Other non-current financial assets".
- Stock exchanges: Euronext™ Paris (CAC 40 index), Euronext™ Brussels (BEL 20 index), SWX (Zurich) and the Luxembourg Stock Exchange.
- Market capitalization as of December 31, 2007: 60.869 billion euros.

REpower

- Percentage owned: AREVA currently holds 29.95% of the share capital and voting rights.
- Business: REpower, a Hamburg-based manufacturing group, specializes in high-output wind turbine technology particularly suited to offshore sites. The company employs 1 086 people and posted sales of 680 million euros in 2007.

- History of the AREVA group's involvement: AREVA has had an equity interest in REpower since October 2005. In April 2006, AREVA increased its equity stake in REpower to 29.99% by subscribing to a capital increase launched by REpower and acquiring shares on the market. On February 5, 2007, AREVA announced a friendly takeover bid for REpower shares that it did not already hold. On February 28, 2007, the Indian company Suzlon made a counter-offer, backed by the Portuguese company Martifer, also a shareholder of REpower, at 25.4%. Both bids were set to expire on April 20, 2007. On March 15, AREVA raised its bid price to 140 euros per share, having first acquired additional shares that raised its equity interest to 30.17%. On April 10, Suzlon raised its bid to 150 euros per share. On April 17, AREVA lifted the minimum acceptance condition of 50% plus one REpower share applicable to its bid, thereby extending the bid period to May 4, 2007.

AREVA decided not to submit a new counter-offer at the end of the offering period, considering that it would result in further delays without any guarantee that a majority of the shares could be acquired, and considering also the price level and the substantial value created by AREVA's initial investment in REpower. AREVA entered into a cooperative agreement with Suzlon under which AREVA retains its equity interest in REpower and shall continue to support the company while becoming a preferred electricity transmission and distribution supplier to Suzlon. Further, AREVA received a guarantee in the form of a put option valued at 121 million euros in AREVA's consolidated financial statements as of December 31, 2007, ensuring value creation in excess of 350 million euros.

AREVA's equity interest in REpower was diluted from 30.17% to 29.95% at year-end 2007 when REpower executives exercised stock options.

- Consolidation: Equity method.
- Trading exchange: Xetra (Frankfurt).
- Market capitalization as of December 31, 2007: 1.124 billion euros.

3.7. | Shareholders' agreements

The shareholders' agreements involving AREVA are described in section 3.7.1. hereunder. The main shareholders' agreements concerning companies in which the group has significant equity interests are described in section 3.7.2. hereunder.

3.7.1. Shareholder's agreements concerning AREVA shares

Except for agreements described in sections 3.7.1.1. and 3.7.1.2. hereunder, there is, to AREVA's knowledge, no agreement containing rights of first refusal concerning the investment certificates or at least 0.5% of AREVA's share capital or voting rights.

3.7.1.1. Shareholders' agreement between the Caisse des Dépôts et Consignations (CDC) and the Commissariat à l'Énergie Atomique (CEA)

Under the terms of an agreement between the CDC and the CEA dated December 28, 2001, the parties agreed in particular that, in the event that AREVA shares are admitted for public trading on a regulated market through the sale of AREVA shares owned by the CEA, the CEA agrees that CDC may, if it chooses, sell as many AREVA shares in the public offering as those offered for sale by the CEA. The CEA further agreed to undertake its best efforts to allow CDC to sell its shares in the event that the latter wishes to relinquish all of its AREVA shares under certain specific circumstances, and particularly in the event that (i) AREVA shares are not admitted for public trading by December 31, 2004, (ii) the shares of a major AREVA subsidiary (other than FCI) in which AREVA holds more than half of the share capital and voting rights were to be admitted for public trading in France, (iii) the CEA should no longer holds a majority interest in the share capital or voting rights of AREVA. CDC did not choose to dispose of its equity interest in AREVA, and continues to hold 3.59 % of the company's share capital.

3.7.1.2. Memorandum of understanding among Total Chimie, Total Nucléaire, AREVA and AREVA NC

Under the terms of separate memorandums of understanding dated June 27, 2001, Total Chimie and Total Nucléaire agreed to sell five-sixths of their equity interest in AREVA NC to the CEA and to contribute the remaining shares to AREVA prior to the split-up and merger decided by the Combined Annual and Extraordinary General Meeting of Shareholders, which was completed in September 2001.

This memorandum of understanding also provides that Total Chimie and Total Nucléaire agree to retain their AREVA shares received in exchange for their contributions until such time as AREVA shares are publicly traded on a regulated market. If admission to a regulated market did not take place by September 30, 2004, at the latest, and assuming that Total Chimie or Total Nucléaire wished to sell all of their AREVA shares, Total Chimie, Total Nucléaire and AREVA agreed to make their best efforts to ensure that the sale of the equity interest of Total Chimie or Total Nucléaire was carried out promptly and under mutually acceptable terms and conditions for all parties. To date, neither Total Chimie nor Total Nucléaire has chosen to dispose of their AREVA shares.

3.7.2. Main shareholders' agreements concerning AREVA's equity interests

The main shareholder agreements concerning AREVA's equity interests are set forth below.

AREVA NP

In July 2000, Framatome SA (subsequently taken over by AREVA) and Siemens AG reached an agreement to combine their nuclear operations in AREVA NP. Siemens AG's asset contribution to AREVA NP was implemented in two phases: the German operations were contributed on January 30, 2001, and the US operations were contributed on March 19, 2001.

These contributions were supplemented with a cash contribution by Siemens AG to AREVA NP, giving Siemens AG 34% of the share capital of AREVA NP. Siemens' nuclear operations were divided equally between AREVA's Front End and Reactors and Services divisions in 2001.

AREVA NP is a French *société par action simplifiée* (simplified corporation) managed by a President chosen by a six-person Board of Directors designated for a five-year term by the shareholders on a simple majority vote.

Under AREVA NP's by-laws, the company's shares cannot be transferred to a third party for a 10-year period starting January 30, 2001, unless all shareholders approve the transfer. After this period of non-transferability, any sale of shares by one of the shareholders to a third party will be subject to a preemptive subscription right and prior approval by the company's other shareholders.

The shareholders' agreement concluded on January 30, 2001 between Siemens AG and Framatome SA, now taken over by AREVA, includes a put and call clause establishing sell and buy options. Under this clause, Siemens AG may exercise a sell option, thus obliging AREVA to buy all of the AREVA NP shares held by Siemens AG. Similarly, AREVA may exercise a buy option, thus obliging Siemens AG to sell all of its shares in AREVA NP to AREVA. These options may be exercised by the parties under the following circumstances:

- in the event of a confirmed and final disagreement between the parties over decisions vested in the Board of Directors, in particular, approving new company shareholders or designating the company President;
- in the event of a confirmed and final disagreement regarding a change in AREVA NP's by-laws or the shareholders' agreement;
- in the event that Siemens AG does not approve the company's business plan or its company financial statements for two consecutive years and there is no agreement with AREVA.

These options can also be exercised if one of the parties is taken over by a competitor, or if there is a significant drop in AREVA NP's market value after a change in control with respect to any of the parties.

In addition, AREVA NP's shareholders agreement grants puts and calls (i.e. options to sell or buy shares) under specific circumstances as follows:

1. in the event of a material breach by one of the parties:
 - if AREVA has committed a material breach, Siemens has the right to exercise an option to sell its shares of AREVA NP at a price equal to 140% of their fair market value,
 - if Siemens has committed a material breach, AREVA has the right to buy Siemens' shares of AREVA NP at a price equal to 60% of their fair market value;
2. in the event of termination for convenience:
 - After a waiting period of 11 years after the date of the agreement, i.e. beginning January 30, 2012, and each year thereafter on the same anniversary date:
 - Siemens may exercise a put option to sell its shares of AREVA NP; and
 - AREVA may exercise a call option to purchase the shares held by Siemens.

Each party must notify the other of its intent to exercise the put (Siemens) or the call (AREVA) at least three years before each anniversary date (i.e. on January 30, 2009 at the earliest).

In the event of termination for convenience, the price of the puts and calls is determined in relation to the fair market value of AREVA NP.

In cases 1 and 2 above, the fair market value of AREVA NP is determined using AREVA NP's discounted cash flow method. If the parties are unable to reach an agreement on the price, each party shall designate an investment bank to establish the value. If the valuations are not identical, the parties shall negotiate with a view to reaching an agreement on the amount. If an agreement cannot be reached, the parties shall designate the Institute of Chartered Accountants in England and Wales as an expert to determine the final fair market value, taking into account the valuations submitted by the two banks.

Eurodif

Agreement governing the establishment of Eurodif

Under the terms of an agreement dated October 9, 1973 among the CEA, Comitato Nazionale per l'Energia Nucleare and AGIP Nucleare of Italy, ENUSA (Empresa Nacional del Uranio) of Spain, AB Atomenergi of Sweden, Synatom and the Centre d'Étude de l'Énergie Nucléaire of Belgium, it was decided to establish a jointly owned company in the form of a French *société anonyme* (corporation) with Executive and Supervisory Boards, called Eurodif, to conduct studies and research in the field of gaseous diffusion enrichment, to build and operate plants, and to market enriched uranium.

The CEA owned the majority of Eurodif's capital, with the other shareholders being minority shareholders. The CEA's equity interest was transferred to AREVA NC when AREVA NC was established in 1976. AREVA NC holds, directly and indirectly through Sofidif, 60% of Eurodif's capital at present.

The current shareholders of Eurodif are:

- AREVA NC: (44.65%);
- Sofidif: (25%);
- Synatom: (11.11%);
- Enusa: (11.11%);
- Enea: (8.13%).

Agreements relating to the establishment of Sofidif

As part of a bilateral agreement for cooperation in the field of enrichment, France and Iran signed an agreement in 1974.

This agreement led to the establishment of Sofidif.

Under the agreements in force, the Iranian shareholder, the Atomic Energy Organization of Iran (AEOI), holds 40% of Sofidif's capital. AREVA NC holds the remaining 60% of the company's capital.

Sofidif's sole asset is a 25% equity interest in Eurodif's capital. Sofidif's role is limited to taking part in meetings of Eurodif's Supervisory Board, collecting its share of Eurodif's dividends and redistributing those dividends to its own shareholders.

Due to international and national sanctions, the 2007 dividends were not paid to OEA. One of the Iranian directors was subject to these provisions.

AREVA TA

Agreement of December 28, 1993 relating to Cedec

On December 28, 1993, CEA-Industrie, which later became AREVA, entered into an agreement with DCN International (hereafter referred to as DCN-I) to create a joint company called Cedec for the purpose of holding a 65.1% equity interest in AREVA TA.

AREVA currently controls 90.14% of Cedec's share capital, while DCN-I holds a 9.86% share.

The agreement of December 28, 1993 contemplates, in particular, that each party shall have a preemptive subscription right to acquire the other party's shares if these shares are sold. If this preemptive right is not exercised, any sale of shares to a third party shall be subject to prior approval by the Board of Directors, voting with a two-thirds majority. The agreement also stipulates that Cedec's Board of Directors shall consist of seven members, of which four will be recommended by AREVA and three by DCN-I.

Agreement of March 12, 1993 relating to AREVA TA

AREVA holds a 24.89% interest in AREVA TA, while Cedec holds a 65.01% interest and the EDF group holds the remaining shares, i.e. 10.1%.

An agreement on changes in the share ownership of AREVA TA was reached between CEA-Industrie (AREVA), Framatome (subsequently an AREVA subsidiary) and DCN-I on March 12, 1993. This agreement was amended by letter in March 1993 and by an amendment signed by Cedec (assuming the rights and obligations of DCN-I) and AREVA NP on October 5, 2000.

The agreement stipulates, in particular, that AREVA TA's Board of Directors shall consist of fifteen directors, of whom five are elected by the employees in accordance with the Law of July 26, 1983 on the democratization of the public sector, with the remaining directors designated by Cedec (six directors), AREVA (three directors), and EDF (one director). The Chairman of the Board is appointed by the Board of Directors after consultation with the various parties and on the recommendation of Cedec, subject to AREVA's approval. Some board decisions require a two-thirds majority vote, most notably approval of the annual financial statements, capital increases or reductions, amendments to the by-laws, acquisition or disposal of equity interests, approval of new shareholders, authorization of certain agreements between related parties as specified by law, capital investments exceeding 1.5 million euros, etc. In addition, the explicit agreement of the directors nominated by Cedec and AREVA must be obtained beforehand.

In the event that EDF wishes to sell all or part of its equity interest in AREVA TA, AREVA will have priority over the other parties (Cedec) to buy the shares on mutually acceptable terms.

If either Cedec or AREVA contemplates the sale of all or part of its shares or rights in AREVA TA, Cedec and AREVA have a reciprocal

and irrevocable agreement under which each would first offer the shares for sale to the other party (unless AREVA were to sell the shares to the CEA).

It is also stipulated that if the CEA were to own less than 51% of AREVA, the CEA would have to buy the Cedec or AREVA TA shares owned by AREVA, representing 90.14% of Cedec's share capital and 83.56% of AREVA TA's share capital.

ETC

With a view to cooperation in the field of uranium centrifuge enrichment, AREVA signed an agreement on November 24, 2003 with Urenco and its shareholders under which AREVA will buy 50% of the share capital of Enrichment Technology Company Ltd (ETC), which combines Urenco's activities in the design and construction of equipment and facilities for uranium centrifuge enrichment, as well as related research and development.

The acquisition was submitted to the European anti-trust authorities, which gave their official approval on October 6, 2004. The quadripartite treaty among Germany, the Netherlands, the United Kingdom and France was ratified on July 3, 2006, allowing this agreement to be implemented.

On that day, AREVA NC replaced AREVA in the share capital of ETC. As a joint company, ETC is the exclusive vehicle for uranium centrifuge enrichment technology for Urenco and AREVA NC.

A shareholders' agreement defines the relations between AREVA NC and Urenco in ETC, covering in particular the composition of the Board of Directors, decisions requiring a unanimous vote by the directors present, and restrictions on selling ETC shares.

Eramet

(A publicly traded company, see section 3.6.)

AREVA's equity interest in Eramet is subject to an agreement dated June 17, 1999 among Sorame, Ceir, Erap and the shareholders in Sorame. Erap's equity interest in Eramet was transferred to AREVA NC on December 1, 1999 and then to AREVA on September 4, 2001. AREVA has therefore replaced Erap in its initial rights and obligations. Under the terms of this agreement, AREVA, acting in concert with Sorame and Ceir, controls Eramet. The initial term of this agreement was set to expire on June 30, 2006. Thereafter, it will automatically renew for one-year periods unless previously terminated with one month notice before the end of the current period. The shareholders' agreement specifies in particular: (i) with respect to the fifteen seats on Eramet's Board of Directors, AREVA may request the nomination of three directors as well as an additional two directors nominated in consideration of their expertise and independence from AREVA and Eramet; (ii) a reciprocal right of first refusal on any sale of Eramet shares

by one of the parties consisting of a block of at least 25,000 shares, or on any planned sale of shares by the parties, on one or several occasions, over a period of twelve months for a total price of 7.5 million euros.

This agreement has been the subject of several decisions by the Financial Market Board (CMF): decisions no. 199C1045 of August 3, 1999, no. 199C2064 of December 29, 1999, no. 201C0921 of July 25, 2001, and no. 201C1140 of September 12, 2001.

As part of its statement of intent dated September 12, 2001, AREVA indicated that it will not increase its equity interest in Eramet by more than 2% in any given fiscal year, either in terms of share capital or in terms of voting rights, and that it will not exceed 33.32% of Eramet's share capital at any time, unless AREVA exercises its right of first refusal or its share purchase option under the shareholders' agreement.

FT1CI

AREVA is now the sole shareholder of FT1CI, following France Telecom's disposal of its shares in STMicroelectronics in August 2005 and in FT1CI in September 2005. FT1CI holds a 39.6% equity interest in STMicroelectronics Holding N.V. (STH), with the remaining 60.4% held by Finmeccanica and Cassa Depositi e Prestiti. STH holds 100% of STMicroelectronics Holding II BV (STH II), which holds 27.86% of STMicroelectronics.

STMicroelectronics

(A publicly traded company, see section 3.6)

STMicroelectronics (STM) is subject to a shareholders' agreement among AREVA, France Telecom, FT1CI and Finmeccanica, which are indirect shareholders via STMicroelectronics Holding NV and STMicroelectronics Holding II BV (hereinafter known collectively as "STH")⁽¹⁾. The shareholders' agreement was renewed on March 17, 2004 for a renewable period of four years, i.e. until March 17, 2008. It was renewed for another period of three years, i.e. until March 17, 2011. It is intended to improve the liquidity of their indirect holdings in the company and maintain a stable and balanced shareholding structure to support the company's growth and autonomy. The agreement provides for the preservation of equal Franco-Italian control, independent of economic interests in STH resulting from sales of shares.

In December 2004, Finmeccanica sold part of its indirect interest in STM to Cassa Depositi e Prestiti, which signed the above-mentioned shareholders' agreement on December 23, 2004. France Telecom has not been a party to this agreement since August 2005.

⁽¹⁾ STMicroelectronics Holding NV holds 100% of the share capital of STMicroelectronics Holding II BV, which holds 27.86% of the share capital of STMicroelectronics.

3.7. Shareholders' agreements

The shareholders' agreement also contains provisions for defensive measures against a takeover bid, allowing the issuance of preferred shares to STM.

Its main provisions are:

- continued Franco-Italian governance with equal representation of both parties on the Supervisory Board, subject to retention of minimum equity interests with STM voting rights;
- simplification of disposals of the parties' indirect shareholdings in STM; and
- the right to acquire additional STM shares under certain circumstances.

The agreement includes a three-month period to ensure equal equity interests at the expiration of each contract period. On February 26, 2008, FT1CI, the holding company that holds AREVA's indirect equity interest in STMicroelectronics (STM), and Finmeccanica concluded an agreement providing that FT1CI shall acquire part of Finmeccanica's indirect equity interest in STM (i.e. 2.89% of STM's share capital) to equalize the indirect equity interests held in STM by FT1CI on the one hand, and by Finmeccanica and Cassa Depositi et Prestiti on the other. This acquisition will be financed by the Commissariat à l'Énergie Atomique (CEA) through FT1CI. CEA will thus become a minority shareholder of FT1CI and a party to the STM Shareholders Agreement.

1. Current shareholding structure

When the transaction described above is completed, AREVA, the CEA, Finmeccanica and Cassa Depositi e Prestiti will hold indirect interests in STM of 11.04%, 2.89%, 3.80% and 10.19% respectively, through STH. AREVA's indirect interest is held by FT1CI, as will be the CEA's when the latter becomes a shareholder of FT1CI through a capital increase. STH is equally owned by FT1CI (the "French party") on the one hand and by Finmeccanica and Cassa Depositi e Prestiti (the "Italian party") on the other.

2. Governance

Corporate decisions in respect of STM will remain equally shared between the French party and the Italian party for a new three-year period due to the signature of the amendment to the shareholders' agreement, i.e. beginning March 17, 2008 and running to March 17, 2011, subject to each of the parties indirectly holding at any time at least 10.5% (i.e. at least 21% for both parties) of the voting rights of STM (taking into account shares of STM underlying exchangeable instruments issued by each of the parties, as long as the voting rights pertaining to such shares remain held by STH).

During that period, the two parties will recommend to the General Meeting of Shareholders the same number of representatives for nomination to the Board of STM, and any important decision concerning STM will require the unanimous approval of both parties.

In the event the shareholding of one of the two parties falls below the 10.5% threshold for STM voting rights due to a capital increase

of STM or to an exchange of exchangeable instruments, such party will have the right to cause STH to purchase STM shares in order to increase its shareholding up to 10.5%.

If each of the parties has maintained its indirect shareholding above the 10.5% threshold for STM voting rights until the end of the three-year period, governance will remain equally shared, under the same terms and conditions, as from the end of this period, provided, however, that both parties' indirect shareholding in voting rights in STM held by STH remains at least 47.5%.

In the event that the shareholding of both parties is less than the 47.5% threshold prior to the expiration of this three-year period, such party will have the right to cause STH to purchase STM shares in order to rebalance the shareholdings of the parties.

If the indirect shareholding of one of the two parties falls below the 10.5% threshold during the initial three-year period, or below the 47.5% threshold of voting rights held by STH in STM as of the end of such three-year period, corporate governance shall cease to be shared equally. However, the minority party will have a veto right on certain decisions, on the condition that its indirect shareholding exceeds certain thresholds.

3. Disposal of STM Shares

Each of the parties to the shareholders' agreement has the right to cause STH to sell its indirect shareholding in STM shares, subject to a right of first refusal and a tag-along right of the other party. However, the right of first refusal only applies (among other conditions) to transfers of shares that result in the selling party holding less than 7% of the share capital of STM.

Such sales of STM shares can be triggered by the issue of financial instruments exchangeable into STM shares through equity swaps or through structured finance deals. In the event of an issuance of exchangeable securities, the tag-along right and, if applicable, the right of first refusal apply on the date of such issue. In the event that all or part of the financial instruments remains un-exchanged upon the date on which they are no longer exchangeable into STM shares, the relevant party is entitled to cause STH to proceed with disposals of those STM shares without application of the right of first refusal or of the tag-along right. These restrictions apply in particular to the underlying STM shares for the exchangeable bonds issued by Finmeccanica and France Telecom, if they remain un-exchanged.

4. Acquisition of STM Shares

In the event of a hostile takeover or similar bid on STM shares, the provisions of the option agreement previously signed by STM and STH no longer apply. In November 2006, the company proceeded to modify its system for protecting share capital in the event of a hostile takeover, made necessary by the new European directive established in 2007 in the Netherlands, where the company is registered. The protection system relies on the possibility of issuing preferred shares by a Dutch foundation consisting of directors with no links to the company or its shareholders, rather than by STH II BV, representing the leading Franco-Italian shareholder.

Provided that a third party, acting alone or in concert, has a shareholding exceeding 2% of the share capital of STM or announces its intention of taking control of STM, any party shall have the right to increase its indirect shareholding in STM through the acquisition of shares in STM by STH. Such acquisition shall be subject to the veto right of the other party, as long as corporate decision-making in respect of STM remains equally shared (and except for the case of a hostile takeover bid on STM). Nevertheless, if such acquisition has been vetoed, both parties shall have the right to acquire the same number of shares in STM directly, without going through STM.

In the event that such direct acquisition occurs, the relevant party undertakes to vote on such shares in accordance with the vote exercised by STH in STM.

5. Foundation

The decision to establish an STM foundation was made on November 22, 2006. The contract documents were signed in early 2007. The foundation has the right to ask STM to issue up to 540,000,000 preferred shares at a price per share corresponding to one-fourth of the share's nominal value.

Safran

(A publicly traded company, see section 3.6)

On December 12, 2003, BNP Paribas, Club Sagem, and AREVA NC signed a shareholders' agreement that came into force on December 18, 2003 following Sagem's takeover-merger of Coficem, a holding company for the purchase of Sagem by its employees. The objective of the parties was to provide support to Sagem during the transition period following the takeover-merger.

This shareholders' agreement provides, in particular:

- BNP Paribas and AREVA NC agree not to contribute their shares in connection with a public offering on the shares of Safran without the consent of Safran's Supervisory Board;
- the parties jointly agreed to a preemptive subscription right (with the possibility of replacement by another party) in the event of the transfer of shares, representing at least 0.1% of the company's voting rights after the merger, to one or more third parties. However, this right of first refusal shall not apply in the event of a takeover bid or exchange offer for the company's shares.

The shareholders' agreement shall remain in force through December 18, 2008.

Suez

An agreement concerning Suez Environnement was concluded with the main shareholders of Suez, GBL, Crédit Agricole, Areva, Caisse des Dépôts et Consignations and CNP Assurances. Together, these parties will ultimately hold some 12% of Suez Environnement, in addition to the 35% controlled by the future GDF-Suez Group.

04

INFORMATION ON COMPANY OPERATIONS, NEW DEVELOPMENTS AND FUTURE PROSPECTS

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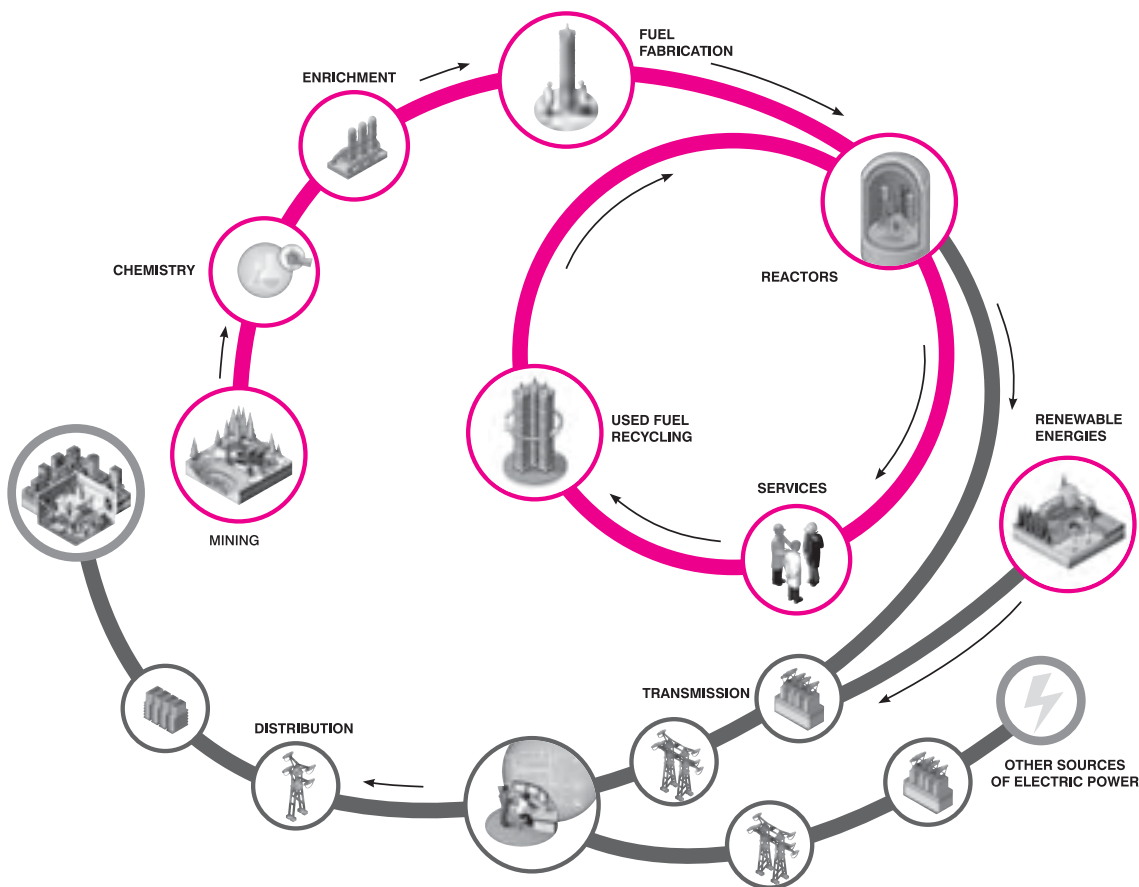
4.1. | Overview and strategy of the AREVA group

4.1.1. Overview

The AREVA group is a worldwide provider of solutions for CO₂-free power generation solutions and electricity transmission and distribution. In 2007, AREVA's consolidated sales revenue rose to

11.923 billion euros, with consolidated net income of 743 million euros. AREVA has manufacturing facilities in 43 countries and employs 65,583 people.

AREVA businesses



The group is the global leader in nuclear power and number three worldwide in electricity transmission and distribution. It is the only group to be active in every stage of the nuclear cycle. The group's customers are the world's leading utilities, with which

AREVA does a large share of its business under medium and long term contracts. The group's businesses are illustrated in the figure above.

AREVA's energy operations consist of four divisions, including three nuclear divisions:

- **The Front End division contributed 26% to AREVA's consolidated sales revenue in 2007**, i.e. 3.14 billion euros. It is in charge of uranium exploration, mining, conversion and enrichment, and nuclear fuel design and fabrication. AREVA is the world leader in the front end of the nuclear cycle. The group controls a diversified portfolio of mining properties in operation (Canada, Kazakhstan and Niger) and under development (Africa, Canada and Mongolia). In addition, AREVA owns and operates world class industrial facilities, primarily in Europe (France, Germany and Belgium), but also in the United States.
- **The Reactors and Services Division contributed 23% to AREVA's consolidated sales in 2007**, i.e. 2.717 billion euros. It is responsible for nuclear reactor design and construction. It also offers products and services to maintain, operate, upgrade and optimize nuclear power plants. AREVA is the world's leading supplier of nuclear reactors in terms of installed capacity and the market leader in heavy component replacement at nuclear power plants. Recurring business represents the majority of the division's total operations. From a strong engineering and industrial base in France and Germany, the division successfully expanded to the United States, where AREVA is the leading supplier of services and heavy components. AREVA is currently building two Generation III EPR reactors: one in Olkiluoto, Finland and one in Flamanville, France. At the end of 2007, AREVA also signed a contract to build two nuclear islands in China. The Reactors and Services division includes the operations of AREVA TA (formerly Technicatome). AREVA TA's traditional business is to design, build and provide services to research reactors and naval propulsion nuclear reactors. The division also includes the wind energy, biomass and fuel cell operations of AREVA's Renewable Energies business unit.
- **The Back End division contributed 15% to AREVA's consolidated sales revenue in 2007**, i.e. 1.738 billion euros. It is in charge of operations for the treatment and recycling of fuel following its use in nuclear reactors. The division also provides logistics, engineering and cleanup services. AREVA is the world leader in the back end of the nuclear cycle. The group offers a complete range of used fuel management solutions, including dry storage for the "open" or "once-through" nuclear fuel cycle and treatment and recycling for the "closed" fuel cycle. AREVA's customer base in the back end of the fuel cycle is chiefly comprised of European utilities. The group has signed agreements to transfer technology to Japan, the United States and China in connection with work to define end-of-cycle solutions.
- **The Transmission & Distribution division contributed 36% to AREVA's consolidated sales revenue in 2007**, i.e. 4.327 billion euros. The Transmission & Distribution division manufactures, installs and maintains equipment and systems to transmit and distribute medium and high voltage electricity. One of a very few suppliers on the global electricity transmission and distribution market, the Transmission & Distribution division is ranked third in this sector worldwide. With a global presence consisting of 66 manufacturing sites in 35 countries and a sales force in almost 100 countries, AREVA T&D is recognized for the strength of its technology, particularly in high voltage systems.

AREVA's ability to meet customer requirements at every stage of the nuclear cycle is an important asset. As a supplier of nuclear materials, nuclear fuel, equipment, services and solutions for used fuel storage and recycling, AREVA is the only supplier capable of meeting customer requirements at every stage of the value chain. The group also meets their expectations for global solutions that comply with stringent safety criteria.

To strengthen its commercial presence in integrated offers, the group decided to establish AREVA Solutions, an entity in charge of marketing innovative multi-product/multi-service solutions tailored to customers' new expectations.

The group is recognized for its technological expertise at every stage of the nuclear cycle, backed by 30 years of research and operating experience with proprietary processes and a range of new generation offerings to meet the energy challenges of the 21st century. These assets give the group a considerable competitive advantage and constitute a strong barrier to market entry, particularly in new generation reactors and the back end of the fuel cycle.

AREVA does business in Europe, North America and Asia, where it is guided by sustainable development principles in achieving profitable growth in a socially responsible manner. For example, AREVA's nuclear business is limited to countries that have signed the complete Treaty on the Non-Proliferation of Nuclear Weapons (NPT), and which thereby agree to inspection and control by the International Atomic Energy Agency (IAEA).

AREVA's baseload business provides excellent visibility. In the nuclear divisions, which contribute 64% of AREVA's sales revenue, medium and long term contracts and recurring services represent a large percentage of the group's business. Visibility is also excellent in the Transmission & Distribution division, thanks to a diversified backlog of orders from a wide range of customers seeking to maintain long-term relationships. The group's backlog rose to almost 40 billion euros in 2007. The backlog has risen constantly over the past few years, confirming that the revival of nuclear power is a market reality.

AREVA's business is the burgeoning energy market. The energy sector is growing rapidly around the globe. Several long-term trends underpin this growth, including strong population growth in emerging countries. That factor alone has a significant impact on demand for electricity, which is expected to double by 2030 (Source: IEA, *2007 World Energy Outlook*). The rising price of fossil fuels and their negative contribution to greenhouse gas emissions will also have a not insignificant impact on the future energy mix, with the advantage lying with technologies that emit few greenhouse gases and are less sensitive to the price of oil. The energy sector has invested very large amounts of capital in recent years to meet new demand to replace part of the existing fleet. The International Energy Agency projects 11.6 trillion euros in capital spending over the 2005-2030 period, split equally between new generating capacity and transmission and distribution infrastructure (IEA, *2007 World Energy Outlook*). AREVA is active on both of these markets, which therefore constitute strong drivers for growth in the years to come.

4.1. Overview and strategy of the AREVA group

The world's reactor fleet represents 15% of today's power generation and can be expected to grow and to be replaced over the medium and long terms. Nuclear power does not emit greenhouse gases and generates competitively priced energy, while the use of uranium contributes to security of supply. These factors explain the strong drive to build new plants and/or modernize existing ones.

Finland and France showed the way by launching the construction of two Generation III EPR reactors. In 2007, AREVA signed a landmark contract to build two nuclear islands in China and to supply all of the nuclear materials and services needed to operate them.

Several other projects are under consideration in the United States, the United Kingdom, South Africa and Brazil. In each of these countries, AREVA is positioned as a supplier of global solutions combining the EPR technology, fuel and services, including fuel treatment and recycling.

The nuclear revival benefits all of the group's nuclear operations, including the Front End and Back End divisions, as well as reactor

construction, confirming the timeliness of the group's business model.

Similarly, electricity transmission and distribution networks must be modernized or upgraded. There will also be a move towards grid interconnection due to market deregulation and expansion to accommodate new electric power generating capacity.

Last but not least, the group is rapidly expanding its renewable energies business: the Renewable Energies business unit established in 2006 is the group's champion in wind energy, biomass electricity and fuel cells. The acquisition of Multibrid, which designs and manufactures high output offshore wind turbines, was a momentous step in 2007.

AREVA thus has all the resources needed to take full advantage of the energy market's growth. It is an industry leader, active around the globe and recognized for its expertise and technologies. The group is ready to meet the challenges facing its customers: to generate and deliver energy safely, at a competitive cost and without emitting greenhouse gases.

4.1.2. Strategy

“Enable everyone to have access to ever cleaner, safer and more economical energy”: that is the goal we have set for ourselves at AREVA. The AREVA group offers solutions for CO₂-free power generation and electricity transmission and distribution.

AREVA's strategy is to leverage its integrated model to strengthen its position as world leader. The group is present in every segment of the value chain and can provide solutions to meet the strategic challenges facing its utility customers.

AREVA's integrated model is setting the standard for the market and is imitated by many competitors. Toshiba/Westinghouse, General Electric and Mitsubishi Heavy Industries have gradually deployed a strategy for partial integration of the value chain through acquisitions, equity interests and/or strategic partnerships. Russia's approach is even more representative: at the end of 2007, the Russian government combined all of its nuclear fuel cycle activities under the umbrella of a single entity.

AREVA is already several years ahead of its competitors and is capitalizing on its leadership to pursue several strategic objectives:

- **We will leverage our experience and know-how** to ensure business growth while complying with stringent safety, security and risk prevention requirements.
- **We will strengthen our position as a leading player in technologies and solutions for CO₂-free power generation and electricity transmission and distribution by:**
 - capitalizing on the group's integrated business model to spearhead the nuclear revival: build one third of new nuclear generating capacities of the accessible market and make the fuel secure for our current and future customers;
 - ensuring strong and profitable growth in T&D; and
 - expanding our renewable energies offering.

- **We will capitalize on our expertise to offer integrated products and services and innovative solutions** that meet the challenges facing our utility customers.
- **We will strengthen our international operations in Europe, North America and Asia.** The group will focus first on internal growth, especially through continuing investment and innovation, which will benefit our customers. The group also plans to build strength through targeted acquisitions and partnerships with regional players, enabling us to accelerate penetration of key markets. We will share risk and capital expenditures through partnerships, which are ingrained in the group's culture and demonstrate our ability to build alliances on the commercial, technological and development levels. The integration of the transmission, distribution and renewable energies businesses supplements our offering and strengthens our local business presence near all of the world's utilities. This broadens our core competencies as a group and enables us to expand our portfolio of customers as our international presence grows.
- **We will maintain our leadership position by hiring new talent and developing the technologies** of the future, especially in next-generation reactors and fuel cycles.
- **We will promote sustainable development as a key to operating excellence and a core AREVA value.** The group incorporates sustainable development into the management methods of each of its businesses through the AREVA Way initiative. The underlying methodology of the program consists of self-assessments by each unit of economic, social and environmental performance in relation to AREVA's sustainable development commitments. Each unit establishes performance improvement plans that are in line with the group's strategic objectives. These plans are periodically reviewed by AREVA's executive management.

- By achieving these objectives, **the group will maintain a strong balance sheet, high earnings, and solid cash flows:**
 - It is the group's policy to maintain a strong balance sheet. This is a guarantee of security for our customers and enables us to enter into major contracts, especially in connection with new reactor sales. It is also vital to the success of our operations and the financing of our future investments.
 - AREVA has set up provisions for its end-of-life-cycle liabilities and created a financial portfolio earmarked to cover all of its estimated end-of-life-cycle expenses. A special committee of the Supervisory Board monitors the dedicated asset portfolio and our coverage of future end-of-life-cycle expenses.
 - Maintaining strong and recurring operating cash flow allows us to fund our capital expenditures and create value for our shareholders. Towards that end, the group will continue to improve productivity and expects to achieve double-digit operating margin by 2012.

Our strategic objectives at the division level are as follows:

- **We will consolidate our leadership position in the front end of the cycle by increasing mine production and expanding our manufacturing and production capabilities** in targeted regions.
- **We will build one third of the new power plants of the accessible market** through:
 - worldwide promotion of the EPR, the first Generation III reactor under construction in the world;

- development of new families of reactors, such as ATMEA, a medium capacity reactor currently being developed in cooperation with Mitsubishi Heavy industries; and
- further strengthening our engineering resources.
- **We will promote treatment and recycling as a solution for used fuel**, particularly in the United States, China and Japan.
- **We will deploy a strategy of profitable growth in the Transmission & Distribution division** to strengthen the division's level of profitability and growth by:
 - maintaining our program for operating excellence, which already contributed to the recovery of the T&D division during the 2004-2007 period;
 - developing our operations in the most attractive regions and market segments;
 - pursuing an aggressive R&D program to incorporate new information and communication technologies into our products and services; and
 - differentiating our offering from that of our main competitors.
- **AREVA's objectives in renewable energies** are:
 - to become a global industry leader in offshore wind energy;
 - to expand our biomass power plant design and construction business in the developing world and in OECD countries; and
 - to complete the development of fuel cell technology and to manufacture and market the group's products successfully.

4.1.3. Background of the AREVA group

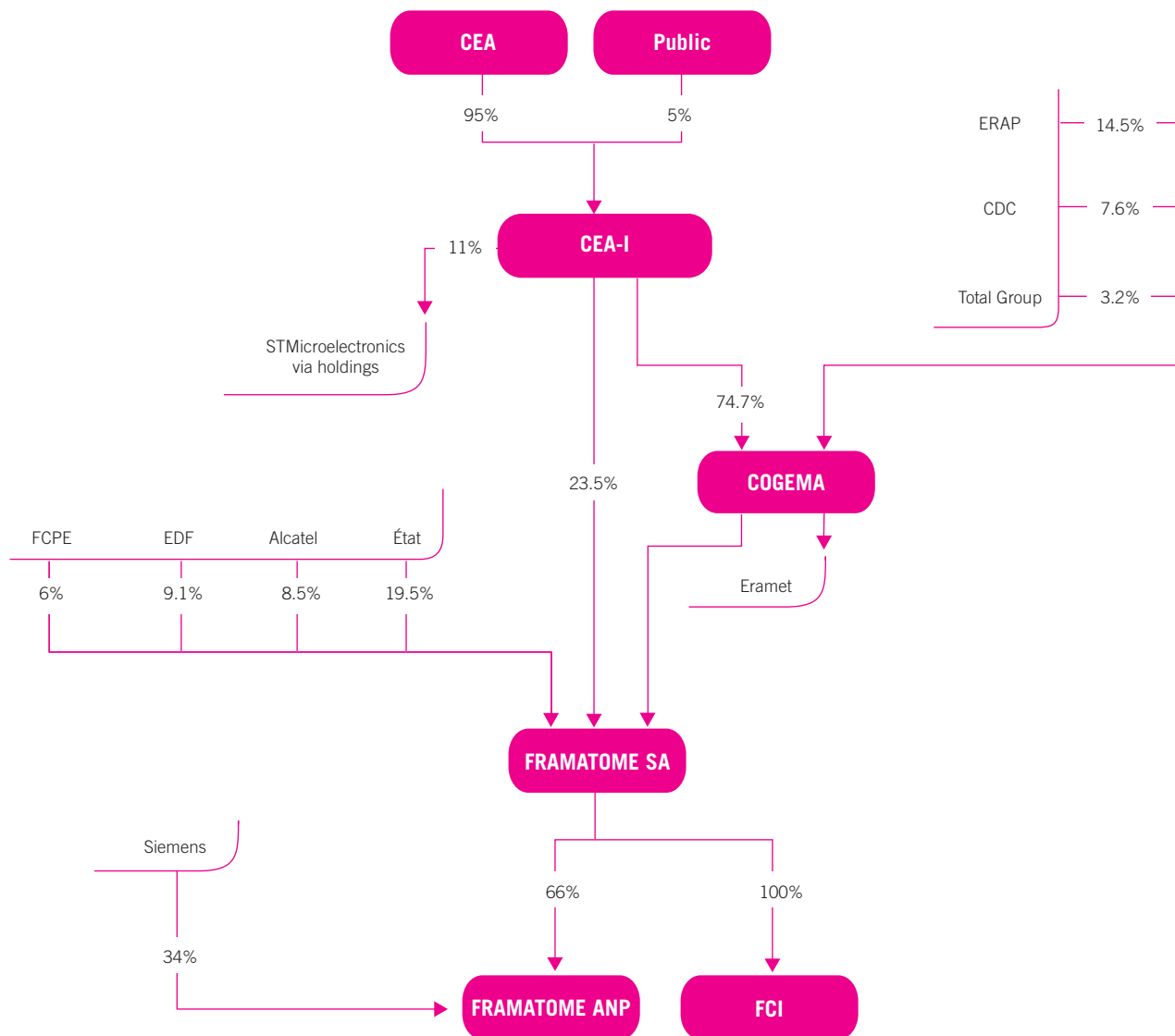
Two major nuclear industry companies held directly and indirectly by CEA-Industrie – AREVA's former name – were combined to form the AREVA group on September 3, 2001:

- Cogema (*Compagnie Générale des Matières Nucléaires*), established in 1976 to acquire the majority of CEA's production department operations in uranium mining, uranium enrichment and used fuel treatment.
- Framatome, established in 1958, one of the world's leading companies in the design and construction of nuclear reactors, in nuclear fuel and in the supply of services relating to those activities. In 2001, Framatome and Siemens AG established Framatome ANP (66% Framatome, 34% Siemens) to merge the nuclear operations of those two groups.

4.1. Overview and strategy of the AREVA group

Before this merger, the CEA-Industrie group was organized as shown below.

Structure of the CEA-Industrie group in early 2001



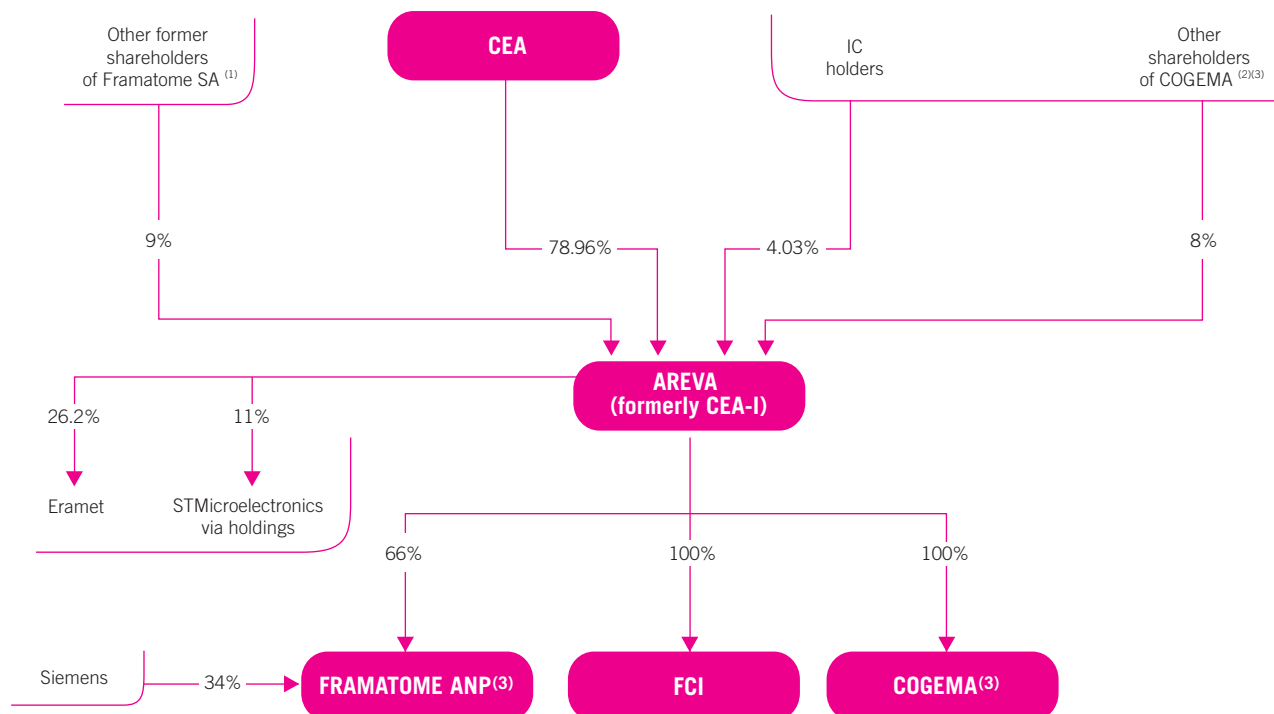
The purpose of AREVA's establishment was to create an industrial group with a world leadership position in its businesses and to streamline its organization, giving the group:

- complete coverage of every aspect of the nuclear business and a unified strategy with respect to major customers;
- an expanded customer base for all of the group's nuclear products and services;

- better cost control by pooling the procurement function and certain overhead costs; and
- optimized financial resource management.

This restructuring entailed a series of asset contributions and mergers resulting in the establishment of the AREVA group. The organization of the group following that restructuring is shown below.

Structure of the AREVA group immediately after the merger in 2001



* Consolidated under the equity method; percentages correspond to equity interests.

(1) French State, EDF, Framépargne employee savings plan.

(2) Total, CDC, Erap.

(3) Cogema's trade name was changed to AREVA NC and Framatome ANP's trade name was changed to AREVA NP in March 2006.

AREVA was thus formed from the legal structure of CEA-Industrie. It kept the Euronext™ Paris listing of 4% of its share capital in the form of investment certificates.

MILESTONES SINCE AREVA'S ESTABLISHMENT IN 2001

2002

- Acquisition of Duke Engineering & Services, a US nuclear engineering and services company.
- The US government chooses AREVA's technology to recycle surplus defense plutonium as mixed oxide fuel (MOX – see Glossary).

2003

- AREVA signs an agreement with Urenco that subsequently gave AREVA access to the world's most efficient uranium enrichment technology: gas centrifuge enrichment technology.
- Finnish utility TVO chooses AREVA's EPR as its next reactor.
- To streamline its operations, the Connectors division sells its Military/Aerospace/Industrial business to Axa Private Equity.

2004

- Acquisition of the Transmission & Distribution division on January 9, 2004. The AREVA group seals an agreement with

the Alstom group finalizing the acquisition of its transmission and distribution operations (T&D). The European Commission and other anti-trust organizations approve the transaction.

- EDF decides to build a Generation III EPR reactor designed by AREVA in Flamanville.
- AREVA acquires control of Katco, a uranium mining company in Kazakhstan, expected to give the group access to 30,000 metric tons of additional uranium resources.

2005

- Frédéric Lemoine replaces Philippe Pontet as Chairman of the AREVA Supervisory Board.
- AREVA and Constellation Energy form UniStar Nuclear, a joint company that will market the new-generation reactor.
- Finnish utility Teollisuuden Voima Oy (TVO) officially lays the cornerstone for its Generation III EPR at the Oikiluoto site in Finland.
- AREVA finalizes the sale of its connectors subsidiary, FCI, to Bain Capital. The gain from the FCI divestment contributes 853 million euros to the group's cash and has a positive impact of 528 million euros on consolidated net income for 2005.
- Acquisition of a 21.1% equity interest in REpower, a German wind turbine manufacturer that employs 558 people and posted

4.1. Overview and strategy of the AREVA group

sales revenue of 301 million euros in 2004. The acquisition strengthens AREVA's strategic position in carbon-free power generation and electricity transmission and distribution.

2006

- All of the group's first-tier subsidiaries adopt the AREVA name as part of their trade names. Cogema's trade name is now AREVA NC, Framatome ANP is now AREVA NP, and Technicatome is AREVA TA. AREVA T&D does not change its name. AREVA is now the sole brand for all communications.
- AREVA T&D acquires the high voltage business of the German group Ritz on June 30, 2006. Ritz is a world leader in instrument transformers with close to 500 employees and sales of around 50 million euros.
- The Annual General Meeting of Shareholders renews the composition of the Supervisory Board. Frédéric Lemoine's duties as Chairman of the Supervisory Board are renewed for five years. Guylaine Saucier (a corporate director), Oscar Fanjul (Vice-Chairman and CEO of Omega Capital), Philippe Faure (Secretary General of the French Ministry of Foreign Affairs) and Philippe Pradel (Director of Nuclear Energy at the CEA) are newly appointed as members of the Supervisory Board.
- The Supervisory Board renews the term of Mrs Anne Lauvergeon as Chairman of the Executive Board and the terms of Messrs Gérald Arbola, Didier Benedetti and Vincent Maurel as members of the Executive Board.
- AREVA NP and France Essor sign an agreement to finalize AREVA's acquisition of Sfarsteel, one of the world's largest producers of very large forgings located in the Creusot area of Burgundy, France.
- AREVA acquires a 50% interest in the Enrichment Technology Company (ETC) from Urenco. ETC develops, designs and manufactures uranium enrichment equipment.
- The group creates a new business unit dedicated to renewable energies.

2007

- The Supervisory Board appoints Luc Oursel to the Executive Board to replace Vincent Maurel.
- T&D signs an agreement setting forth the legal and financial terms for acquisition of Passoni & Villa, a world leader in the manufacture of high voltage bushings. With this acquisition, AREVA T&D becomes number three worldwide in this market segment.

- Following AREVA's decision not to outbid Suzlon for the takeover of REpower, the two groups enter into a cooperative agreement under which AREVA will maintain its shareholding in REpower and continue to support the company, will become Suzlon's preferred supplier in electricity transmission and distribution, and will have a guaranteed share price in the event that it decides to withdraw from REpower.
- AREVA T&D signs an agreement to create a 50-50 joint venture with Sunten Electric Co. of China, paving the way for the T&D division to become the leader in dry-type transformers in China.
- The T&D division signs an agreement to create a 50-50 joint venture with United Company Rusal of Russia. The joint venture will become Rusal's preferred supplier of electrical equipment and services for turnkey projects in Russia.
- AREVA launches a friendly takeover bid for Uramin, a uranium mining company in Canada. The public offer is completed successfully on July 30, with 92.93% of all shares outstanding tendered to AREVA. Following a simplified takeover bid undertaken in September, AREVA now holds 100% of the share capital of Uramin.
- AREVA acquires the medium voltage business of VEI Power Distribution in Italy and Malaysia. The company specializes in the manufacturing of medium voltage equipment.
- AREVA acquires 51% of Multibrid, a wind turbine designer and manufacturer based in Germany which specializes in high output offshore equipment.
- AREVA and MHI announce the establishment of the Atmea joint venture to develop a medium capacity reactor.

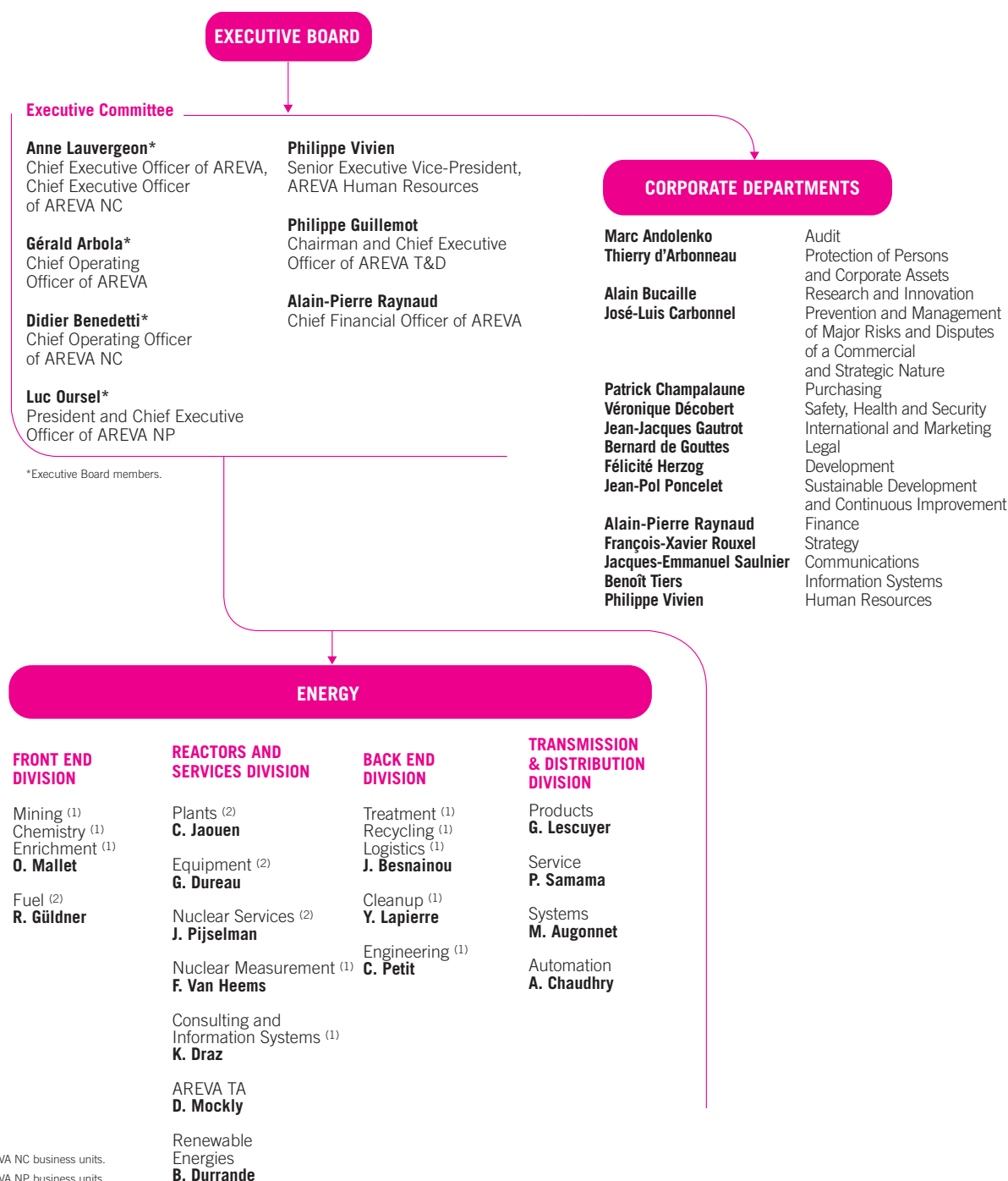
2008

- The T&D division concludes an agreement to acquire the Finnish company Nokian Capacitors Ltd. This strategic acquisition will allow AREVA to strengthen its position on the fast growing ultra high voltage market.
- AREVA announces the acquisition of 70% of Koblitz, a Brazilian supplier of integrated solutions for energy production and cogeneration (heat and electricity) from renewable sources. The company founder, Luiz Otavio Koblitz, and top executives will keep 30% of the share capital.

4.1.4. Operating organization

The AREVA group is organized into four divisions – the Front End, Reactors and Services, Back End, and Transmission & Distribution divisions – which together comprise 20 business units.

The AREVA group's management organization is aligned with the markets on which it provides products and services, as shown below (as of March 31, 2008). The group's legal organization is described in section 3.5.



4.2. | The Nuclear Power and Transmission & Distribution markets

4.2.1. The global energy situation

Under the combined pressures of world population growth, economic growth, and more widespread access to energy, world power consumption is set to increase over the long term.

The *World Energy Outlook* published by the International Energy Agency (IEA) in November 2007 expects global primary energy use to grow from 11.4 Gtoe in 2005 to 17.7 Gtoe in 2030, giving average annual growth of 1.8%. According to the report, developing countries, led by China and India, will account for more than 70% of new demand, with the majority of supply continuing to come from fossil fuels (oil, gas and coal). Energy policies under discussion could influence this trend, however. The fight against greenhouse gas emissions and the security of supply of fossil fuels have become major concerns for populations, businesses and governments alike. The latter are devising plans and policies to conserve energy, promote renewable energies and diversify the energy mix. A large number of countries are currently contemplating the use of nuclear power or increasing its contribution to improve the security of energy supply, enhance competitiveness and cost predictability, and reduce CO₂ emissions to ensure economic and social sustainability.

In lockstep with development, electricity consumption is climbing faster than global primary energy consumption, with 3.0% average annual growth over the 1990-2006 period for the former and 1.9% for the latter. World electric power consumption in 2007 is estimated at about 19,700 TWh, up 3.4% from 2006. This was higher than the average annual growth recorded over the 1990-2006 period. Growth was strongest in Asia-Pacific (6.2%), the Middle East (4.3%) and South America (4.2%); more moderate in North America (2.3%) and Africa (3.8%); and lower in Europe (0.9%). The IEA predicts world electricity generation to continue to grow at a steady annual rate of about 2.6% over the 2004-2030 period.

Again according to the IEA, these growth rates call for estimated capital spending in the electricity sector of 11.276 trillion US dollars over the same period, including 5.186 trillion US dollars for power generation facilities (5,087 GWe of additional capacity for power plant replacement and to meet growing demand) and 6.09 trillion US dollars for electricity transmission and distribution, with power supply systems expected to expand from 3.5 million kilometers to 7.2 million kilometers.

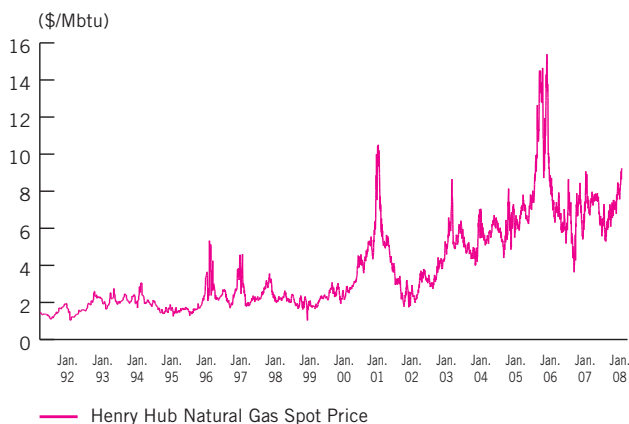
These new capital spending requirements parallel deregulation in the electricity market, which has redefined the rules of the game. Regulated companies are assured of recovering all their costs for investments approved by the regulatory authorities, but this is no

longer necessarily the case in a deregulated market, where new capital expenditure carries greater risk. Moreover, growing regionalization of these competitive electricity markets is creating the need for additional interconnections between power grids. This is the case in Europe, where competition is not only inter-European, but also with other regions of the world.

There are still strong pressures on the energy sector. Experts no longer rule out the possibility of a supply breakdown in certain cases. But the prices themselves raise the issue of the security of supply.

Natural gas prices remain high and still represent a major geopolitical risk, although they have decreased in some regions. Russia, Qatar and Iran, which hold two thirds of the world's reserves, suffer from a patent lack of capital expenditure. The development of liquefied natural gas terminals continues at a slow pace and it is difficult to predict when and to what extent the availability of LNG might reverse the natural gas price trend.

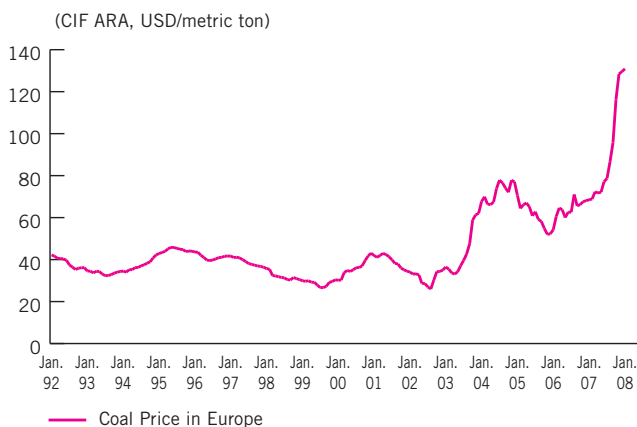
1991-2007 natural gas prices



Source: World Gas Intelligence.

Growth in the 2007 coal market showed that this energy source continues to be needed, despite its drawbacks in terms of CO₂ emissions. Demand has been increasing at a rapid pace since 2001, with mining and transportation costs having a significant impact on prices.

European coal prices



Source: Platts.

The long term trend for the oil market indicates no drop in prices. Demand over the four-year period from 2004 to 2007 corresponds to continuous annual growth in world GDP of 5%. Demand is coming from non-OECD countries, whose share of global demand rose from 37% in 2000 to 43% in 2007.

On the supply side, there are several uncertainties:

- OPEC's market power is rising (43% in 2007);
- growing nationalism around the globe constitutes a risk of under-investment over time;
- the availability of refining capacities in the downstream market is not guaranteed;

- however, substitutes for "conventional" oil might strengthen supply, with Canada's bitumen potentially the first non-conventional crude introduced to the market at a still reasonable production cost.

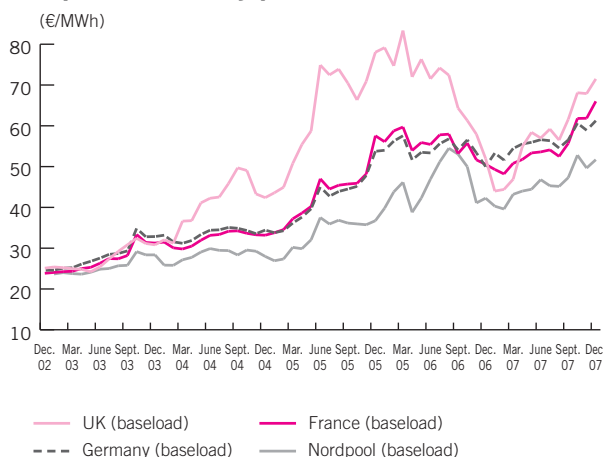
Oil prices



Source: EIA.

From 2002 to 2007, the strong growth of the world economy helped boost fossil fuel prices considerably in constant dollars. Prices were up 100% for coal, 200% for oil and 160% for natural gas in Europe, while in the United States natural gas rose by 300%. These increases pushed up electricity prices. In the European Union, for example, annual forward prices for baseload electricity went from 25 euros/MWh in early 2003 to generally more than 60 euros/MWh by the end of 2007.

European electricity prices



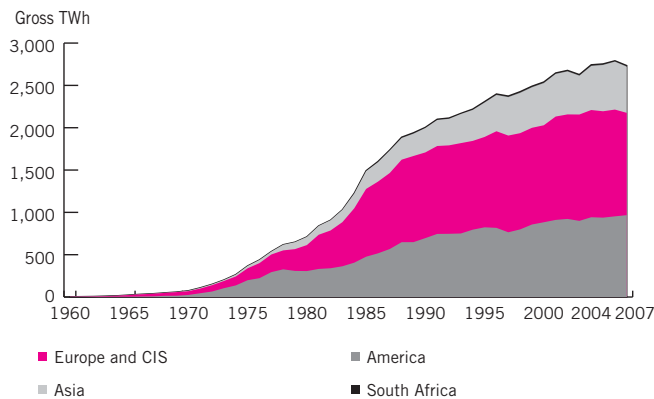
Source: Platts.

4.2.2. Nuclear power's contribution to electricity generation

4.2.2.1. A brief history of nuclear power's contribution to electricity generation

The first nuclear power programs were launched in the mid-1960s in the United States and in the early 70s in Europe. In the 1970s, with fears of fossil fuel shortages rising, several countries decided to reduce their dependency on imported energy by launching nuclear power programs. The 1970s and 1980s saw a sharp rise in nuclear power programs, as shown below.

World nuclear power generation from 1960 to 2007



Sources: IEA/OECD (1990), Nucleonics Week (1995-2008), AREVA.

Strong initial growth slowed when public opposition grew after the nuclear accidents of Three Mile Island in 1979 and Chernobyl in 1986.

Whereas 399 reactors were built during the 1970-1990 period, installed capacity rose by less than 15% during the 1990-2007 period. Large nuclear programs in North America and Western Europe were eclipsed by new programs in Eastern Europe and Asia. Nonetheless, nuclear power generation continued to grow

by 36% per year over the 1990-2007 period, largely due to the improved productivity of existing reactors. In particular, the average load factor of worldwide power plants went from 67% of maximum generating capacity in 1990 to close to 81% by the end of 2007.

Nuclear power generation in 2007 is estimated at 2,734 TWh, down by 2% compared with 2006, mainly due to prolonged reactor outages in Germany, the United Kingdom and Japan. Meanwhile, world electricity generation rose 3.4% in 2007. The chart below shows the various sources of electric power generation as of December 31, 2007.

World electricity generation by source

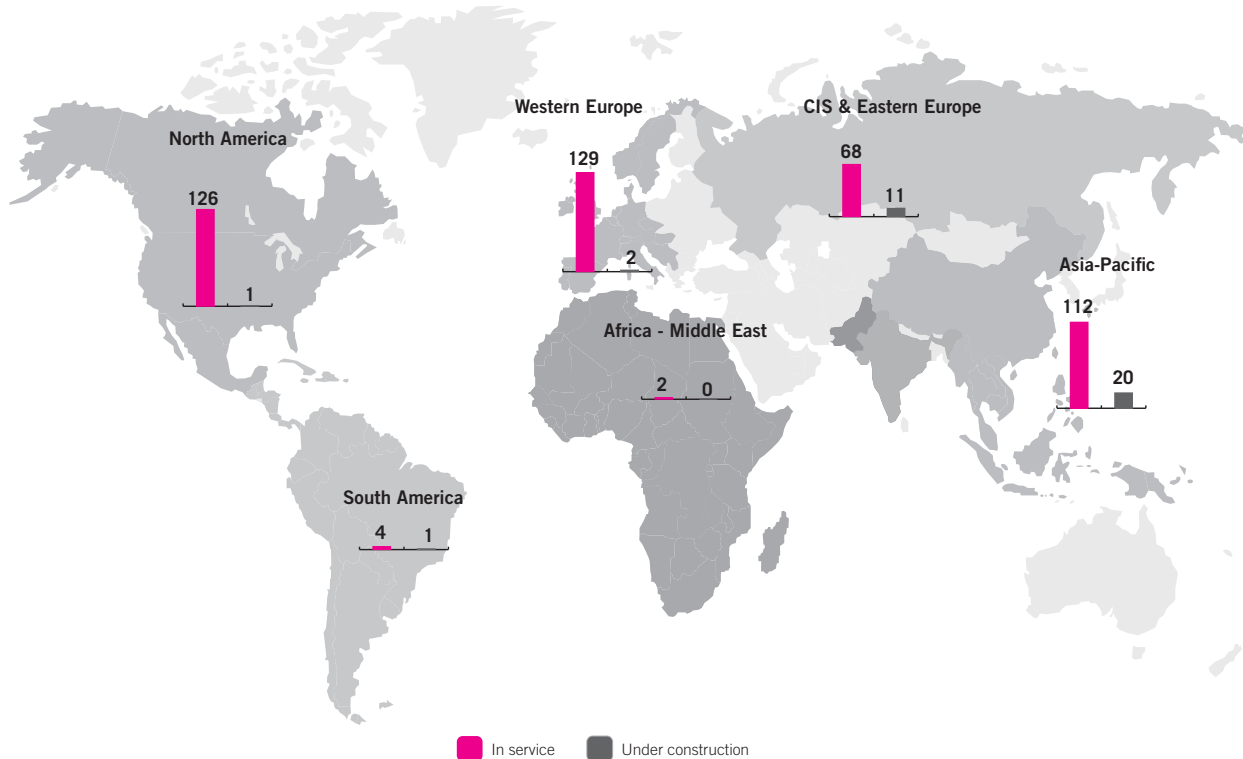


Source: IEA – Energy Information.

A total of 441 reactors representing 394 GWe (374 GWe net) were connected to the grid in 31 countries in the world's largest energy consuming regions as of December 31, 2007. Of these, 430 reactors produced 386 GW of electricity in 2007.

With about 45% of the world's installed capacity, Europe is the leading region for nuclear power generation, ahead of North America, which represents approximately 31% of global capacity. However, through 2015, most of the medium term growth potential is located in Asia (Japan, South Korea and now China) and, to a lesser extent, in the CIS, as indicated below.

Reactors connected to the grid or under construction worldwide as of year-end 2007



Source: WNA, adjusted by AREVA.

At year-end 2007, 35 reactors were under construction around the globe, compared with 29 at year-end 2006; 91 reactors were either on order or planned, compared with 62 at year-end 2006 and 39 at year-end 2005; and more than 220 reactors are planned for the coming years, compared with 160 at year-end 2006 and 110 at year-end 2005.

These reactors represent three main technologies:

- Most of the world's operating reactors are light water reactors, including pressurized water reactors (PWR) and boiling water reactors (BWR); 359 of these reactors are connected to the grid, including 52 VVER reactors (PWR) using Russian technology.
- There were only 46 Canadian-designed heavy water Candu reactors connected to the grid in 2007.
- There are 18 gas-cooled reactors (Magnox and AGR) in service in the United Kingdom. These reactors are scheduled to be shut down.

Other reactor systems are also in services; they use graphite as a moderator (Russian RBMK light water reactors) or fast neutron technology.

4.2.2.2. Current environment for nuclear power

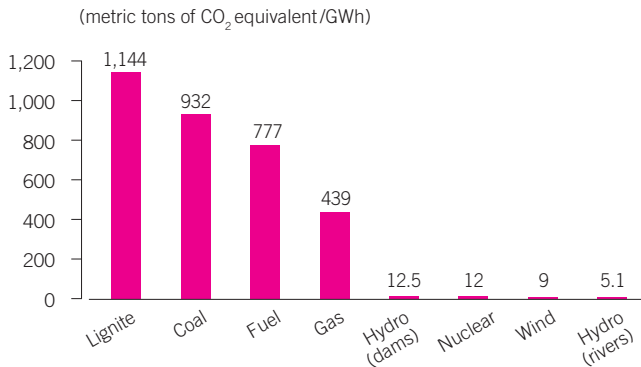
Energy and the environment

The strong growth in energy demand could have a serious impact in terms of climate change. The IEA anticipates a 50% increase in CO₂ emissions by 2030 if the current trend does not alter course. The increased concentration of human-generated CO₂ in the atmosphere, one of the leading causes of climate change, could trigger a temperature increase of from 2°C to 4°C by the end of the century, according to the Intergovernmental Panel on Climate Change (IPCC).

Nuclear power is a major source of massive electricity generation that emits as few greenhouse gases as renewable energies.

In its July 2004 report, the World Energy Council (WEC) compared emissions for each energy source based on their full production cycle, in metric tons of CO₂ equivalent emitted per unit of electricity generated (see chart below). The divide between carbonaceous energy sources (lignite, coal, oil and gas) and non-carbonaceous ones (nuclear power and renewables), at a minimum ratio of 30:1, is clearly visible.

4.2. The Nuclear Power and Transmission & Distribution markets

CO₂ emissions by power generation source

Source: AREVA, from data provided by the World Energy Council, July 2004 – Comparison of Energy Systems Using Life Cycle Assessment.

The IPCC's third report mentions nuclear energy as one of the avenues to reducing greenhouse gas emissions. The 2007 report of the US Global Energy Technology and Strategy Program (GTSP) estimates that the global cost of stabilizing the climate could be reduced by 50% by using nuclear energy compared with a program that does not use nuclear energy, for total savings of 2 trillion US dollars.

The issue of whether or not to use nuclear power is becoming particularly crucial for Europe, which has set an emissions reduction target of 20% by 2020 in relation to 1990. Irrespective of the political positions taken, the European Trading System created in January 2005 to cap CO₂ emissions has put a market value on emissions reduction. The price of post-2008 emissions jumped above 20 euros per metric ton of CO₂ when more restrictive quotas were announced.

According to the "Climate Change" brochure published by Foratom in 2005, nuclear power generation currently prevents the emission of approximately 2 billion MT of CO₂ each year worldwide, i.e. 7.7% of the world's annual emissions, which were estimated at 26.1 billion MT in 2004 by the 2006 World Economic Outlook. All European Union countries have ratified the Kyoto Protocol. Their greenhouse gas reduction objective for the 2008-2012 period is 0.4 billion MT CO₂ equivalent below 1990 levels. This may be compared with the approximately 0.7 billion MT per year of CO₂ emissions avoided by nuclear power in the European Union. Nuclear power plants helped prevent CO₂ emissions in the United States as well, with 0.7 billion MT avoided in 2004. This is almost as much as the emissions of all of the country's 58 million automobiles.

More and more, nuclear power is showing itself to be an essential component of the energy mix, producing baseload electricity that supports sustainable economic and social development.

Competitiveness of energy sources

The "Projected Costs of Generating Electricity" report published in 2005 by the OECD/IEA-NEA, the last international comparison available, showed that nuclear power is competitive in the 13 member countries that selected this option. Its competitive advantage is clear when compared with gas-fired plants, regardless of whether a 5% or 10% discount rate is used. Nuclear power is also competitive with coal in 12 member countries at a discount rate of 5% and in 9 countries at a discount rate of 10%. The study is based on an average load factor of 85%, a rather conservative figure, and did not factor in the cost of CO₂ emissions for fossil fuels. Generating costs include the dismantling of facilities at the end of the lifecycle and waste disposal.

In January 2007, the World Energy Council (www.world-energy.org) published "The Role of Nuclear Power in Europe", which provides detailed, up-to-date information on the cost components of the nuclear kilowatt-hour in Europe.

Several cost factors have evolved considerably since the baseline economic conditions established in 2003 were used in the comparison report published by the OECD in 2005. Regardless of reactor type, rising commodities prices (steel, copper) and the lack of available capacity in the equipment manufacturing sector have caused a significant increase in construction costs.

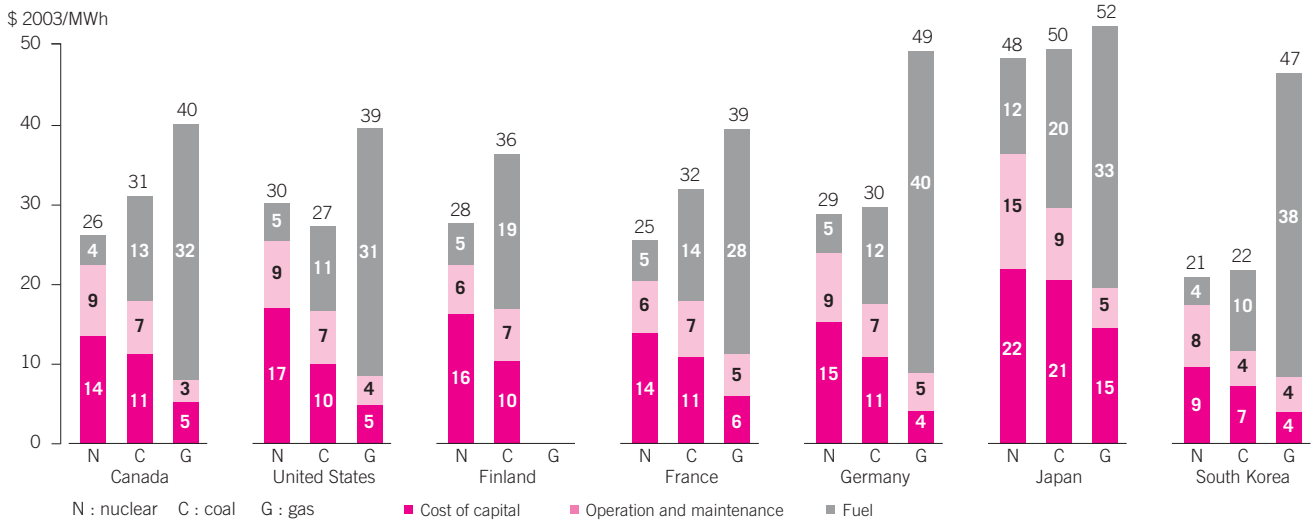
Cost of construction indices

At the same time, rising prices for oil, gas, coal and uranium, fueled by strong economic growth around the world, have confirmed projections for long term increases in energy prices (see the IEA's World Energy Outlook for 2006 and 2007).

The kilowatt-hour cost for nuclear power, unlike that of its fossil fuel competitors, is relatively insensitive to fluctuations in fuel prices, according to the "Reference costs of electric power generation" report published by the French Department of Energy and Commodities in July 2003. A 20 US dollars/pound increase in the price of U₃O₈ would cause the kilowatt-hour cost to rise by 1.4 euro/MWh. Even at a price of 60 US dollars/pound of U₃O₈, natural uranium accounts for less than 10% of total power generation costs. The price of uranium reached 135 US dollars/pound in June 2007 and was around 90 US dollars by year end.

4.2. The Nuclear Power and Transmission & Distribution markets

Competitiveness of the nuclear MWh compared with coal and natural gas (in 2003 dollars/MWh, excluding CO₂ costs)



Source: OECD NEA/IEA study updated in 2005, discount rate of 5%.

As shown in the chart below, in comparing the merits of different sources of energy for electric power generation, the World Energy Council report of 2004 identified nuclear power and hydropower as

the most advantageous solutions based on three criteria: competitiveness (energy accessibility and availability), energy security and environmental impacts.

Comparison of energy sources used for power generation

Important decision-making criteria	Type of fuel burned				Nuclear	Hydro	Wind	Sun
	Coal	Oil	Gas	Biomass				
Competitiveness (linked to direct energy costs)	Favorable	Medium/neutral	Medium/neutral	Medium/neutral	Favorable	Favorable	Unfavorable	Unfavorable
Energy availability (security and reliability of supply)	Favorable	Medium/neutral	Medium/neutral	Medium/neutral	Favorable	Favorable	Unfavorable	Unfavorable
Acceptability of energy (impacts of external environment)	Unfavorable	Unfavorable	Medium/neutral	Favorable	Favorable	Favorable	Favorable	Favorable

Relative rank on selected decision-making criteria

■ Favorable energy source
 ■ Medium/neutral energy source
 ■ Unfavorable energy source

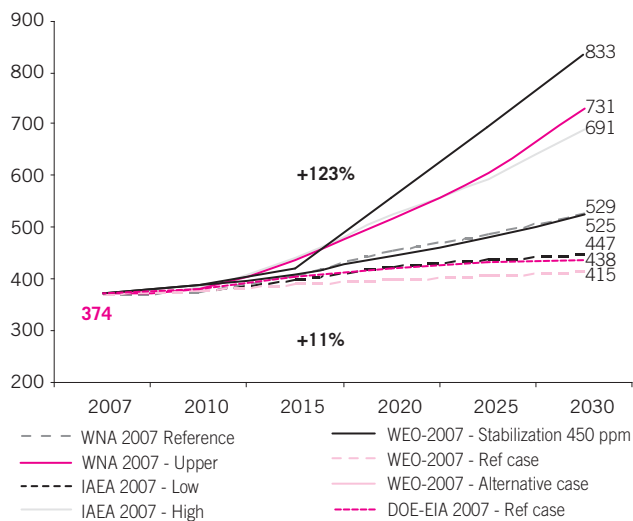
Source: World Energy Council (WEC), July 2004.

4.2. The Nuclear Power and Transmission & Distribution markets

4.2.2.3. Outlook for installed nuclear generating capacity

In 2006 and 2007, several institutes produced nuclear power forecasts for 2030 that paint a much more favorable picture than forecasts published two or three years earlier, reflecting the impact of measures already taken or contemplated. These forecasts are summarized in the chart below.

Outlook for nuclear power generation (net GWe)



Sources: IAEA, World Nuclear Association, International Energy Agency, US Department of Energy.

In 2007, nuclear reactors connected to the grid represented around 374 GWe net (i.e. around 394 GWe gross). These reactors had an average age of 30 years. Assuming a reactor life of 40 years, close to three-fourths of these reactors will have to be replaced by 2030 to maintain overall installed generating capacity. About 120 GWe net would have to be replaced by 2030 if reactor life is increased to 50 or even 60 years, as contemplated by many utilities around the world. Overall, depending on the scenario, between 160 and 580 GWe net will have to be replaced with new construction by 2030.

4.2.2.4. The challenges of nuclear power in different regions of the world

As the benefits of nuclear power gain recognition – predictable cost and competitiveness, security of supply, and low greenhouse gas emissions – existing reactors will be upgraded and their service life optimized and extended to increase available capacity. This should also lead to new reactor construction to replace and expand installed generating capacity worldwide and will be a potential source of long-term growth for all of AREVA's nuclear operations.

The figure below shows the breakdown of nuclear power generation among Europe, North and South America, and Asia in 2007.

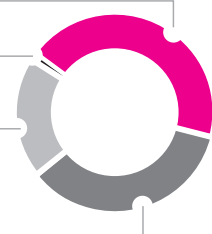
Nuclear power generation by geographic area in 2007

44.2% - Europe and CIS (1,209 TWh)

0.5% - South Africa (13 TWh)

19.9% - Asia (545 TWh)

35.4% - America (967 TWh)



Source: Nucleonics Week, data adjusted by AREVA.

With the prospect of growing reliance on nuclear power over the years to come, especially in emerging countries, the International Atomic Energy Agency (IAEA) is working to promote a new framework to respond effectively to demand in different countries while limiting the risks of proliferation. For example, the IAEA is leading the International Project on Innovative Nuclear Reactors and Fuel Cycles (INPRO) to anticipate the specific needs of developing countries and to help emerging countries acquire the necessary infrastructure for a nuclear power program. In addition, the IAEA is working to establish mechanisms to guarantee fuel supply and related services to prevent the proliferation of sensitive facilities.

A true revival of nuclear power around the world will depend on the timing of political decisions, which varies from one region to the next.

In **Western Europe**, reactor replacements and new reactor construction in countries with more recent units cannot be expected until the next decade, unless energy policies change dramatically. In France, nuclear power reactor replacement began with EDF's decision to build its first EPR from AREVA at Flamanville. In Finland, construction continued on the first EPR, ordered in late 2003, with start-up scheduled for 2011. In Eastern Europe and the United Kingdom, some projects could translate into orders soon.

In **North America**, utilities began extending reactor service life in 2000. These programs are expected to continue through 2015. After 2010, these initiatives should be supplemented in the United States by the construction of new reactors, and AREVA intends to participate actively in this market with the EPR. The Energy Bill enacted by Congress in 2005 offers many incentives to utilities for the construction of the first new power plants. Canada and Latin America have expressed renewed interest as well.

In **Asia**, in addition to the programs of South Korea and Japan, new power plant construction will primarily occur in China (2005-2020 program) and in India. Other countries have also shown interest in nuclear power over the long term, including Vietnam and Indonesia.

In **South Africa**, where demand is high, local utility Eskom asked two constructors, including AREVA, to start negotiations for a potential order in 2008.

Europe

Europe had 197 nuclear reactors and generating capacity of 180 GWe at the end of 2007. These reactors generated 1,209 TWh of electricity, 5.8% less than in 2006. These figures compare with total electricity production in Europe from all sources estimated at 5,279 TWh, representing an increase of 0.9% in relation to 2006.

Nuclear power thus represented an average of 23% of all the electricity generated in Europe in 2007, although there are significant differences from one country to the next. For instance, nuclear power represents a large proportion of the electricity generated in France and Belgium (77% and 54% respectively) and a smaller proportion in Germany (26%), Finland (29%) and Russia (16%).

	Gross installed generating capacity (GWe)		Gross nuclear power generation (TWh)	
	2007	2006	2007	2006
France*	65.9	65.9	439.1	449.5
Germany	21.4	21.4	140.5	167.4
Russia	23.2	23.2	158.3	154.5
United Kingdom	11.9	11.9	58.6	71.9
Ukraine	13.8	13.8	92.7	90.2
Sweden	9.4	9.2	66.9	67.7
Spain	7.7	7.7	55.0	59.7
Belgium	6.1	6.1	48.2	46.6
Finland	3.0	2.8	23.4	22.9
Other	17.4	16.9	125.9	130.6
Total	179.8	178.9	1,208.6	1,261.0

* Excluding Phenix, considered a research reactor.

Source: Nucleonics Week, data adjusted by AREVA.

There were positive signs in the European Union, although countries that had decided to phase out nuclear power have not revisited their positions. Nuclear power is increasingly viewed as a vital means of ensuring security of supply, generating baseload power competitively, and fighting climate change.

For example, in early March 2007, the European Council approved the energy and environmental goals proposed by the Commission for 2020: the European Union must cut CO₂ emissions by 20%, improve energy efficiency by 20% and acquire renewable energy capacities representing 20% of total production.

These goals are motivated in part by the EU's heavy dependency on imported gas, particularly from Russia. The threat of an interruption of gas deliveries from Russia to transit countries illustrates the geopolitical weakness of gas as an energy resource. This type of risk is limited for nuclear power, for two reasons: uranium is more evenly distributed in the earth's crust, and strong concentrations tend to be found in countries considered stable. In addition, the technology and expertise acquired by EU countries in nuclear reactor construction and in the fuel cycle ensure greater security of supply.

On October 24, 2007, the European Parliament adopted a resolution highlighting the role of nuclear power in security of supply and the fight against climate change.

A status report on nuclear power in the main European countries is given hereunder.

- **In France**, EDF signed a contract with AREVA in January 2007 to supply the nuclear steam supply system for the EPR reactor to be built in Flamanville, Normandy. The reactor is scheduled to be connected to the grid in 2012. Construction of this first EPR for EDF began in December 2007. It is part of EDF's plan to resume capital expenditure in France, by adding 5,000 MW of generating capacity by 2012.

EDF and AREVA are also working together to prepare the certification application for the EPR in the United Kingdom. In addition, EDF has built partnerships with Constellation Energy in the United States and CGNPC in China to build and operate EPRs using AREVA's technology.

The ITER agreement, which sets up an international project to demonstrate the feasibility of fusion as a source of energy, came into effect in October 2007. ITER construction is scheduled to begin in 2009 in Cadarache and operations will begin in 2016.

- **In Belgium**, the issue of power plant life extension has not yet been addressed. The study published by the Federal Planning Office in 2007 on the 2030 energy outlook concluded that phasing out nuclear power during the 2015-2025 period will result in a significant increase in greenhouse gas emissions (25 million metric tons of additional CO₂ compared with 2000).
- **In Germany**, the government upheld the Nuclear Exit Law despite the country's growing dependency on energy imports, especially Russian natural gas, because a reassessment of the law would risk splitting the German coalition. Incidents in the conventional islands of the Brunsbüttel reactor (short circuit) and the Krümmel reactor (transformer fire) and deficient information in their regard were detrimental to nuclear power's image. Because of these events, the Federal Minister for the Environment refused to extend the operating license of the Biblis A, Brunsbüttel and Neckarwestheim 1 power plants. However, these reactors are unlikely to be shut down before the next elections in 2009, since they will not have used the capacity quotas granted by the Nuclear Exit Law.
- **In Finland**, the AREVA-Siemens consortium continued construction of the EPR, with work scheduled for completion in the summer of 2011. This is the largest industrial project ever carried out in Northern Europe. Discussions continue with Finnish utilities TVO and Fortum concerning the possibility of building a sixth nuclear power plant, or even a seventh for the Fennovoima consortium of large power users.
- In 2007 the **British Government** published a white paper recognizing the need for a new generation of nuclear plants to provide a reliable energy mix with limited CO₂ emissions. AREVA participated in the formal public inquiry carried out at the time (see our website, www.aveva.com). After this inquiry, the British government published a new white paper in January 2008 that gave a green light to the restart of nuclear power. It also

4.2. The Nuclear Power and Transmission & Distribution markets

proposed legislation to streamline the schedule and the regulatory process. AREVA joined with EDF to submit an application for certification of the EPR reactor and formed an alliance with 11 of Europe's largest power companies, all of which are potentially interested in investing in a British EPR. The first reactor could be connected to the grid by 2017/2018.

In addition, the Nuclear Decommissioning Authority (NDA) issued a call for tenders to manage its main site at Sellafield. The NMP team, of which AREVA is a member, made the short list. Another team in which AREVA is a member won the NDA call for tenders to manage the Drigg low-level waste site. The British government has accepted the concept for a deep repository for long lived waste and started a site selection process based on voluntary submissions.

- **Sweden** maintained the option of building new nuclear plants after 2010, and public financing of nuclear research was allowed by law. Generating capacity is being increased at several plants. AREVA won a contract to increase the capacity of the Oskarshamn nuclear plant (250 MWe) and the three reactors at the Forsmark plant (410 MWe).
- **In Italy**, the Chairman of ENEL stated in December 2007 that his group was ready to build nuclear reactors as soon as a political decision is made. EDF signed an agreement with ENEL providing for the Italian power company to acquire a 12.5% equity interest in the EPR under construction at Flamanville. A feasibility study will also be undertaken with two Italian power companies, A2A Spa and Edison, to build at least three or four nuclear reactors in Italy.
- **In Switzerland**, the Minister of Energy announced that new nuclear reactors would replace the country's five existing reactors when they are shut down, and three power companies announced the establishment of Resun, a joint venture that will study the replacement of the Beznau and Muhleberg power plants after 2020.
- After becoming members of the European Union, **Slovakia** and **Bulgaria** shut down three reactors in 2006, a trend that should continue in Slovakia and Lithuania. Most of the Central European countries with nuclear power are either already building or announcing the construction of new reactors, as in Bulgaria, where a contract was awarded to the Russian company AtomStroyExport for the construction of two 1,000 MW reactors. In addition, five companies are candidates for investment in the Belene nuclear power plant project. Romania, Poland and Lithuania, the latter in association with its Baltic neighbors, are following this movement. New regional players such as the Czech company CEZ are emerging and equity interests are being acquired, such as those of ENEL, E.On, RWE and EDF.
- Following initiatives launched in 2006, **Russia** is in bilateral discussions with the United States on the building blocks for the future of nuclear power, such as international fuel cycle service centers and the opening of the US market to Russian imports. Even though friction continued on the issue of Iran, Russia completed the first phase of its nuclear sector restructuring with the establishment of Atomenergoprom, patterned after the AREVA business model for the civilian market, and established a new government-owned corporation, Rosatom, which will control all nuclear operations. Atomenergoprom is a future competitor to AREVA on the global market. It entered into discussions

concerning cooperation with the main market players to help it achieve the far-reaching goals of the Russian domestic program: 20 new reactors connected to the grid by 2020 and the start of construction of 15 more reactors.

- **Ukraine**, in the throes of persistent political instability, announced the completion of two reactors based on Russian technology and the decision to build a reactor based on Western technology. The country has also decided to mine its uranium resources. More to the south, **Turkey** and **Armenia** announced plans to build power plants, while **Georgia** and **Azerbaijan** began considering the nuclear power option.

North and South America

A total of 130 reactors representing 125 GWe in generating capacity are located in North and South America. These reactors generated 967 TWh in 2007, up 1.4% from 2006. This compares with approximately 6,248 TWh in total power generation, up 2.7% from 2006.

	Gross installed nuclear generating capacity (GWe)		Gross nuclear power generation (TWh)	
	2007	2006	2007	2006
Canada	15.0	15.0	94.0	98.4
United States	105.8	105.7	843.0	822.5
Mexico	1.4	1.4	10.4	10.9
Brazil	2.0	2.0	12.4	13.8
Argentina	1.0	1.0	7.2	7.7
Total	125.2	125.1	967.0	953.3

Source: Nucleonics Week, adjusted / estimated by AREVA.

On average, nuclear power represented 15.5% of all electricity generated in North and South America in 2007, with significant differences from one country to the next. Nuclear power represents 19% of all electricity generated in the United States and 16% in Canada, but only 3% in Brazil. The major challenges of the nuclear power market for the main countries of this region are described below.

- In the **United States**, energy issues remained in the forefront of the national political agenda. The two major parties supported new federal legislation to limit CO₂ emissions as awareness of the consequences of climate change became widespread. A variety of draft bills were introduced to reduce emissions by 60% by 2050 from 1990 levels. In December 2007, Congress approved the budget to fund and implement the Energy Policy Act of 2005 on the restart of nuclear power. The total budget comes to more than 970 billion US dollars, including 135 billion US dollars for the Nuclear Power 2010 initiative and 116 billion US dollars for the Generation IV program. The US Department of Energy (DOE) also received 2008 budget authority for the loan guarantee program for new nuclear projects, in the amount of 25 billion US dollars.

By 2009, the US Nuclear Regulatory Commission (NRC) expects to receive 21 combined Construction and Operating License applications (COL) for 32 new reactors. Six of these applications have been submitted by potential EPR customers, for a

total of seven reactors. The NRC has already received complete or partial COL applications from UniStar (Calvert Cliffs 3), NRG Energy (South Texas 3 and 4), TVA (Bellefonte 3 and 4) and Duke Energy (Lee 1 and 2). It is currently reviewing site permit applications for Entergy (Grand Gulf), Exelon (Clinton), Dominion (North Anna) and Southern Company (Vogtle). More importantly, AREVA submitted its own certification application to the NRC ahead of schedule on December 11, 2007. At the end of 2007, the utility PPL signed a contract with UniStar to prepare the COL license application for an EPR, which should be submitted to the NRC in 2008.

The key suppliers continued to form alliances across North America: GE and Hitachi established twin joint ventures in the United States and Japan, while the Shaw group finalized its 20% equity interest in Toshiba/Westinghouse. Babcock & Wilcox introduced its new Nuclear Energy Division, which plans to penetrate the nuclear services market. Cameco launched Cameco Resources Inc., indicating that it plans to become the largest uranium mining company in the United States. AREVA partners Constellation Energy and EDF formed UniStar Nuclear Energy LLC to develop nuclear power plant projects in the United States, starting with Calvert Cliffs 3, where they plan to build an EPR.

The DOE suspended work at the Yucca Mountain project due to a lack of funding. As part of the GNEP program, a team led by AREVA and MHI signed a contract with the DOE to study the development of a used fuel treatment plant and an advanced generation reactor to recycle the fuel. In addition, AREVA continues to provide support for the creation of a public-private partnership to implement nuclear fuel recycling as soon as possible.

- **In Canada**, the Ontario government confirmed in principle the competition between technologies for the construction of two new power plants, which should be announced officially in 2008. The federal government indicated that it is evaluating the future organization of reactor constructor AECL. In its latest report, Canada's National Energy Board anticipates a restart in nuclear power production and the construction of five power plants. The coal-fired plants will be shut down. Announcements regarding new construction projects by AECL were made in Alberta and New Brunswick. However, no financing was confirmed for these new projects and no provincial power company has come forward to promote a new reactor in Alberta. Other investors in the province are interested in meeting the sharp increase in Alberta's demand for electricity. They continued their evaluation of candidate technologies for new nuclear power plant construction. In addition, the Canadian Nuclear Safety Authority has initiated a major program to reform the country's safety standards to ensure neutrality in terms of choice of technology.
- **In Latin America**, Argentina announced its intention of investing heavily in its nuclear program, in particular to complete the Atucha 2 reactor in partnership with the Canadian builder AECL. Brazil unveiled plans to build 7 reactors over the next 20 years, beginning with the completion of Angra 3, and in Mexico a call for tenders for the construction of a new nuclear power plant could be launched as early as 2008. Other countries, such as Chile, are expressing interest.

Asia-Pacific

This region has 112 nuclear reactors representing 87 GWe in generating capacity. These reactors generated 545 TWh of electricity in 2007, down 3.7% from 2006. This compares with approximately 6,822 TWh in total electricity generated from all sources, up 6.2% from 2006.

On average, nuclear power represented 8% of all electricity generated in 2007, with significant differences from one country to the next. For instance, nuclear power represents a large proportion of all electricity generated in South Korea and Japan (39% and 28% respectively), yet its share is still minimal in India (3%) and China (2%). Several countries have reaffirmed and are continuing their nuclear power programs, and several major calls for tenders have been issued.

	Gross installed nuclear capacity (GWe)		Gross nuclear power generation (TWh)	
	2007	2006	2007	2006
Japan	49.9	49.9	278.7	303.2
China	9.1	8.0	62.9	54.1
India	4.1	3.9	17.8	17.6
South Korea	18.4	17.7	142.9	148.7
Taiwan	5.1	5.1	40.6	39.9
Pakistan	0.5	0.5	2.5	2.7
Total	87.1	85.1	545.4	566.2

Source: *Nucleonics Week*, adjusted for 2006 by AREVA.

- **In Japan**, the Ministry of Industry and nuclear companies are aiming to increase nuclear power's share of power generation to 30-40% under an ambitious national policy defined in 2006. Japanese companies are trying to become more international, as illustrated by the alliance between AREVA and MHI for the development of the Atmea reactor or Toshiba's rise in importance after purchasing Westinghouse.

Japan is also pursuing its strategy of securing the country's uranium and enrichment supply over the long term.

Japan remains dedicated to the closed fuel cycle and to cooperation with AREVA, which provides technology and know-how:

- in used fuel treatment, the Rokkasho Mura plant entered the final active testing phase and commercial operations are scheduled to begin in 2008;
- in recycling, AREVA is cooperating on the JMOX project involving the construction of a MOX fuel fabrication plant in Japan, also at the Rokkasho Mura site;
- in addition, AREVA is providing end-of-life-cycle services and the MOX program moved forward with the start of fabrication of the first fuel assemblies in France for loading in Kyushu's Genkai reactor. Japan is also participating in the GNEP program.

Japanese companies reaffirmed their interest in developing the fast reactor technology. MHI was selected to design the next demonstration reactor, which should start operating by 2030.

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- **South Korea** continued to expand its nuclear program, with close to 10,000 MWe in additional capacity planned between now and 2020.
- **China** confirmed its intention of developing nuclear power as one of its main resources for meeting growing demand for electricity. The goals are ambitious: 60 GWe by 2020, or 6% of China's installed generating capacity. This assumes that 46 GWe would be added to the 9 GWe already in operation and the 5.3 GWe under construction, i.e. approximately 30 EPR type units. In November, AREVA confirmed its strong position on the Chinese market when the group launched a historic partnership with CGNPC for the construction of two EPR nuclear islands at the Taishan site and the supply of fuel for a 15-year period, as well as a contract to purchase 35% of the uranium produced by AREVA's subsidiary Uramin. At the same time, AREVA and China National Nuclear Corporation (CNNC) have agreed to perform joint feasibility studies for the construction of a used fuel treatment and recycling plant in China. AREVA and CNNC also concluded an agreement in principle to establish a joint venture to produce zirconium for fuel assemblies. AREVA's outlook in China is thus very positive in all phases of the nuclear fuel cycle, including the Front End, Reactors and Services, and the Back End. In Taiwan, the Lungmen reactors are scheduled to be connected to the grid in 2009 and 2010.
- **In India**, nuclear cooperation agreements were initiated with the United States and France in July 2007 and January 2008 respectively. However, official signature was deferred due to a lack of consensus in the Indian governing coalition. India is also negotiating safeguards with the IAEA and is seeking a consensus from countries of the Nuclear Suppliers Group (NSG) to amend existing rules regarding the export of nuclear materials and technologies. Bilateral discussions with various NSG member countries appear to indicate a certain openness. In the United States, ratification of the cooperation agreement by Congress could prove more difficult as presidential elections approach. The Indian power company NPCIL plans to build 16,000 MWe in new nuclear capacity from 2007 to 2012. The Indian national plan was confirmed. It calls for ambitious development of the country's reactor fleet to increase nuclear generating capacity to 40,000 MWe by 2020 by purchasing large reactors abroad to supplement the national program. AREVA has initiated discussions with the Indian customer and the EPR appears to be well positioned to achieve these goals.
- **In Australia**, 2007 was an important turning point for the uranium mining policy. The Federal Labor Party, the opposition party at the time, abandoned its "three mines" policy. This policy, adopted in 1983, prohibited any expansion of uranium mines if the party was in power. The Labor Party under Kevin Rudd's stewardship subsequently won the federal elections and it can be hoped that this bipartisan support for uranium mining will lead to the stability of investments in Australia, despite opposition from the labor governments of certain States. Tellingly, one of the first actions of the Rudd government was to ratify the Kyoto Protocol (Australia ranks third for greenhouse gas emissions per inhabitant, after the United States and Canada). However, Rudd made it clear that he is opposed to the development of a domestic nuclear power industry, notwithstanding the project to restart the Opal research reactor, and intends to focus on renewable energies and clean coal technologies instead.

Africa

South Africa is the only African country with a nuclear power program. The two reactors built by AREVA at Koeberg and started up in 1984 and 1985 generated around 5% of the nation's electricity in 2006.

The country needs to build some 40 GWe of additional power generating capacity by 2025, half in nuclear power and 18 GWe to replace obsolete coal-fired plants. Following a series of black-outs, South African utility Eskom is now urgently acquiring small gas-fired plants to satisfy peak demand.

A first order for reactors representing 3,000 to 3,500 MWe of "conventional" nuclear capacity should be confirmed in 2008, together with a study to evaluate a fleet representing 20 GWe, to be built by 2025. AREVA is one of the two suppliers selected to participate in the tenders.

North African and Persian Gulf countries are also showing interest in nuclear power, including for non-conventional uses such as seawater desalination. Even oil-producing countries are considering the nuclear option to preserve their mineral resources, which are becoming scarcer and more expensive.

A partnership agreement was signed in early 2008 by Suez, Total and AREVA for a nuclear center in the United Arab Emirates.

4.2.3. Regional electricity transmission & distribution market and challenges

4.2.3.1. The electricity transmission & distribution market

Transmission and distribution are fundamental components of power grid operations and management. The market is buoyed by increasing electricity consumption, itself fueled by the creation of wealth at the national and regional levels. Building reliable and efficient power systems is both a requirement for and a consequence of economic growth and investment in power generation.

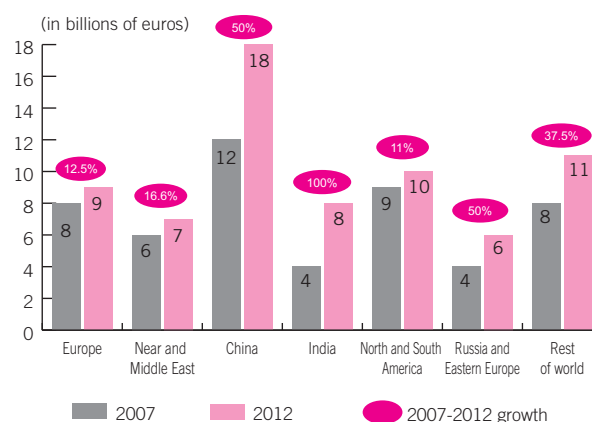
The transmission and distribution market also benefits directly from positive external factors such as:

- changes in national energy policies and the development of renewable energies;
- the optimization and replacement of aging equipment to improve network safety and reduce the risk of power supply interruptions;
- interconnection of regional networks to link sources of power generation with areas of power consumption;
- deregulation of electricity markets, with diverse impacts on national transmission and distribution markets, depending on the characteristics of existing infrastructure; and
- organizational changes at electric utilities, such as centralization of procurement.

All of these factors are used to predict demand for power generation equipment and contribute to transmission and distribution market growth. The group estimates that the total annual transmission and distribution market will grow from 52 billion euros in 2007 to 69 billion euros in 2012, representing average annual growth of 8%.

4.2.3.2. The challenges of power transmission and distribution around the world

Growth forecasts for the transmission and distribution market by region from 2007 to 2012



Sources : Market Assessment 2007 / AREVA estimates

Europe

While stable, Europe is not the most dynamic market in terms of demand for new electrical infrastructure. On the one hand, European Union countries are well aware of the problems caused by obsolete infrastructure, including the risk of black-outs. Their goal is therefore to modernize their equipment and promote the establishment of a unified European network via new trans-border connections and with new networks in North Africa as part of the "Mediterranean Network".

In the United Kingdom, the Office of Gas and Electricity Markets (OFGEM) reports that electricity transmission companies need to invest from 8 to 11 billion euros in network upgrades during the 2007-2012 period. In France and Germany, replacement equipment will be needed for aging networks over the medium term.

Growing economies in Central and Eastern Europe are also confronted with network aging issues and rising demand for electric power. Russia is a typical example of infrastructure requirements in the region. European and local electric utilities are planning major investments in Russia which will contribute to the strength of the transmission and distribution market. Several big projects to create regional networks are still contemplated, particularly in southeastern Europe, where the feasibility of interconnection between Turkey and Romania is under study.

4.2. The Nuclear Power and Transmission & Distribution markets

Renewable energies, especially wind power and solar power, are taking off in many countries, encouraged by the EU's "Renewable Energy Road Map" published in January 2007.

North and South America

In the wake of power failures with severe economic consequences, the United States now recognizes the need to establish reliable power infrastructure. The Energy Bill enacted in 2005 encourages increased capital spending on grid modernization. This new legislation emphasizes three main objectives:

- establish stringent regulations to ensure grid reliability;
- stimulate capital spending through financial incentives; and
- lay down regulatory conditions governing utility compensation.

The Energy Independence and Security Act passed in December 2007 supplements the Energy Bill. It encourages development and investment funds to invest in intelligent electric network technologies.

Due to the maturity of North American markets, demand for grid management systems and maintenance services is also expected to grow.

Substantial investment in transmission and distribution is also planned in Latin America. Through its Growth Acceleration Program (PAC), Brazil announced its intention of launching large power generation and transmission projects to improve its network. The ultimate objective of the Central American Interconnection System (SIEPAC) project now in progress is to connect the national power grids of six Central American countries: Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua and Panama. The creation of these regional networks should resolve the problems of power interruptions on the continent and help eliminate the black-outs that regularly affect countries such as Venezuela.

Asia

China is one of the most promising countries in terms of demand for electrical equipment, particularly transmission and distribution products. China must develop efficient networks to satisfy demand fueled by its booming economy and to correct significant infrastructure shortcomings. To resolve these problems, numerous projects are being implemented, both in power generation and in electricity transmission and distribution. India, confronted with the same macroeconomic constraints as China, has developed a sustainable energy policy. A major effort was made in the areas of power generation and rural electrification. In addition, the Indian Energy Ministry is determined to reduce power losses in the network, prompting investment in transmission and distribution.

Africa and Middle East

High oil prices continue to have a favorable impact on the ability of countries in this region to finance capital expenditures. Major turnkey systems projects have already been launched, such as interconnection of the Persian Gulf countries, including Kuwait, Saudi Arabia, Bahrain, Qatar, Oman and the United Arab Emirates. In Africa, transmission and distribution investment is limited to projects financed by multilateral development organizations. After investing little in T&D projects before 2000, South Africa launched a major investment program in 2004.

4.3. | The energy businesses of the AREVA group

4.3.1. Nuclear power

4.3.1.1. A few fundamental concepts for an understanding of the group's nuclear power operations

Using fission energy in nuclear power plants

A nuclear power plant is an electric generating station with one or more reactors. Like all conventional thermal power plants, it consists of a steam supply system that converts water into steam. The motive force of the steam drives a turbine, which in turn drives a generator, producing electricity.

In nuclear power plants, the only area in which radioactivity is present is the steam supply system, called the "reactor".

The reactor is enclosed in a reinforced containment building meeting stringent nuclear safety requirements. The three main components needed to sustain, control and cool the fission process in the reactor core are fuel, a moderator and a coolant. Reactor types are a function of the combination of these three components. Several combinations have been tested, but only a few of them have gone beyond the prototype stage to commercial operations.

A HEAT SOURCE AND A COOLING SOURCE

Like all other power plants, a nuclear power plant has a heat source – the nuclear steam supply system with its heat exchangers – and a cooling source to remove the resulting heat. This is why power plants are usually built near the sea or a river: the water is used to cool the steam. Many power plants also have cooling towers, where the water is sprayed, evaporating as it falls and dissipating residual heat.

MODERATOR AND COOLANT

During the fission process, neutrons are released at very high speed. They slow down as they strike lighter atoms, making them react much more with uranium 235 atoms.

Reactors called "thermal neutron" or slow reactors take advantage of this property, which reduces the uranium 235 enrichment level required for the chain reaction. In light water reactors, water is the slowing medium, or moderator, as well as the heat removal medium, or coolant.

THE WORLD'S MOST PREVALENT REACTOR: THE PRESSURIZED WATER REACTOR

In pressurized water reactors (PWRs), the fuel is made of slightly enriched uranium and the moderator and coolant both consist of water.

The reactor core is flooded with pressurized water from the primary cooling system. The fission reaction heats the water. The heat is transferred *via* heat exchangers to water in a secondary cooling system, converting it to steam. The nuclear steam supply system consists of the reactor core and the steam generators. For safety reasons, the primary cooling system is separate from the secondary cooling system, whose steam drives the turbo-generators.

PWR reactors have a triple containment system to prevent the release of radioactive fission products. The primary barrier in this system is the metal cladding around the fuel. The secondary barrier consists of the separate primary and secondary cooling systems. The third barrier is comprised of the nuclear steam supply system enclosed in a concrete containment building designed to contain hazardous products in the event of a leak. All of the reactors in the French nuclear power program are PWRs, which are also in the majority around the globe.

Boiling water reactors (BWR) are generally comparable to PWRs. The main difference is that the water boils when it comes into contact with the fuel and the primary and secondary cooling systems are not separate.

4.3.1.2. AREVA's nuclear businesses

Through its Front End division, Back End division and Reactors and Services division, the AREVA group operates in every area of the nuclear cycle.

In the front end of the cycle, AREVA supplies uranium and offers the conversion and enrichment services needed to fabricate the fuel assemblies that go into the reactor core. In the Reactors and Services division, the group has expertise in all of the processes and technologies needed for reactor design, construction, maintenance and continuous performance improvement. AREVA focuses principally on the PWR and BWR markets. In the back end of the cycle, AREVA is a specialist in the management and treatment of used fuel, from which the group recovers reusable materials to fabricate fresh uranium-plutonium fuel (MOX) that is recycled in PWRs and BWRs.

The Front End division's operations include uranium ore exploration, mining and concentration; conversion of uranium as U_3O_8 into uranium hexafluoride (UF_6); uranium enrichment; and nuclear fuel design and fabrication.

The Reactors and Services division is in charge of nuclear power plant design, construction and modernization; nuclear power plant equipment supply; and nuclear services, particularly for scheduled reactor outages.

4.3. The energy businesses of the AREVA group

The Back End division focuses on used fuel treatment and recycling; design and fabrication of casks for the transportation and storage of nuclear materials; and nuclear materials transportation and logistics.

In summary, the group:

- sells uranium to its utility customers;
- supplies uranium processing services to produce fuel, and designs and fabricates fuel assemblies;
- designs and builds power plants and provides life extension services;

- offers engineering services and equipment to optimize power plant performance; and
- recycles its customers' used fuel to recover reusable materials and/or treat them for the safe disposal of nuclear waste.

However, AREVA does not normally own the materials provided by customers for processing, nor is it responsible, in most instances, for the waste generated by used fuel treatment on behalf of customers or nuclear power plants. AREVA does not operate nuclear reactors.

AREVA's competitive position by business sector

Due to the unique character of the processes involved, each stage in the nuclear cycle constitutes an industry in its own right, with its own technologies and business models. The AREVA group has built up know-how that puts it in the lead worldwide and has adopted an industrial organization that is consistent with these different business sectors. AREVA is the world leader in civilian nuclear power, as illustrated below.

	Market 2007	CAMECO	URENCO	USEC	AREVA	Toshiba / Westinghouse	NDA/BNFG ⁽²⁾	AEF (Russia) ⁽³⁾	General Electric / Hitachi ⁽⁴⁾	Others
Front End										
Mining/Natural uranium*	65,000 MT	15-20%		5-10% ⁽¹⁾	20-25%			20-25%		25-30%
Conversion/Chemistry	60,000 MT	20-25%		5-10% ⁽¹⁾	25-30%			25-30%		20-25%
Enrichment*	45 million SWU**		20-25%	25-30%	20-25%			20-25%		5-10%
Natural uranium fuel (UO ₂)	6,800 MT				30-35% ⁽⁹⁾	20-25%		10-15%	15-20%	10-15% (MHI)
Reactors and Services	€15 billion				20-25%	15-20%		5-10%	10-15%	35-40%
Back End										
Treatment***	31,150 MT				70-75%	10-15% ⁽⁵⁾	10-15%			JNFL ⁽⁶⁾ in future
Recycling (MOX fuel)***	2,260 MT				65-70%	1-5% ⁽⁷⁾				25-30% ⁽⁸⁾ (Belgonucléaire) JNFL ⁽⁶⁾ in future)

* Compared to 2006, the lowering of tails assay linked to rising uranium prices reduced the uranium market and increased the enrichment market.

** Separative work units.

*** Cumulative amount, in metric tons of heavy metal, of used fuel treated and of MOX fuel fabricated, according to AREVA estimates.

- (1) Usec sells natural uranium and conversion services connected with its enrichment operations or its business with the US Department of Energy, but does not have its own mining or conversion operations.
- (2) The Management and Operation contract for the Sellafield site is being rebid by the NDA, which should award a contract by the end of the first half of 2008. Under a 10-year agreement signed in 2005, Cameco purchases conversion services from BNFL. These services appear either in the Cameco column or in the "other" column.
- (3) AtomEnergProm.
- (4) The final decision to merge their nuclear operations was made on July 12, 2007.
- (5) In April 2005, the NDA's Thorp treatment plant at Sellafield was shut down following the detection of a leak in process piping in one of the plant's shielded cells known as the "clarification cell". The British health and safety regulator agreed to the plant's restart on January 10, 2007.
- (6) JNFL's treatment plant (800 MT) and MOX fabrication plant (130 MT) are expected to start up in 2008 and 2012 respectively.
- (7) Ramp-up of the NDA's SMP plant is currently in progress.
- (8) Belgonucléaire's Dessel plant ceased production in mid 2006.
- (9) Including the Yi Bin fuel fabrication plant, just as Westinghouse's market share includes Enusa data.

4.3.2. Electricity Transmission & Distribution operations

4.3.2.1. A few fundamental concepts for an understanding of the transmission and distribution business

Electricity is generated at relatively low voltages of 10,000 to 25,000 volts. Current voltage is stepped up before the electricity is transmitted. Transmission over high voltage lines (230,000 to 765,000 volts) reduces power losses attributable to heating, enabling electricity to be transported over long distances at low cost.

The electric power supply system consists of the transmission lines and their connection to stations and substations. Electricity moves through the power grid according to a law of physics known as the “path of least resistance”, like water flowing through a canal system. Electricity enters a medium voltage distribution system via a substation. A final substation reduces the voltage to 120 or 240 volts for use by the consumer.

The deregulation of electricity markets and the need to transport electricity across borders require the development of interconnections between power systems operated by different companies.

4.3.2.2. The Transmission & Distribution business

Electricity transmission and distribution includes the supply of electricity transmission and distribution products, systems and services used to regulate, switch, transform and dispatch electric current in electric power supply systems connecting the power plant to the final user. The Transmission & Distribution division's products and solutions play an essential role in power grid reliability, safety and quality.

The Transmission & Distribution division designs, manufactures and installs complete product lines used at every stage of electricity transmission and distribution. The division is ranked third in this sector worldwide and is the world's second largest supplier to electric utilities.

The Transmission & Distribution division supplies products, systems, services and software for:

- high voltage power transmission, including conventional equipment, shielded substations, instrument transformers and power transformers;
- medium voltage distribution, including compact transformer substations, distribution transformers, circuit breakers, engine starting cells and lightning protection systems;
- substation protection and control; and
- grid management.

The division's customers are electric utilities as well as the oil, mining, metals, wind energy, paper, glass, transportation and power electronics industries.

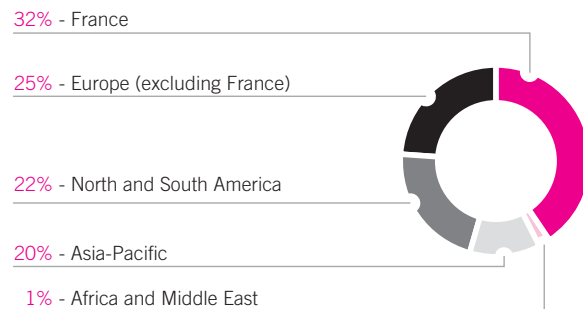
4.4. | Front End division

Key data

(in millions of euros, IFRS)

	2007	2006
Sales revenue	3,140	2,919
Operating income	496	456
Workforce at year end	12,577 employees	11,995 employees

2007 sales revenue by business unit and region



Overview

The Front End Division represented 26% of AREVA's consolidated sales revenue in 2007. The division combines all of the fuel cycle operations that take place before nuclear power is generated: uranium exploration, mining and concentration; conversion into uranium hexafluoride (UF_6); uranium enrichment services; and nuclear fuel design and fabrication.

AREVA operates in every stage of the nuclear fuel cycle. This gives the group a decided competitive edge enabling it to offer its customers innovative solutions tailored to their requirements. AREVA ranks first worldwide in the front end of the nuclear cycle.

- In Mining, AREVA is the world's third largest producer of uranium (see section 4.4.1.4.). Its market share, including trading activities, was approximately 24% in 2007, or close to 13,500 metric tons sold. The group has an excellent diversified mining portfolio with operations in Canada, Niger and Kazakhstan and projects under development in Africa and Canada. The acquisition in August 2007 of Uramin, which has deposits in Africa that can be brought into production quickly, strengthens the portfolio even further.
- In Chemistry, AREVA is the world's leading supplier of conversion services, with an estimated world market share of around 26%.

AREVA has two main sites for uranium conversion operations: Malvési, where ore concentrates are purified, and Pierrelatte, which produces UF_6 . The group has launched a program to replace these facilities.

- In Enrichment, AREVA is one of the world leaders in enrichment services, with approximately 24% of the world's available capacity. AREVA has one production site, the Georges Besse plant at Pierrelatte. A new plant using centrifuge technology, the Georges Besse II plant, is under construction at the site and will assure continued growth and world leadership on this market.
- In Fuel, AREVA ranks first worldwide. It supplies close to 40% of the western world's fuel requirements for pressurized water reactors (PWRs) and boiling water reactors (BWRs), and the same percentage for the world's research reactors. The group's industrial operations are diversified at locations in Europe (Germany, France and Belgium) and in the United States.

Customers retain ownership of the materials used in these operations. They buy uranium concentrates and industrial processing services from AREVA, up through production of the fuel assembly. By being active in every segment of the fuel cycle, the group is able to tailor its offer to its customers' specific requirements.

The group operates mines and manufacturing plants in Europe, North America, Asia and Africa. Its customers are primarily operators of nuclear power plants (utilities) and research reactors.

The nuclear revival is gaining momentum worldwide, benefiting the division directly. The total annual market for enriched uranium is approximately 65,000 MT of natural uranium and 46 million separative work units (SWU – see Glossary). In the fuel business, the division mainly serves the market for Western-designed light water reactors, of which there are about 300 worldwide. These reactors require approximately 6,000 MT of fuel each year.

The division's business model is characterized by large capital outlays over long periods of time, creating a major barrier to entry.

Strategy and outlook

With the nuclear revival as a backdrop, AREVA intends not only to support market growth in the front end, but to expand its positions on that market.

To this end, the group will continue to develop its mining resources, expand and replace its industrial facilities, and increase its fuel offering.

Increasing mineral resources and production

For more than 15 years, the market for natural uranium has suffered from a severe imbalance between primary supply and demand.

This imbalance is offset by the use of so-called secondary resources. The secondary resources come from strategic inventories stockpiled by utilities in the 1980s and, beginning in the late 1990s, from the arrival on the market of materials originating in the former Soviet Block. They can also be traced to the arrival on the civilian market of natural uranium derived by diluting highly enriched uranium (HEU) from dismantled Russian and American weapons.

The "Megatons to Megawatts" agreement between the United States and Russia signed on February 18, 1993 is the first non-proliferation agreement providing for the commercial reuse of fissile materials. Over an 20-year period through 2013, Russia has agreed to convert 500 MT of HEU into low-enriched uranium for civilian use. The HEU enrichment component used in this manner currently comes to about 5.5 million SWU. The natural uranium component, in the form of UF_6 , represents an average of around 9,000 MT of natural uranium per year. AREVA's market share of this component averages around 2,600 MT of natural uranium per year.

The gradual draw-down of these inventories, until now the main source of secondary supply, is impacting the uranium market.

Moreover, as the nuclear revival picks up speed, utilities are anticipating strong growth in the demand for natural uranium.

The combination of prospects for growth in demand and the depletion of secondary resources is creating strong pressures on uranium spot prices as well as on medium and long term negotiated prices.

In the current market environment, customers are increasingly concerned about securing their supplies through medium and long term contracts. Customers with new reactors in particular want to secure their requirements in contracts covering a significant percentage of their power plant's service life. The division anticipated this development by strengthening its mining portfolio and investing heavily in new production capacity.

These long term contractual relationships give the division good visibility on backlog, which amounted to more than 21 billion euros at year-end 2007. Over the short to medium term, this revenue is not very sensitive to variations in natural uranium prices or to conversion and enrichment prices.

After peaking at 135 US dollars per pound in June 2007, the uranium spot price closed the year at 90 US dollars per pound. By way of comparison, the spot price was about 9 US dollars per pound in 2001.

In response, AREVA undertook a vast program to increase its uranium production and resources over the long term. This involves developing existing projects, increasing exploration activities, and a program of acquisitions. This translated into the acquisition in August 2007 of the Canadian mining company Uramin for a net amount of 1.6 billion euros.

Increasing production will not only serve existing contracts and ensure their renewal, but will conquer new business as well:

- it will replace depleted secondary resources with primary resources at the beginning of the next decade, and
- it will ensure uranium supply associated with the group's sale of new reactors.

Uranium demand tied to new reactor sales will increase continuously beginning in the middle of the next decade. The group's ability to meet that demand over the long haul will be a decisive competitive advantage for reactor sales.

The group will be able to rely on a large and diversified portfolio of properties, giving it a particularly strong position.

In fact, AREVA has mining rights in three key areas: Canada, Niger and Kazakhstan. With the acquisition of Uramin, the group now has sites in Namibia, South Africa and the Central African Republic, which should lead to the production of more than 7,000 MT per year beginning in 2012. AREVA will also start production of two very large deposits at Cigar Lake in Canada and the Imouraren site in Niger.

This diversification of resources is important to secure supplies to utilities, which want long-term guarantees of uranium deliveries.

The group will continue its exploration and acquisition activities over time to maintain reserves at 20 years of production.

Replacing enrichment and conversion plants

The enrichment market is structured around a small number of international players in the United States, Europe and Russia. As in the uranium market, customers want to secure their supplies through contracts with increasingly longer terms.

The nuclear revival sweeping the world will translate into strong market growth. AREVA has prepared for this by replacing its enrichment facilities. The group's existing Georges Besse plant, for example, will be shut down at the beginning of the next decade and replaced by the new Georges Besse II plant.

The new plant will use commercially proven centrifuge enrichment technology, which will make enrichment prices less dependent on the price of electricity, the primary cost component of a gaseous diffusion plant such as Georges Besse I.

AREVA also plans to expand in the United States, a strong growth segment of the enrichment market.

In addition, the group decided in May 2007 to replace conversion capacities at the Comurhex plant located at the Pierrelatte site, near the Georges Besse plant. Combined with the group's other major projects, the Comurhex II project will enable AREVA to secure its position as a sustainable and integrated player in the front end of the fuel cycle.

Whether in mining, chemistry or enrichment, the group is prepared to support the sale of new reactors while maintaining its business with existing reactors.

Improving fuel fabrication productivity

The fuel fabrication industry has strong barriers to entry consisting of a wide range of technical specifications which only reactor designers can fully grasp. It is nonetheless still a highly competitive market, given the excess production capacity that exists worldwide. Market growth is also a function of installed generating capacity and plant load factors, minus the effect of heightened fuel performance.

AREVA supplies one third of the market and intends to preserve its leadership position through the excellence of its production processes and by designing new and ever more innovative products. Important programs are under way to improve productivity. These include exchanging best practices among the production sites, specializing some of these sites in component supply, and developing plant capability to fabricate a variety of fuel assemblies.

Multiplying internal synergies to compete more effectively

AREVA's main competitors operate in only part of the front end of the cycle. These competitors are Cameco in the mining and chemistry sectors, Converdyn in conversion, Urenco and Usec in the enrichment business, and Westinghouse, General Electric and their Japanese partners in fuel fabrication. Russia's nuclear industry, which is in the process of being unified through AtomEnergProm, is the only competitor that may eventually be able to offer products and services spanning the entire front end. AtomEnergProm's competitive positioning remains a question mark, considering its long history of serving utilities that operate reactors based on Russian technology.

At a time when certain stages of the fuel cycle are dominated by existing and anticipated pressures, AREVA intends to provide its customers the added value of its unique positioning in every stage of the fuel cycle, enabling it to harvest internal synergies and develop innovative offers. This is one of the goals of the AREVA Solutions program.

4.4.1. Mining business unit

4.4.1.1. Key data

	2007	2006
Sales revenue	728	582
Workforce at year end	3,525 employees	2,993 employees

4.4.1.2. Businesses

In addition to uranium trading, the Mining business unit's four main activities are:

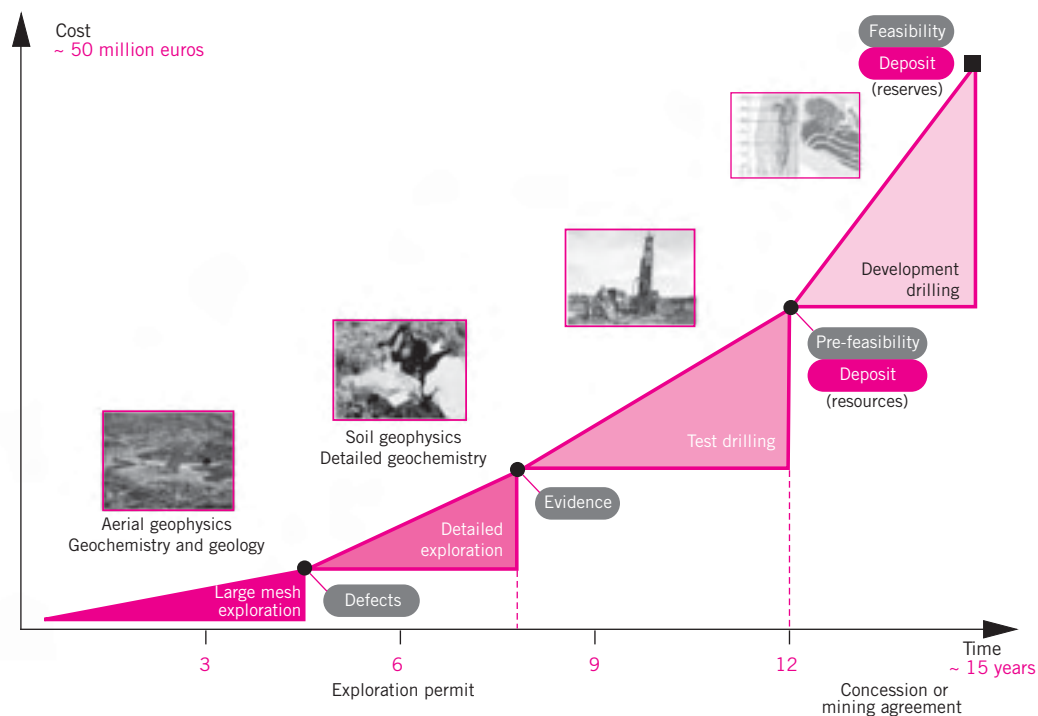
- mineral exploration: searching for new ore bodies for future mining;
- mining operations: ore extraction using various methods and techniques;
- ore processing: concentration of uranium contained in ore using chemical processes; and
- site reclamation after mining: restoration of mine sites in accordance with applicable environmental standards.

The group's mining operations focus first and foremost on uranium. A relatively abundant metal that is evenly distributed in the earth's crust, natural uranium contains two main isotopes: 99% of the natural uranium is non-fissile U-238, while 0.7% is fissile U-235.

AREVA also produces gold through La Mancha, a subsidiary established on September 28, 2006 by combining the group's gold assets with those of Canadian company La Mancha Resources Inc. This diversification into gold began in the 1980s and helped maintain mining know-how at a time when the uranium market was depressed.

Mining operations span particularly long cycles requiring significant capital expenditures over several years before the operations themselves begin, i.e. until the first deliveries of uranium are made and the first sales proceeds collected. Then cash flow increases before once again falling off in the final years of operation.

Uranium mining business model: from exploration to mining feasibility^(*)



^(*) Before licensing (exploration and construction permit process: 5 to 10 years).
Source: AREVA.

4.4. Front End division

The first phases of exploration consist of detecting surface or subterranean mineral indicators using aerial or ground geophysics (gravimetry, electromagnetics, radiometry) as well as surface geological surveys. AREVA selects targets for their promising mineralization history. This is followed by test drilling to develop an initial estimate of the deposit's resources.

Once the attractiveness of the deposit has been confirmed, the drilling grid is tightened to refine the estimate of resources and confirm mining feasibility, both technically and economically (reclassification from resource to reserve).

These operations, which require an exploration permit that eventually confers mining rights, take an average of 10 to 15 years.

Once the technical and financial feasibility has been demonstrated, the ore is mined, either from open pit or underground mines, or using *in situ* recovery techniques (see Glossary). The choice of method is dictated by the ore body's characteristics.

Ore extracted from open pit and underground mines is transported to a processing plant. There, it is milled and the ore is attacked, usually with acidic solutions. The uranium is extracted from the resulting liquor using organic solutions or ion exchange resins.

It is then precipitated and dried to produce a concentrate called "yellowcake". This product is packaged and shipped to the conversion plant of the customer's choice.

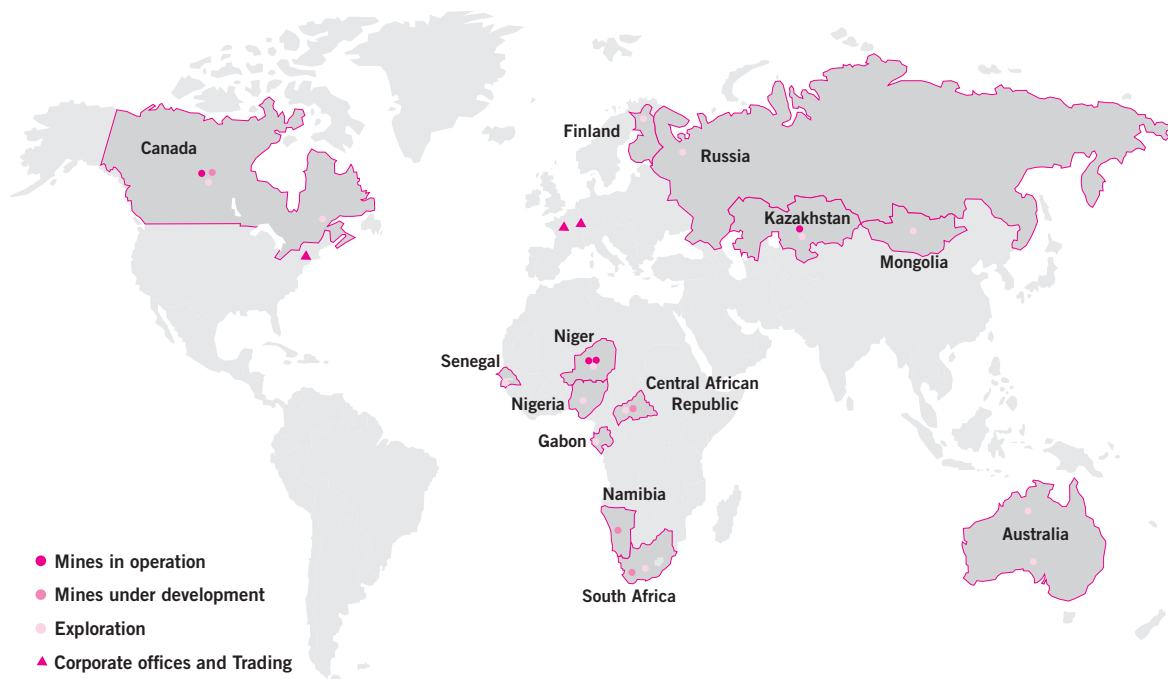
In situ recovery techniques are used to recover uranium from low grade or very low grade deposits. *In situ* recovery can often be implemented quickly. The recovery process consists of injecting an oxidizing solution into the mineralized area to dissolve the uranium selectively. The solution is then pumped to the surface and processed in special plants.

Mining reclamation is an important activity that calls for specific mining and civil engineering techniques and involves many areas of expertise.

4.4.1.3. Manufacturing and human resources

The Mining business unit has staff on five continents. The uranium production sites are located in three countries: Canada, Niger and Kazakhstan.

Main production sites of the Mining business unit



Canadian sites

AREVA receives production from two mine sites in Canada: McClean Lake, operated by AREVA, and McArthur River, operated by a joint venture with Cameco Corporation. A third deposit, Cigar Lake, also operated by Cameco Corporation, may come into production in the coming years. In addition, AREVA expects to operate the Midwest deposit beginning in 2011.

These sites are located approximately 600 kilometers north of Saskatoon in the Athabasca basin of Saskatchewan Province.

The group deploys ISO 14001-compliant environmental management systems at all sites and for all operations. McClean Lake, Cluff Lake (shut down five years ago) and our exploration activities were certified for ISO 14001 in 2000 and 2004.

For the past two years, AREVA has stepped up its exploration efforts in Canada, particularly in the Athabasca basin, which remains the country's most promising region for uranium mining, but also in Quebec and Nunavut.

McCLEAN LAKE

AREVA operates McClean Lake and is a 70% owner alongside Denison Mines Ltd, which has a 22.5% stake, and Overseas Uranium Resources Development Company Ltd of Japan (Ourd), which owns 7.5%. Uranium production started in 1999 with ore extraction from small deposits near the surface.

The ore is processed in the Jeb mill, commissioned less than ten years ago. The mill's capacity of about 3,000 MT (8 million pounds of U_3O_8) is undergoing expansion to increase capacity by 2009. The joint venture has 450 employees, 40% of whom come from the local community.

McARTHUR RIVER

McArthur River is operated by Cameco Corporation, which holds a 69.8% interest (AREVA 30.2%). McArthur is the largest high grade uranium deposit in the world. The deposit was discovered in 1988 and mining began in December 1999.

Remotely operated equipment is used to mine the deposit to prevent exposing the miners directly to the very high grade ore body. The ore is processed at the Key Lake mill located about 100 kilometers south of the deposit. The mill is operated by Cameco Corporation, which holds an 83.3% interest (AREVA 16.7%). The joint venture employs about 310 people.

New operating procedures and new pumping capacities have been successfully implemented under the oversight of provincial regulators since the excavation incident that occurred in 2003, which caused partial flooding of the mine.

CIGAR LAKE

Cigar Lake will be operated by a joint venture consisting of Cameco Corporation (50.03%), AREVA (37.1%), Idemitsu Uranium Exploration Canada Ltd (7.88%) and Tepco Resources Inc. (5%).

Cigar Lake is the world's second largest high grade uranium deposit, after McArthur River.

AREVA discovered the deposit in 1981 and contributed to the development of the mining method. Located 450 meters below the surface in fractured, porous, water-saturated rock, the deposit cannot be mined using conventional methods. Freeze technology is used to harden the ground. The ore is removed with high pressure water jets (jet boring technique). Infrastructure drifts are all located in more solid rock under the deposit to position equipment, drill the ore body to freeze the ground, and mine it by jet boring.

Upon receiving the administrative permits, the partners decided to mine the deposit in December 2004 and launched the construction phase.

On October 23, 2006, the side drift in the upper level of the mine partially collapsed just below the water table, completely flooding the mine. Boreholes were drilled from the surface to plug the collapsed drift with concrete. At this stage, Cameco believes that operations could restart in the coming years, subject to approval by the Canadian Nuclear Safety Commission (CNSC).

Cigar Lake should produce 6,900 MT of uranium per year at full capacity (18 million pounds of U_3O_8). The ore will be processed at the McClean and Rabbit Lake mills during the first phase of operations, lasting approximately 15 years.

MIDWEST

AREVA owns 69.16% of the Midwest project and is the designated operator. Denison and Ourd own 25.17% and 5.67% of the project respectively. Total anticipated annual production is approximately 3,000 MT of uranium. The ore will be processed by the Jeb mill. This project will replace production from McClean starting in 2011. The feasibility study has been completed and the environmental impact study was submitted in October 2007. The Mae deposit may contribute additional resources representing 50% of these reserves. A new drilling campaign is scheduled at Mae in early 2008.

Niger sites

CEA exploration teams detected uranium in Niger in the 1960s. The uranium deposit is located in the piedmont plains west of the granitic Air mountains. The deposits are sedimentary.

Two companies, Somaïr and Cominak, were established to operate the mines, located 800 kilometers north of Niamey. Mining development led to the creation of two new cities, Arlit and Akokan.

Approximately 1,700 people work at the sites. In addition to providing jobs, the companies offer health, social and educational services to the local populations of this isolated and economically deprived area.

As of today, deposits have only been mined in the Arlit region. AREVA's concession covers 360 square kilometers (140 square miles). Both Somaïr and Cominak have ISO 14001 certification.

4.4. Front End division

The discovery of new deposits in this uranium-rich province is a strong probability. The group is planning a major exploration program and the business unit submitted 19 new permit applications in 2006 that comply with the terms of Nigerien mining law.

SOMAÏR

Somaïr (Société des Mines de l'Air) was established in 1968. The company is operated by AREVA, which owns 63.4% of the share capital, with the government of Niger owning the remaining 36.6% through Onarem, the national mining resources agency.

Somaïr has operated several mines near Arlit since 1971. The ore is extracted in open pit mines and processed in a 2,000 MT mill (5.2 million pounds of U_3O_8) at the site. Somaïr employs about 600 people.

COMINAK

Cominak (Compagnie Minière d'Akouta) was established in 1974. AREVA is the operator of the company and owns 34% of its shares. Other shareholders are Onarem of Niger (31%), Ourd of Japan (25%), and Enusa Industrias Avanzadas S.A. of Spain (10%).

Cominak has operated the two main deposits of Akouta and Akola, near the town of Akokan, since 1978. The ore is extracted underground. The on-site mill has a capacity of 2,000 MT of uranium per year (5.2 million lbs of U_3O_8). Cominak employs about 1,100 people.

IMOURAREN PROJECT

In July 2006, AREVA received an exploration permit for Imouraren, 80 kilometers south of Arlit. The permit includes an ore body discovered in 1969 which was to have been operated in the 1990s. Operations had to be suspended when the market collapsed. AREVA has decided to restart the project now that market conditions are more favorable. One hundred people are currently employed at the site. More than 55 kilometers of development drilling was completed in one year and more than 2 metric tons of ore were shipped to SEPA, AREVA's laboratory for industrial scale plants, for test processing. The feasibility study was completed in December 2007.

Kazakhstan sites

The mining company Katco was established in 1997 to develop and operate the Muyunkum and Tortkuduk deposits in southern Kazakhstan, approximately 250 kilometers north of Simkent. The company headquarters are located in Almaty. Shareholders include AREVA (51%) and the Kazakh company Kazatomprom (49%), which is responsible for overseeing national nuclear operations, particularly natural uranium production.

Development of the two mine sites, located approximately 100 kilometers apart, started in April 2004 after the signature of a series of agreements between the shareholders. These agreements marked the end of a three-year feasibility study with a full-scale pilot plant test. The nominal production objective for both deposits

is 1,500 MT of uranium per year (3.9 million pounds of U_3O_8). Katco produced 871 MT of uranium in 2007.

Considering the size of the deposits, the prospects for ore discovery in new areas under permit to the company, and the recent 35-year extension of Katco's underground mining concession, production could be increased by 2010.

Uramin's sites

Following the acquisition of Uramin in July 2007, the business unit launched the development of the Trekkopje site in Namibia. Production is expected to begin in 2009-2010. Development has begun of the Ryst Kuil project in South Africa and the Bakouma project in the Central African Republic.

Site reclamation

The group has spent more than 400 million euros to date to dismantle mining facilities and reclaim 13 sites in France, Gabon, the United States and Canada. Once reclamation has been completed, the land is reseeded and monitored, which involves monitoring and analysis of numerous environmental parameters. Monitoring is conducted as part of AREVA's environmental management system over a period of time determined by the improvement and stability of chemical and radiological parameters, with objectives going well beyond the regulatory requirements. This period is specific to the site's natural characteristics as well as to local community expectations. Experience to date indicates that this period is generally 10 years or more.

In France, mill tailings are inventoried by Andra, the French radioactive waste management agency. AREVA remains the owner of the tailings, which are subject to specific radiological and environmental monitoring certified under ISO 14001.

4.4.1.4. Market and competitive position**Market**

The demand for uranium by nuclear power programs worldwide, expressed in natural uranium equivalent, was around 64,528 MT in 2007. Demand has risen modestly over the last five years, from 0.5% to 1% per year, reflecting increased load factors, the commissioning of new reactors, and increased capacity at an ever growing number of reactors. In addition, some utilities, seeking to rebuild their inventories, have contributed to rising demand over the past two years.

World production increased slightly in 2007 to 41,700 MT, from 40,957 MT in 2006. It was boosted by capacity increases at existing mines (Katco) and the start of production at new mines (Langer Heinrich and Dominion), and this in spite of the difficulties encountered at certain operating mines (Olympic Dam, Ranger, Cominak).

World production continues to cover a little less than two thirds of uranium consumption; the balance is satisfied with secondary sources (excess inventories held by some utilities and fuel cycle companies, material from diluted HEU, use of MOX fuel, uranium from used fuel treatment, re-enriched uranium tails).

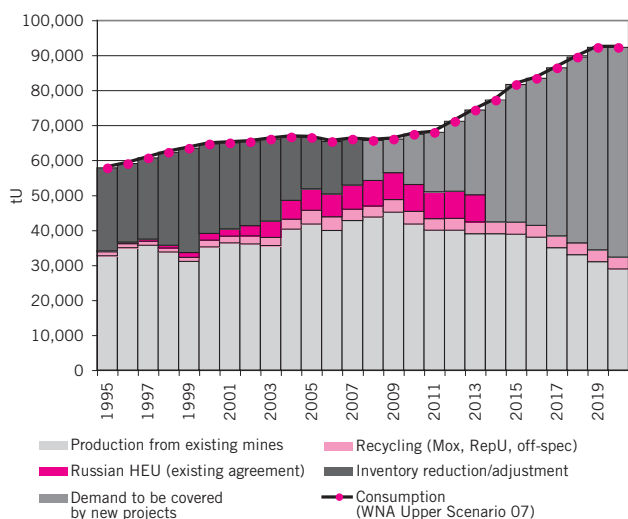
Due to the depletion of excess uranium inventories, particularly those of the utilities and those stockpiled in Russia, primary sources will represent a growing share of supply and demand, as shown in the chart below.

The increase in production will be the result of new mines offsetting lower mine production and shut-downs expected after 2010.

These projects include Cigar Lake, Midwest and Kiggavik in Canada, several projects in Kazakhstan, the Ukraine and Russia, Imouraren in Niger, Trekkopje and the Rossing expansion in Namibia, and Jabiluka and the expansion of Olympic Dam in Australia.

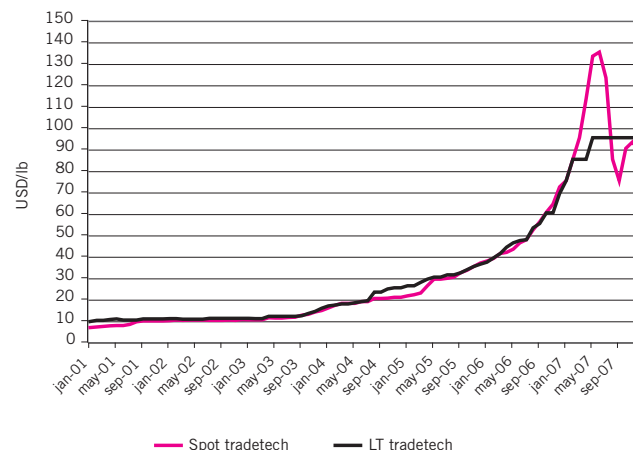
Junior mining companies are not expected to make a significant contribution to production for approximately ten years. Two formerly junior companies are the exception: Uranium One and Paladin, which are already producing today.

World uranium supply and demand



Source: WNA 2007.

Uranium price indicators (in current US dollars)



Source: TradeTech.

The need for primary production to become the main and lasting source of supply kept strong pressure on uranium prices in 2007, and was reinforced by announcements of delayed production at Cigar Lake, Ranger, Cominak and Olympic Dam.

The spot price of uranium rose sharply in 2007. After peaking at 135 US dollars/lb in June 2007, it gradually fell back to stabilize at long-term contract price levels. Ux and Nymex partnered to establish a futures market.

Estimated world uranium production in 2007

TOP TEN URANIUM PRODUCING COUNTRIES

Rank	Country	Production	%
1	Canada	9,481	23%
2	Australia	8,611	21%
3	Kazakhstan	6,637	16%
4	Russia	3,413	8%
5	Niger	3,155	8%
6	Namibia	2,881	7%
7	Uzbekistan	2,300	5%
8	United States	1,800	4%
9	China	950	2%
10	Ukraine	900	2%
Total Top 10		40,128	95%
	Other	1,572	4%
World production		41,700	100%

Source: AREVA.

TOP TEN URANIUM PRODUCERS

Rank	Producer	Production	%
1	Cameco	7,616	18%
2	Rio Tinto	7,172	17%
3	AREVA	6,046	14%
4	Kazatomprom	4,956	12%
5	AEP/TVEL	3,627	9%
6	BHP-Bill/ODM	3,388	8%
7	Navoi / Uzbekistan	2,300	5%
8	Vostgok / Ukraine	1,000	2%
9	CNNC / China	950	2%
10	Nufcor / South Africa	750	2%
Total Top 10		37,805	91%
Other		3,895	9%
World production		41,700	100%

Source: AREVA.

4.4.1.5. Resources, reserves and production sites

Uranium

Mineral reserves in deposits accessible to the group come to 236,953 metric tons of uranium. Reserves in the ground are supplemented with so-called secondary sources. In particular, AREVA has access to the equivalent of close to 2,600 MT of natural uranium per year through 2013 in connection with so-called "Russian HEU" agreements to reuse uranium from Russia's dismantled nuclear weapons.

As in 2006, the 2007 reference document was prepared based on mineral resources in the ground to ensure consistency with reporting methods used by the group's partners and competitors.

Reserve volumes more than doubled from 2006 to 2007, increasing by 125,158 MT in relation to 2006. Most of this increase reflects the upgrade of Imouraren resources to reserves in Niger as a result of the feasibility study, along with those of Kazakhstan, for which an updating of economic parameters concerning initial production was expected in 2006.

The volume of resources that may reasonably be expected to be upgraded to reserves in the mid term (measured and indicated resources) is about 72,476 MT. This figure reflects a significant effort by the group to develop and bring into production its portfolio of resources, particularly with the acquisition of Uramin and the acceleration of exploration, which has already allowed a substantial portion of its resources to be upgraded to reserves. The volume of inferred reserves is 137,756 MT. The development of projects initially suspended for economic reasons decreases the potential of other mineral resources in the ground, which are preserved for the long term. These currently represent 54,379 MT of uranium.

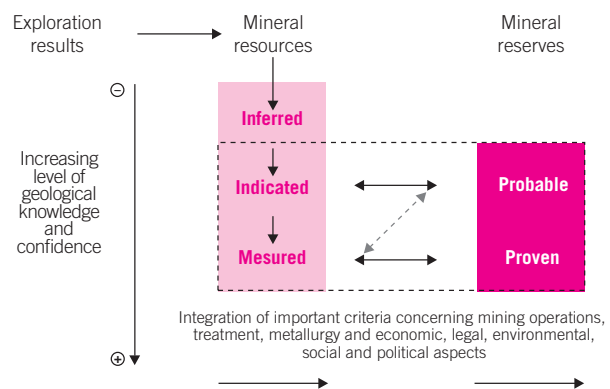
The group's resources and reserves at year-end 2007, together with its uranium production in 2007, are shown in the tables below. Uranium from diluted Russian HEU and other secondary sources is not included.

ESTIMATING METHODS

AREVA's resources and reserves are estimated based on data gathered by the group's employees or taken from audited reports. The business unit's Reserves department is responsible for these estimates.

In Canada, the group's reserves are established based on independent estimates or audit reports by the shareholders of the companies operating the mines. In Niger, they are established in a certification report meeting Canadian standard NI-43-101 prepared by Geostat Systems International, Inc.

See the Glossary for definitions of "mineral reserves in the ground", "mineral resources in the ground", and "other mineral resources in the ground".



AREVA EQUITY INTERESTS IN URANIUM PROJECTS

Country	Site	Operator	Type ^(*)	AREVA share	
				Share in JV (%)	Available ^(**) (%)
South Africa	Ryst Kuil Project	AREVA	n.d.	74.000%	100.000%
Australia	Koongarra	AREVA	OP	100.000%	100.000%
Canada	Cigar Lake	Cameco	UG	37.100%	37.100%
Canada	Dawn Lake	Cameco	UG	23.086%	23.086%
Canada	Key Lake	Cameco	n.d.	16.667%	30.195%
Canada	Kiggavik	AREVA	OP	99.000%	99.000%
Canada	McArthur	Cameco	UG	30.195%	30.195%
Canada	McClean	AREVA	UG	70.000%	70.000%
Canada	Midwest	AREVA	n.d.	69.160%	69.160%
Canada	Millennium	Cameco	UG	27.935%	27.935%
Canada	Sissons Schultz	AREVA	n.d.	50.000%	50.000%
United States	Malco Texas	AREVA	ISR	71.000%	71.000%
United States	Malco Wyoming	AREVA	ISR	71.000%	71.000%
United States	Pathfinder	AREVA	OP	100.000%	100.000%
France	AREVA NC France	AREVA	n.d.	100.000%	100.000%
Kazakhstan	Muyunkum Phase 1	AREVA	ISR	51.000%	100.000%
Kazakhstan	Muyunkum Phase 2	AREVA	ISR	51.000%	51.000%
Kazakhstan	Tortkuduk Phase 1	AREVA	ISR	51.000%	100.000%
Kazakhstan	Tortkuduk Phase 2	AREVA	ISR	51.000%	51.000%
Namibia	Trekkopje Project	AREVA	OP	100.000%	100.000%
Niger	Arlit Concession	AREVA	n.d.	100.000%	100.000%
Niger	Cominak	AREVA	UG	34.000%	46.400%
Niger	Imouraren TS – TD	AREVA	OP	70.000%	70.000%
Niger	Somair	AREVA	OP	63.400%	100.000%
Central African Republic	Bakouma	AREVA	n.d.	90.000%	100.000%

(*) Type of operation: ISR: In Situ Recovery; OP: Open Pit; UG: Underground; n.d.: not defined.

(**) Quantity of uranium likely to be sold / distributed to AREVA by the mining joint venture.

Source: AREVA.

4.4. Front End division

2007 PRODUCTION

in metric tons of uranium (MTU)

Country	Site	Total	Share in JV	Available share(*)
Canada	McArthur	7,198	2,176	2,176
Canada	McClellan	734	513	513
France	Herault Mining Division	4	4	4
Kazakhstan	Muyunkum Phase 1	871	444	871
Niger	Cominak	1,403	477	732
Niger	Somair	1,750	1,109	1,750
Total		11,960	4,723	6,046

(*) Share available to AREVA: Share of resources and production likely to be sold / distributed to AREVA NC by the mining joint venture.
Source: AREVA.

MINERAL RESERVES IN THE GROUND

in metric tons of uranium (MTU) (estimates as of end-2007)

Country	Site	Proven			Probable			Total Reserves				
		Mineral	Grade	Metal	Mineral	Grade	Metal	Mineral	Grade	Metal	Recovery	Available ^(*)
		KT	% U	MTU	KT	% U	MTU	KT	% U	MTU	%	MTU
Canada	Cigar Lake	497	175.14	87,045	0	0	0	497	175.14	87,045	98.50%	31,809
Canada	Key Lake	62	4.4	272	0	0	0	62	4.4	272	97.90%	81
Canada	McArthur	487	147.26	71,761	280	223.31	62,510	767	175.01	134,271	97.90%	39,692
Canada	McClellan	451	7.41	3,345	0	0	0	451	7.41	3,345	96.00%	2,248
Canada	Midwest ⁽¹⁾	0	0	0	640	22.05	14,113 ⁽¹⁾	640	22.05	14,113 ⁽¹⁾	97.20%	9,487 ⁽¹⁾
Kazakhstan	Muyunkum Phase 1	2,024	0.66	1,337	7,621	0.57	4,356	9,645	0.59	5,693	79.04%	4,500
Kazakhstan	Muyunkum Phase 2	0	0	0	9,496	0.57	5,429	9,496	0.57	5,429	79.04%	2,189
Kazakhstan	Tortkuduk Phase 1	124	1.39	172	10,335	1.06	10,904	10,459	1.06	11,076	79.00%	8,750
Kazakhstan	Tortkuduk Phase 2	0	0	0	6,443	1.05	6,797	6,443	1.05	6,797	79.00%	2,739
Niger	Cominak	1,350	4.58	6,183	5,107	3.79	19,351	6,457	3.95	25,535	96.20%	11,398
Niger	Imouraren - TD	38,171	1.1	42,063	87,505	1.06	92,551	125,676	1.07	134,614	93.35%	87,964
Niger	Imouraren - TS	24,955	0.47	11,654	72,092	0.46	33,279	97,047	0.46	44,933	62.42%	19,633
Niger	Somair	7,216	2.22	16,049	509	2.87	1,460	7,725	2.27	17,509	94.03%	16,464
Total		75,338	3.18	239,882	200,028	1.25	250,751	275,366	1.78	490,633		236,953

(1) Subject to confirmation of the reclassification of resources and reserves by an ongoing audit.

(*) Share available to AREVA: Share of resources and production likely to be sold / distributed to AREVA NC by the mining joint venture. For reserves, this share corresponds to uranium in concentrates, i.e. taking into account mining and milling recovery.

Note: The terms "proven" and "probable" relate to the level of reliability in estimates of mineral reserves in terms of quantity, grade, density, form and physical characteristics (see Glossary).

Source: AREVA.

MINERAL RESOURCES IN THE GROUND

in metric tons of uranium (MTU) (estimates as of end-2007)

Country	Site	Measured			Indicated			Measured + Indicated			Available ⁽¹⁾
		Mineral	Grade	Metal	Mineral	Grade	Metal	Mineral	Grade	Metal	
		KT	% U	MTU	KT	% U	MTU	KT	% U	MTU	MTU
Canada	Cigar Lake	0	0	0	61	41.62	2,539	61	41.62	2,539	942
Canada	McArthur	75	72.22	5,415	40	70.66	2,831	115	71.68	8,246	2,490
Canada	McClellan	48	22.26	1,063	0	0	0	48	22.26	1,063	744
Canada	McClellan	192	21.39	4,115	91	10.52	957	283	17.9	5,072	3,550
Canada	Midwest ⁽¹⁾	0	0	0	463	4.81	2,227 ⁽¹⁾	463	4.81	2,227 ⁽¹⁾	1,540 ⁽¹⁾
Canada	Millennium	0	0	0	446	32.34	14,424	446	32.34	14,424	4,029
Namibia	Trekkopje Project	7 199	0.14	990	327,854	0.13	41,472	335,053	0.13	42,462	42,462
Niger	Cominak	0	0	0	391	3.37	1,316	391	3.37	1,316	611
Niger	Imouraren -TS	0	0	0	11,023	0.78	8,612	11,023	0.78	8,612	6,028
Niger	Somair	11 037	0.87	9,578	717	0.7	501	11,754	0.86	10,079	10,079
Total		18 551	1.14	21,161	341,086	0.22	74,879	359,637	0.27	96,040	72,476

Country	Site	Inferred			
		Mineral	Grade	Metal	Available ⁽¹⁾
		KT	% U	MTU	MTU
South Africa	Ryst Kuil Project	8,745	0.85	7,424	7,424
Canada	Cigar Lake	317	143.43	45,466	16,868
Canada	Kiggavik	5,673	2.74	15,554	15,398
Canada	McArthur	585	62.35	36,451	11,007
Canada	Midwest ⁽¹⁾	9	180.65	1,662 ⁽¹⁾	1,149 ⁽¹⁾
Canada	Millennium	217	17.19	3,731	1,042
Canada	Sissons Schultz	6,036	3.77	22,754	11,377
Canada	Sissons Schultz	10,535	1.26	13,298	6,649
Kazakhstan	Muyunkum Phase 2	7,045	0.51	3,589	1,830
Kazakhstan	Tortkuduk Phase 2	12,314	0.89	10,921	5,570
Namibia	Trekkopje Project	28,968	0.11	3,099	3,099
Niger	Arlit Concession	12,845	1.59	20,403	20,403
Niger	Cominak	7,838	2.56	20,102	9,327
Niger	Imouraren - TD	6,925	0.98	6,798	4,759
Niger	Imouraren -TS	7,295	0.46	3,329	2,330
Niger	Somair	3,226	2.98	9,627	9,627
Central African Republic	Bakouma	5,740	1.72	9,896	9,896
Total		124,313	1.88	234,105	137,756

(1) Subject to confirmation of the reclassification of resources and reserves by an ongoing audit.

(*) Share of resources and production likely to be sold / distributed to AREVA by the mining joint venture.

Note: The terms "measured", "indicated" and "inferred" relate to the level of reliability in estimates of mineral resources in terms of quantity, grade, density, form and physical characteristics (see Glossary).

Source: AREVA.

OTHER MINERAL RESOURCES IN THE GROUND

in metric tons of uranium (MTU) (estimates as of end-2007)

Country	Site	Measured			Indicated			Measured + Indicated			Available ⁽¹⁾
		Mineral	Grade	Metal	Mineral	Grade	Metal	Mineral	Grade	Metal	
		KT	% U	MTU	KT	% U	MTU	KT	% U	MTU	MTU
Australia	Koongarra	0	0	0	188	5.33	1,000	188	5.33	1,000	1,000
Australia	Koongarra	624	10.55	6,585	0	0	0	624	10.55	6,585	6,585
Canada	Dawn Lake	0	0	0	347	14.35	4,977	347	14.35	4,977	1,149
Canada	McClellan	313	4.24	1,326	0	0	0	313	4.24	1,326	928
Canada	McClellan	227	6.8	1,544	0	0	0	227	6.8	1,544	1,081
United States	Malco Texas	0	0	0	808	0.84	677	808	0.84	677	481
United States	Malco Wyoming	1,773	0.88	1,557	6,400	0.93	5,949	8,173	0.92	7,506	5,329
United States	Pathfinder	0	0	0	1,498	2.44	3,653	1,498	2.44	3,653	3,653
France	AREVA NC France	143	1.2	172	6,249	1.81	11,279	6,392	1.79	11,451	11,451
Kazakhstan	Muyunkum Phase 2	0	0	0	10,578	0.77	8,179	10,578	0.77	8,179	4,171
Niger	Cominak	1,763	3.53	6,223	1,354	2.84	3,843	3,117	3.23	10,066	4,671
Niger	Somair	11,201	0.75	8,378	334	2.68	895	11,535	0.8	9,273	9,273
Total		16,044	1.61	25,785	27,755	1.46	40,452	43,799	1.51	66,237	49,771

Country	Site	Inferred			
		Mineral	Grade	Metal	Available ⁽¹⁾
		KT	% U	MTU	MTU
United States	Pathfinder	2,818	1.1	3,100	3,100
France	AREVA NC France	287	0.48	139	139
Kazakhstan	Muyunkum Phase 2	4,180	0.64	2,684	1,369
Total		7,285	0.81	5,923	4,608

(1) Subject to confirmation of the reclassification of resources and reserves by an ongoing audit.

(*) Share available to AREVA: Share of resources and production likely to be sold / distributed to AREVA by the mining joint venture. For resources, the share available to AREVA corresponds to uranium in the ground, i.e. excluding processing losses during mining and milling recovery, which are not known at this time.

Note: The terms "measured", "indicated" and "inferred" relate to the level of reliability in estimates of mineral resources in terms of quantity, grade, density, form and physical characteristics (see Glossary).

Source: AREVA.

Gold

La Mancha, a subsidiary of AREVA, is a diversified international gold producer that operates two gold mines in Africa and is actively developing two projects in Australia.

As of December 31, 2007, the gold mining projects were as follows:

Country	Site	Operator	AREVA share	
			Share in JV (%)	Available ^(*) (%)
Australia	Mungari East	LMRA	33.97%	33.97%
Australia	Mungari West	LMRA	63.38%	63.38%
Côte d'Ivoire	Fetekro	Cominor	41.20%	41.20%
Côte d'Ivoire	SMI	Cominor	29.09%	29.09%
Sudan	AMC	Cominor	25.35%	25.35%

(*) Share available to AREVA: Share of resources and production likely to be sold / distributed to AREVA by the mining joint venture.

2007 PRODUCTION

in kilograms of gold (kgAu)

	Total	Share in JV	Available ^(*)
Total	4,000	1,063	1,063

2007 RESERVES

in kilograms of gold (kgAu)

	Proven			Probable			Total Reserves			Available ^(*) kgAu
	Mineral KT	Grade g/MT	Metal kgAu	Mineral KT	Grade g/MT	Metal kgAu	Mineral KT	Grade g/MT	Metal kgAu	
Total	5,118	5.20	26,613	3,944	5.05	19,916	9,063	5.13	46,529	12,223

2007 RESOURCES

in kilograms of gold (kgAu)

	Measured			Indicated			Measured + Indicated			Available ^(*) kgAu
	Mineral KT	Grade g/MT	Metal kgAu	Mineral KT	Grade g/MT	Metal kgAu	Mineral KT	Grade g/MT	Metal kgAu	
Total	3,680	2.32	8,538	2,701	2.82	7,608	6,381	2.53	16,145	8,824

	Inferred			Available ^(*) kgAu
	Mineral KT	Grade g/MT	Metal kgAu	
Total	6,528	2.88	18,788	8,162

(*) Share available to AREVA: Share of resources and production likely to be sold / distributed to AREVA by the mining joint venture.

Source: La Mancha Resources Inc.

OTHER RESOURCES

in kilograms of gold (kgAu)

	Measured			Indicated			Measured + Indicated			Available ^(*) kgAu
	Mineral KT	Grade g/MT	Metal kgAu	Mineral KT	Grade g/MT	Metal kgAu	Mineral KT	Grade g/MT	Metal kgAu	
Total	714	5.15	3,677	1,552	5.01	7,780	2,266	5.06	11,457	3,182

	Inferred			
	Mineral KT	Grade g/MT	Metal kgAu	Available ^(*) kgAu
Total	2,523	4.00	10,102	3,086

(*) Share available to AREVA: Share of resources and production likely to be sold / distributed to AREVA by the mining joint venture.
Source: La Mancha Resources Inc.

For more information, visit www.lamancharesources.com

4.4.1.6. Relations with customers and suppliers

Customers

The portfolio of contracts indicates a clear trend toward longer term contracts to ensure security of supply to utilities for their power plant operations.

With tighter supplies creating upward pressures on prices, the trend initiated in 2004 towards new contract pricing formulas was confirmed in 2007. Prices include a combination of a base price indexed to inflation and price indicators reflecting uranium market conditions at the time of delivery.

It is likely that spot prices will become an essential component of pricing conditions as the imbalance between supply and demand continues in the short term. In addition, considering the economic model inherent in the development of uranium deposits (see section 4.4.1.2.), pricing terms generally include a floor price to ensure that the producer can operate future projects profitably.

Suppliers

Except for the special supply contract for uranium obtained by diluting highly enriched uranium (HEU) from the dismantling of Russia weapons, the uranium offered to customers by the Mining business unit comes from the mineral resources of companies with which it is involved or is bought on the market by its trading subsidiary Urangesellschaft (UG).

It should be noted that current increases in commodity prices for chemical reagents, energy, mechanical parts, etc., have an impact on the business unit's production costs.

4.4.1.7. Research and development

Mineral exploration

Unlike most uranium mining companies, AREVA continued its mineral exploration program during 20 years of market collapse. Approximately 3% of the business unit's sales revenue is allocated to this program. With this strategy, AREVA was able to preserve the know-how of its geology department, collect and analyze up-to-date scientific data, and prepare new projects in anticipation of a market turnaround. With a growing budget of around 53 million euros in 2007, AREVA will deploy an ambitious exploration program over the next few years and plans to triple its expenses in the medium term.

NEAR-TERM OUTLOOK

The first action items are to accelerate development efforts near active mine sites and to prepare new exploration campaigns in uranium-rich provinces familiar to the group.

In Niger, analysis of the results collected during the 2004 aerial geophysics campaign led to applications for targeted permits whose approval was delayed due to changes in the mining law. The group received permits in 2006 for Agebout and Afouday, including the Imouraren deposit. AREVA started significant development work to improve the characterization of the Imouraren ore body and determine mining feasibility.

In Saskatchewan Province, Canada, encouraging results continued to come in from Shea Creek. In Australia, exploration continues in the Olympic Dam area and on sedimentary subjects.

MEDIUM AND LONG TERM OUTLOOK

Teams of geologists, mining engineers, chemists and economists are working on emerging projects as well as on older prospects, particularly in Africa, North America and Central Asia.

Research

The Mining business unit also performs research and studies to develop its techniques for mine operation and estimating, ore processing in a mill, and in situ recovery.

4.4.1.8. Operations and highlights

AREVA is implementing a stimulus plan to double production in 2012.

This plan focuses first and foremost on increasing production, particularly at new projects (Katco, Trekkopje, Imouraren, Midwest), controlling production costs, and searching for new deposits through exploration and external growth.

The group sold 13,436 MT of uranium in 2007, including trading activities, compared with 14,716 MT in 2006.

Production

Despite a significant drop, Canadian production remained AREVA's main source of supply by volume in 2007, representing 45% of the group's total uranium deliveries. Cameco announced a new delay at the Cigar Lake mine, expected to enter production in 2011 at the earliest. Production remained stable in Niger, which represents 40% of the group's total uranium deliveries; the Akola and Akouta deposits are operated by Cominak and the Tamou deposit is operated by Somaïr.

A capital spending plan was set up in Niger in 2007 to plan for and rapidly increase production capacity at existing facilities. In addition, the group received three new permits, including one for the Imouraren deposit. The technical and financial feasibility study for this ore body was submitted to the Nigerien government. The operating permit should be granted in 2008 after a review of the environmental impact study and operations are expected to begin in 2012.

Total production in Kazakhstan reached 871 MT of uranium in 2007. Construction of the second plant was completed this year in the Tortkuduk area.

Acquisition of Uramin

AREVA's successful public offer on Uramin was a highlight of the year. The group owns 100% of the company since August 20, 2007. The Mining business unit has added three new projects as a result of this acquisition: Trekkopje in Namibia, Ryst Kuil in South Africa and Bakouma in the Central African Republic, helping to secure production by diversifying our presence in Africa. The integration and development of these three projects is in progress.

AREVA also acquired the Mongolian subsidiary of East Asia Minerals Corporation, a Canadian firm that holds nine exploration permits in the southwest and central regions of Mongolia. Four of these permits concern the Sainshand basin, where Cogegobi holds the Dulaan Uul permits. Cogegobi is 70% owned by AREVA, with the Mongolian geologic drilling company Gobigeo holding the remaining 30%.

This acquisition marks a significant increase in the business unit's exploration operations in Mongolia.

Equity interests

AREVA increased its presence in Australia with the acquisition of a 10.5% equity interest in Summit.

The group also increased its stake in Northern Uranium, a junior exploration company in Australia, to 18.5%.

In addition, AREVA acquired 3.4% of Berkeley, with options to increase its equity interest to 14.1% by March 2010, thus gaining access to exploration permits in Spain.

Commercial negotiations

Negotiations with Niger that ended on August 1 led to a revaluation of the average price for 2007.

In November 2007, AREVA concluded an agreement with CGNPC of China for the sale of 35% of Uramin's production.

4.4.1.9. Outlook and development goals

The Mining business unit had a significant backlog at the end of 2007. As announced in 2005, one of AREVA's major goals is to diversify its portfolio of customers.

The increase in uranium prices will have a relatively small impact on the business unit's sales revenue and income through 2008, and a much greater impact starting in 2009. During the 2007-2008 period, for example, only one third of the amounts to be delivered is indexed to market prices.

Against the backdrop of the nuclear revival and rising demand, uranium is once again a strategic resource. AREVA is therefore leveraging all of its assets to bolster its position as a leading supplier. Its revitalization plan aims to bring new projects on line quickly, expand its partnerships and acquisitions, and discover new ore bodies by investing in exploration.

In Canada in particular, the business unit's specialists are studying the feasibility of the Midwest, Kiggavik-Sissons and Shea Creek projects. In Niger, fast-track development of the Imouraren project is under way. In other African countries, the Trekkopje, Ryst Kuil and Bakouma projects were launched following the Uramin acquisition.

At the same time, the group is investing in human resources, with more than 250 geologists on staff as of the end of 2007, the creation of AREVA Mining College, and the hiring of more than 1,000 people in 2007.

Having gathered together the necessary technical, human and financial resources to increase its production and marketing capabilities, AREVA intends to strengthen its position on the uranium market even further.

4.4.2. Chemistry business unit

4.4.2.1. Key data

(in millions of euros, IFRS)	2007	2006
Sales revenue	229	246
Workforce at year end	1,630 employees	1,601 employees

4.4.2.2. Businesses

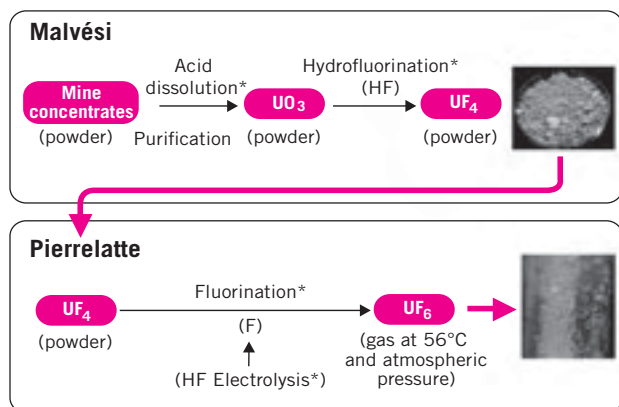
Conversion of natural uranium (U_3O_8) into uranium hexafluoride (UF_6)

The Chemistry business unit's primary activity is to convert natural uranium (U_3O_8) into uranium hexafluoride (UF_6). Uranium enrichment, the necessary next step in nuclear fuel fabrication, requires uranium feed material in the chemical form of UF_6 , regardless of the enrichment technology used.

Uranium concentrates shipped from the mine for conversion are usually owned by an electric utility. Conversion is a two-stage process. In the first stage, the uranium is converted into uranium tetrafluoride (UF_4). This involves dissolving the mine concentrates with acid, then purifying, precipitating and calcining them to produce UO_3 powder. This product is then hydrofluorinated with hydrofluoric acid, converting it into UF_4 , a green, granular substance. These operations are carried out at the Comurhex Malvési plant in Narbonne, France.

In the second stage, the UF_4 is converted into uranium hexafluoride (UF_6) through fluorination. One of the chemical characteristics of UF_6 is that it becomes a gas when heated at relatively low temperature. The fluorine used in this process is produced through electrolysis of hydrofluoric acid. These operations are carried out in the Comurhex Pierrelatte plant in southern France.

The following diagram summarizes the process:



* Purely chemical operations (no change to the uranium's isotopic composition).

Stabilizing uranium hexafluoride through defluorination

The uranium enrichment process (see Enrichment business unit) generates depleted uranium hexafluoride that has a reduced proportion of the U-235 isotope. This depleted uranium is converted into stable, insoluble and non-corrosive uranium oxide that can be safely stored pending reuse. The AREVA NC Pierrelatte defluorination plant is the only facility in the world that converts depleted uranium hexafluoride into oxide on a production scale. The conversion of depleted uranium hexafluoride into an oxide generates an ultra-pure 70% hydrofluoric acid, a marketable by-product.

Recycling uranium from used fuel

After a residence time of three to four years, nuclear fuel is unloaded from the reactor still containing 96% uranium. The uranium is recovered through treatment operations performed at the AREVA NC La Hague plant (see Treatment business unit) and is shipped to the Chemistry business unit's Pierrelatte site in the form of uranyl nitrate, where it will be converted into a stable oxide through denitration or reconverted into uranium hexafluoride. Some European reactors, such as the Cruas nuclear power plant in France, are loaded with fuel made of recycled uranium from used fuel treatment.

Other fluorinated compounds

The business unit's conversion know-how, particularly in the field of uranium fluorination, has been used to develop non-nuclear applications as well.

For instance, Comurhex developed a line of fluorinated compounds which now represent 2% of the business unit's revenue.

- Tungsten hexafluoride is used in the microelectronics industry to manufacture cell phones, smart cards and global positioning systems (GPS).
- Fluorine-nitrogen products are used in the automotive industry to treat plastic materials and seal gas tanks.
- Chlorine trifluoride is used to clean Eurodif's gaseous diffusion enrichment barriers and, in its ultra-pure form, to fabricate microprocessors.

In the fluorine compounds sector, Air Liquide and Air Products are the two main customers. The AREVA group is the leading producer of fluorine in Europe and the second largest in the world.

Technology sales

AREVA NC earns a return from its internationally recognized expertise in depleted uranium defluorination by selling its technology to world class companies. AREVA's know-how enables customers

to store this reusable material safely and to produce hydrofluoric acid that can be marketed to the chemical industry.

4.4.2.3. Production and human resources

The Chemistry business unit operates at four main plant sites, all of which are located in France:

- The Comurhex Malvési plant produces UF_4 in five furnaces, which operate concurrently.
- The Comurhex Pierrelatte plant produces UF_6 in two flame reactors.
- The AREVA NC Pierrelatte plant defluorinates depleted uranium in four production lines.
- Three AREVA NC and Comurhex plants at Pierrelatte convert uranyl nitrate, through denitration, into oxide or hexafluoride.
- The AREVA NC Miramas plant recycles lithium.

The business unit has an annual production capacity of 14,500 metric tons (MT) of UF_6 conversion, 14,000 MT of defluorination, 2,800 MT of denitration and 80 MT for fluorinated compounds for industry.

The proximity of the Chemistry business unit's facilities to those of the Enrichment business unit represents real savings to our customers by reducing UF_6 transportation costs to the Eurodif plant and enhancing safety.

The business unit's personnel are certified for work involving potentially toxic chemicals and are familiar with the specific characteristics of uranium.

4.4.2.4. Market and competitive position

The annual demand for conversion services in 2007 was around 59,500 MT, including 20,000 MT in Western and Central Europe, 5,800 MT in Eastern and Southeastern Europe, 20,000 MT in North America, and 13,000 MT in Asia.

AREVA continues to be the world leader in uranium conversion services, with 13,700 MT of UF_6 produced in 2007, compared with 12,320 MT in 2006.

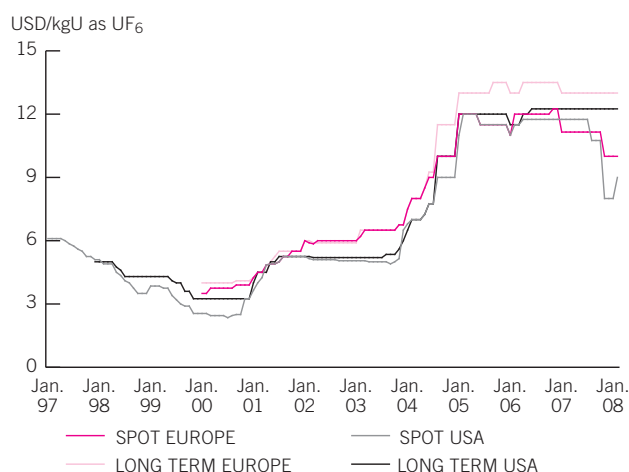
Its main competitors are Cameco in Canada, Converdyn in the United States and Rosatom in Russia. Cameco's and Converdyn's nominal conversion capacities are comparable, at 12,500 MT per year and 12,700 MT per year respectively. Russia has a large amount of underused capacity at the Rosatom plants due to technical and geographical limitations. The plants are mainly used to satisfy the needs of Russian reactors.

Prices for UF_6 conversion tumbled in 2000-2001, falling to 2.50 US dollars per kilogram of uranium contained in the UF_6 ,

mainly due to the arrival of UF_6 inventories on the market in the wake of USEC's privatization in the United States and to the use of HEU⁽¹⁾.

Prices rose in 2002-2003, as shown in the graph below, returning to the levels of the early 1990s, i.e. about 6 US dollars/kg. The representative price index for UF_6 conversion in Europe began rising in 2004, reaching almost 12 US dollars/kg in early 2005 under the cumulative effect of the absorption of UF_6 inventories available on the market, Converdyn's difficulties, reduced quantities of UF_6 stemming from the use of HEU, and BNFL's announced intention of withdrawing from the market. In 2005, prices stabilized at 12-13 US dollars/kg in the various geographic markets, despite BNFL's announcement that it plans to continue to operate its plant. In 2006, benchmark prices were stable in North America and Europe at around 12-13 US dollars/kg. Prices remained stable in 2007 based on long term indicators, but spot market indicators were down at the end of the year, to 8-10 US dollars/kg.

UF_6 conversion price indices in US dollars



Source: TradeTech.

4.4.2.5. Relations with customers and suppliers

Customers

As requested by nuclear utility customers, the average contract term of three to five years is being raised to as many as ten years for recently signed conversion contracts. In 2007, Comurhex serviced more than 20 utility customers and traders across the globe. Most of the Chemistry business unit's customers are located in Europe, Asia and the United States. Technology sales contracts are usually for five-year terms.

(1) HEU: Highly enriched uranium

Suppliers

The Chemistry business unit limits its exposure to interruptions of chemical reagent supplies needed for production operations by contracting with suppliers based in Europe as well as in the rest of the world.

4.4.2.6. Operations and highlights

In 2007, AREVA converted 13,700 MT of U_3O_8 into UF_6 , compared with 12,320 MT in 2006.

Several long-term contracts were signed in 2007 or are in the process of being finalized with utility customers in Japan, China, the United States and Europe. In addition to representing substantial future revenues, these contracts can run through as late as 2028 and are indicative of AREVA's diversified regional presence in the conversion market.

Denitration and defluorination operations were suspended temporarily at the Pierrelatte site. The facilities were shut down for approximately two months due to a malfunction in the refrigerated water circuit. Production for the year was 1,893 MT in denitration and 5,400 MT in defluorination.

In technology sales, the Chemistry business unit sold a plant with two lines for depleted UF_6 defluorination to Tenex for the latter's Zelenogorsk site in Siberia. The equipment was manufactured in France and delivered in two shipments of 80 containers and 4 wide-load transports in August and October 2007. Tenex completed the civil works and the equipment is in the process of being installed under the supervision of 10 specialists from AREVA's Chemistry and Engineering business units. Startup is slated for November 2008.

Russian engineers trained for several weeks at the Pierrelatte site at the beginning of 2007. A second training session is scheduled for 2008.

4.4.2.7. Outlook and development goals

The Chemistry business unit's strategic objective is to bolster its leadership position on the uranium conversion market. It will continue to benefit from the integration of AREVA group businesses and its physical proximity to Europe's enrichment plants.

To achieve this goal, AREVA has decided to invest 610 million euros at the Narbonne and Pierrelatte sites to replace uranium conversion production resources. This is known as the Comurhex II project. The new production baseline of 15,000 MT is scheduled to be operational in 2012. The capacity can be raised to 21,000 MT as the market requires.

In the reprocessed uranium field, a UF_6 fluorination plant project is under way. It will be a unique tool for reprocessed uranium (RepU) recycling in Europe.

R&D work undertaken in 2006 to strengthen operations and replace the Chemistry BU's facilities continued in 2007. The main objectives are:

- to use the best technologies in AREVA's future natural and reprocessed uranium (RepU) conversion facilities;
- to increase productivity in existing facilities; and
- to reduce environmental impacts.

The projects now in progress will provide the conversion capacity necessary to satisfy the market. All are consistent with AREVA's sustainable development approach.

The Chemistry business unit's goal is to reduce its environmental impacts and to improve facility safety continually. Among other things, steps are being taken at each site to strengthen the Environmental Management System, optimize waste disposal, and reduce the quantity of water taken from the environment.

4.4.3 Enrichment business unit

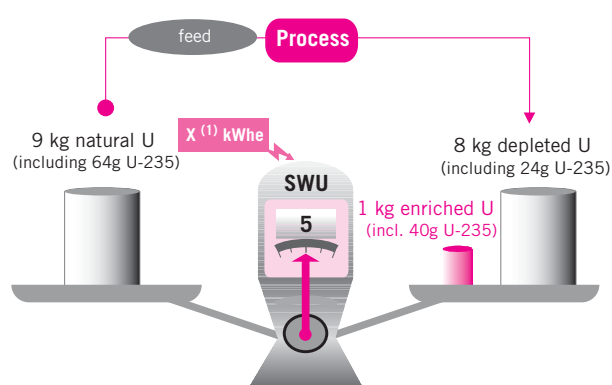
(in millions of euros, IFRS)	2007	2006
Sales revenue	1,059	844
Workforce at year end	2,095 employees	1,902 employees

4.4.3.2. Businesses

The Enrichment business unit alters the isotopic composition of natural uranium. This operation is performed on uranium hexafluoride (UF_6). The customer delivers natural UF_6 to the enrichment facility. UF_6 is a chemical compound of uranium and gaseous fluorine that contains the fissile isotope of uranium (U-235) needed to make nuclear fuel for light water reactors. Enrichment is the process by which the 0.7% content of U-235 in natural UF_6 is raised to 3 to 5% to achieve a level of fuel reactivity suitable for reactor requirements.

An enrichment plant's production is expressed in separative work units (SWU). This unit is proportionate to the quantity of uranium processed and is a measure of the work required to separate the fissile isotope. As shown in the figure below, it takes nine kilograms of UF_6 and five SWUs to produce one kilogram of enriched uranium (at a 4% enrichment level) and eight kilograms of depleted uranium (at 0.3%).

Enrichment process



(1) Varies depending on the process.
Source: AREVA.

Two enrichment processes are currently in use on an industrial scale worldwide: centrifugation and gaseous diffusion. Currently, the AREVA group uses the latter process.

However, the agreement signed with Urenco and its shareholders in 2003, finalized in July 2006, gives AREVA access to the use of the centrifugation technology. By implementing this technology, the future Georges Besse II plant will consume 50 times less electricity than the gaseous diffusion process (see section 4.4.3.6.). Another advantage of centrifuge technology is its modular construction, enabling gradual ramp-up and adjustment of production capacity to market demand. This technology is set to be used in the new Georges Besse II plant, whose construction is expected to span the period from 2006 to 2016.

The capital-intensive enrichment industry also has a strong political dimension. Historically, major nuclear nations have sought to control their own production capabilities to ensure energy self-sufficiency while limiting nuclear proliferation. This aspect is vital to an understanding of decisions by the key market players.

4.4.3.3. Manufacturing and human resources

The Enrichment business unit is based at the Tricastin nuclear site in France's Rhone valley.

The business unit uses the Georges Besse plant of its subsidiary Eurodif to perform enrichment services. AREVA NC holds a 59.7% stake in Eurodif, directly or indirectly, and the remaining 40.3% is held by foreign partners⁽¹⁾.

The Socatri plant, a wholly owned subsidiary of Eurodif at the same site, maintains equipment used by the Georges Besse plant and processes uranium-bearing liquid effluents.

The Georges Besse plant and Socatri have ISO 9001, ISO 14001 and OSHAS 18001 certification under an integrated management system since 2004 and 2006 respectively.

Since the finalization of the agreement on centrifugation in 2006, the Enrichment business unit's workforce includes 50% of the ETC⁽²⁾ workforce.

Excluding ETC, approximately 80% of all Enrichment business unit employees work at the Georges Besse plant.

(1) The other shareholders of Eurodif SA are Synatom of Belgium, Enea of Italy, Enusa of Spain, and Sofidif, a company owned by French and Iranian interests. AREVA NC has a 60% stake in Sofidif.

(2) Enrichment Technology Company.

The Georges Besse enrichment plant consists of an enrichment cascade with 1,400 diffusion stages divided into 70 groups. The plant has a maximum enrichment capacity of 10.8 million SWUs/year. Capacity utilization ranges from 40% to 100%, depending on the period of the year.

The gaseous diffusion process takes advantage of differences in the atomic weights of U-235 and U-238 to separate these two isotopes in UF_6 . The gas molecules are in perpetual motion and strike the walls of whatever encloses them. Since these molecules all have the same kinetic energy, the lighter ones – those of the U-235 isotope – are also the fastest and strike the wall of the enclosure more often statistically than the heavier molecules of the U-238 isotope.

If that wall is porous, the lighter molecule has a higher probability of crossing through this barrier than the heavier molecule.

The UF_6 is brought to the gaseous state and enriched in a series of stages in a cascade of diffusion barriers.

This isotopic separation is the enrichment service sold to electric utilities. The separative work unit (SWU) is an international unit of measure for enrichment services and sales, and is independent of the separation technology used.

In providing enrichment services to some 100 reactors operated by 30 utilities worldwide, the Enrichment business unit consumes as much electricity as the greater Paris area when operating at full capacity, or an average of 3 to 4% of France's entire generation of electricity. For some customers, SWU sales are made under a processing contract in which the customer provides the electricity necessary for its own enrichment requirements. These arrangements concern approximately half of the volumes processed. Consequently, the customer only pays for the enrichment service, and not the cost of the electricity.

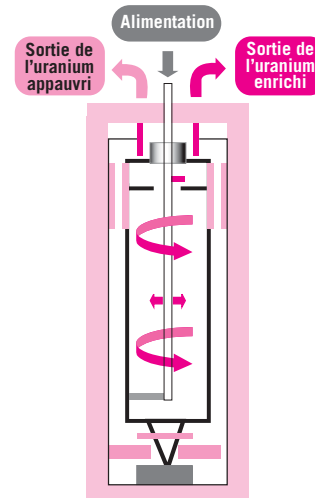
Starting in 2009, the Enrichment business unit will operate the Georges Besse II plant using centrifuge technology developed by ETC. The plant will be operated by Société d'Enrichissement du Tricastin, a wholly owned subsidiary of the AREVA group.

As in gaseous diffusion, the centrifuge enrichment process uses the difference in atomic weight between U-235 and U-238 to separate these two isotopes in UF_6 .

An elongated cylinder spins in a vacuum at very high speed inside a sealed housing. Uranium in the form of gaseous uranium hexafluoride (UF_6) is introduced, as in the gaseous diffusion process.

The centrifugal force of the machine throws the heaviest particles to the cylinder walls, effectively separating them from the lighter isotope. The gas enriched in the lighter isotope, located closer to the center of the bowl, flows towards the top of the machine, while the gas with the heavier isotope flows towards the bottom. The enriched and depleted products are recovered at either end of the machine.

Centrifuge enrichment concept



Source: AREVA.

4.4.3.4. Market and competitive position

Available worldwide enrichment capacity⁽¹⁾ is approximately 46 million SWU, including the equivalent of 5.5 million SWU from the dilution of HEU from Russia's defense program (see section 4.4. "Strategy and Outlook" of the Front End division), for which Usec of the United States is the sole importer. Available capacities are shown below.

Operator	Available capacity	Technology
Usec-production	5 million SWU/yr	Gaseous diffusion
Usec-Russian HEU	5.5 million SWU/yr	Dilution
AREVA / Eurodif (France)	10.8 million SWU/yr	Gaseous diffusion
Rosatom (Russia)	14 million SWU/yr	Centrifugation
Urenco (UK, Ger., NL)	9.1 million SWU/yr	Centrifugation
CNNC (China)	1.5 million SWU/yr	Centrifugation
Other (Japan, Brazil)	0.3 million SWU/yr	Centrifugation
Total	46.2 million SWU/yr	

Source: AREVA.

The AREVA group thus has close to 24% of the world's total available capacity, HEU included. World demand from reactors is equal to available supply, which is broken down as follows:

- Eastern Europe and Russia: 13%;
- Asia: 21%;
- Western Europe: 32%;
- North and South America: 34%.

(1) Taking into account agreements limiting Russian sales in the European Union and the United States.

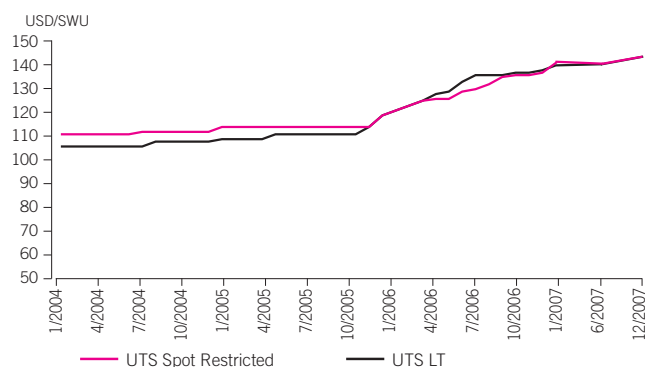
AREVA has the largest share of the Western European enrichment market, ahead of Urenco and Rosatom. In Eastern Europe, the demand is almost entirely met by Rosatom, for historical reasons.

In the United States, part of the demand is met with enriched uranium diluted from HEU recovered from dismantled Russian weapons and imported by Usec under an exclusive agreement, supplemented in part by Usec's domestic production. Both Urenco and AREVA operate in the US market, despite the advantage that Usec has due to its access to HEU.

However, Usec filed dumping and illegal subsidies claims against the European companies. The decisions handed down in 2007 were favorable to AREVA (see section 4.14.5.). Usec is also the largest supplier to Asia, mostly for historical reasons, ahead of Urenco and AREVA, with JNFL and CNNC supplying marginal quantities.

Excess capacity characterized the 1995-2000 period, mainly due to the use of HEU, which caused prices to fall. This was amplified by Usec's commercial strategy in the face of growing competition from the other enrichers at a time when the US dollar was very strong against the euro. Prices started to rise in 2001, primarily in the US market. In anticipation of an imbalance between supply and demand, the spot price rose from 80 US dollars per SWU in 2001 to 143 US dollars per SWU at the end of 2007, as shown in the figure below. However, the price rise in dollars is significantly offset by the fall in the dollar/euro exchange rate over the period.

SWU spot prices from 2004 to 2007 (in current US dollars)



Source: average SWU values published monthly by Nuexco / TradeTech.

Market growth is limited in volume but relatively secure, especially in Asia, where nuclear power programs are growing faster than in the other three other major regions of the world. The growth in this market is also due to the widespread increase in nuclear power plant load factors, burn-ups requiring higher enrichment assays, and new projects.

The general lowering of tails assays sought by utilities, driven by the rapid price increase for natural uranium, is another factor. The market is also regulated by geopolitical considerations. In Europe, the Euratom Supply Agency monitors the supply of uranium and enrichment services in accordance with the Corfu Declaration, which governs SWU imports into the European Union. In the United States, implementation of the HEU agreement allows imports into the US of materials from dismantled Russian weapons. Pursuant to the Suspension Agreement, Russia also agrees not to deliver any other enrichment service to the United States.

4.4.3.5. Relations with customers and suppliers

Customers

The market for enrichment services is a medium-term market, with contracts currently signed for an average term of five years. In addition to EDF, the Enrichment business unit has close to 30 utility customers divided among the United States, Europe and Asia, representing commitments from a hundred reactors worldwide.

Suppliers

As long as the gaseous diffusion process remains in service, electricity is the business unit's largest procurement. As in previous years, the Enrichment business unit constantly seeks to procure electricity on the market at a competitive cost.

4.4.3.6. Operations and highlights

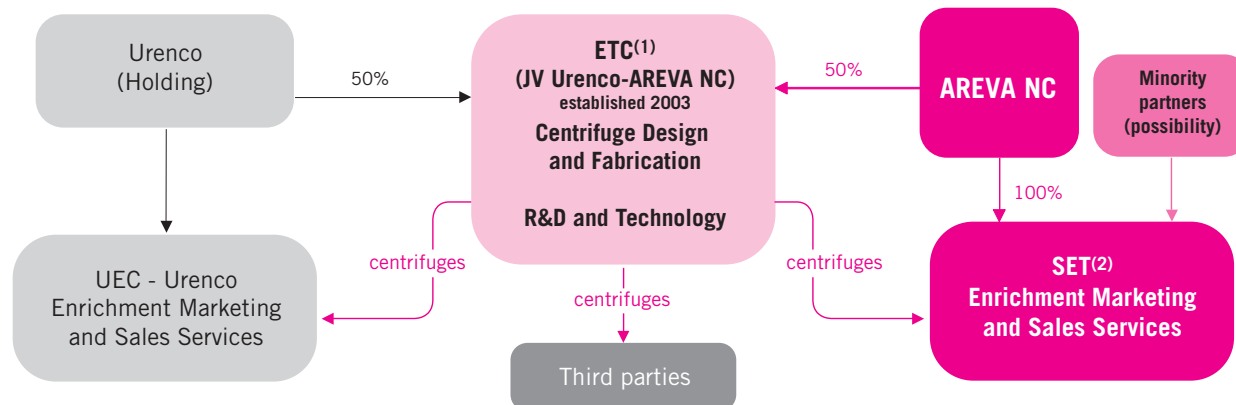
After finalizing the acquisition of 50% of ETC alongside Urenco in July 2006, AREVA continued the licensing process and the construction of the George Besse II plant, which began in mid-2006.

On April 29, 2007, the Decree authorizing the creation of the George Besse II licensed nuclear facility at Tricastin was published in the Journal Officiel. This step concluded the permitting process for the project.

Construction of the buildings for the first two centrifuge enrichment units continued in 2007 according to schedule. The first phase of civil works was completed in the summer. These buildings will receive the first centrifuge components for assembly in 2008. The first cascades will thus come on line in early 2009 and SWU production will be ramped up gradually until the plant reaches nominal capacity.

The legal structure resulting from the 2006 agreements is summarized in the organization chart on the next page.

ETC legal structure



(1) Enrichment Technology Company

(2) Société d'Enrichissement du Tricastin.

Source: AREVA.

Commercially, a large volume of enrichment services was sold in 2007, as was the case in previous years.

AREVA signed a number of very large contracts in Asia and Europe, contributing to a strong backlog. For example, AREVA signed a contract with CGNPC for the supply of enrichment services through 2026 in connection with the sale of two EPR nuclear islands to China.

As of the end of 2007, the average export backlog was equal to about 10 years of sales.

The Georges Besse plant achieved scheduled production levels and deliveries while demonstrating its ability to adjust to work load.

For more information regarding the customs dispute initiated by Usec against Eurodif in December 2000, please refer to "Disputes" in section 4.14.5. of this reference document.

4.4.3.7. Outlook and development goals

Demand is assured for the next 20 years, based on current nuclear power programs and the known service life of reactors. Growth is limited in volume but relatively steady. Growth in Asia should coincide with the nuclear revival in some countries, particularly the United States and China.

To meet growing demand for enrichment services in the United States, the Enrichment business unit is considering the construction of a centrifuge enrichment plant in that country. ETC would provide the technology.

Preliminary design studies and requests for quotations have begun and a license application should be submitted to the US Nuclear Regulatory Commission (NRC) in the near future. Some US utilities have already indicated interest in the project.

Similarly, in France, EDF indicated its interest in the supply of SWUs from the George Besse II plant now under construction.

The Enrichment business unit is well positioned to take advantage of these new sales prospects. Its backlog is increasing steadily and is well balanced among the three main markets of Europe, the United States and Asia.

For the coming years, the Enrichment business unit's main goal is to transition smoothly from the gaseous diffusion process to the centrifuge enrichment process. The total capital cost of the Georges Besse II project is about 3 billion euros⁽¹⁾ for the 2006-2016 period.

(1) In constant 2001 euros.

4.4.4. Fuel business unit

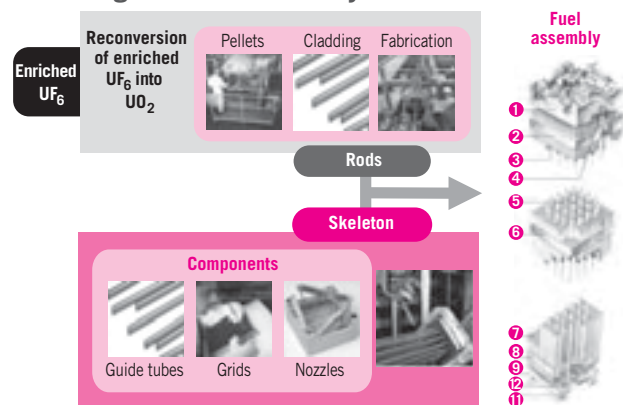
4.4.4.1. Key data

<i>(in millions of euros, IFRS)</i>	2007	2006
Sales revenue	1,124	1,248
Workforce at year end	5,083 employees	5,245 employees

4.4.4.2. Businesses

The Fuel business unit designs, fabricates and sells nuclear fuel assemblies for pressurized water reactor (PWR) and boiling water reactor (BWR) power plants and for research reactors. The fissile material remains the property of the customer. In addition to conventional enriched uranium oxide fuel (UO_2), the business unit supplies MOX fuel and enriched reprocessed uranium fuel (ERU – see Glossary) using fissile materials recycled from used fuel. The Fuel business unit sells part of the group's MOX fuel. The Back End division's Recycling business unit fabricates the MOX fuel (see section 4.6.1.) and may also sell MOX fuel rods directly to other fuel designers/vendors.

Main stages in fuel assembly fabrication



Source : AREVA.

Reactor safety is a function of several requirements:

- containment of all radioactive materials, as defined by nuclear safety standards, under both normal and accidental conditions;
- control of the chain reaction; and
- cooling of the reactor core.

Fuel assemblies contribute to reactor safety by sealing fissile materials and radioactive fission products inside zirconium alloy cladding, which forms the primary containment barrier.

Once unloaded from the reactor, the fuel assembly must continue to provide fissile material and fission product containment. Fuel design must also allow for residual heat dissipation and fuel handling, even after having been stored for relatively long periods of time. In addition, the fuel design must allow for treatment when the closed fuel cycle has been chosen.

Used fuel is replaced every 12 to 24 months with partial core reloads representing 20% to 50% of the total number of assemblies in the reactor, depending on core management techniques and fuel assembly performance.

The number of assemblies replaced simultaneously constitutes a reload.

The Fuel business unit has expertise in every aspect of the fuel design and fabrication process, from the production of zirconium and its alloys to fabrication of the final fuel assembly. Nuclear fuel is by no means an ordinary or easily substituted product. A large number of advanced scientific and technical skills are needed to achieve flawless design and fabrication quality, an absolute requirement. The Fuel business unit has expertise in three key areas:

- Fuel design: This brings into play neutronic, thermo-hydraulic and mechanical strength codes and a database built on lessons learned from many years of reactor operations. Fuel designs are referenced in the reactor license application, making the fuel designer one of the utility's most important partners during discussions with the nuclear safety authorities.
- Zirconium and zirconium alloy production: This draws on expertise in chemical and metallurgical processes and technologies.
- Fuel assembly fabrication: This requires knowledge of chemistry, powder metallurgy, various assembly techniques – including advanced welding, mechanical systems and machining – and numerous non-destructive examination methods and physical/chemical analyses.

The Fuel business unit also manufactures and markets finished and semi-finished zirconium products. Several of the business unit's competitors – fuel designers and/or fabricators – are also its customers.

4.4.4.3. Manufacturing capabilities

The Fuel business unit is organized into three business lines:

- the Design and Sales business line, based in Germany, France and the United States;
- the Zirconium business line, encompassing the full range of manufacturing processes, from zircon ore to finished product, which operates five plants in France and one in Germany, with each plant specializing in one aspect of zirconium metallurgy or forming; and

4.4. Front End division

- the Fuel Fabrication business line, organized into eight plant sites, three in the United States and five in Europe, which mainly supply European utilities.

The Fuel business unit includes two other entities:

- Cerca has plants in France and is mainly active in the fabrication and sale of fuel elements for research reactors, a market in which it is the world leader. It also fabricates and sells radioactive sources for medical and laboratory applications.
- Federal Operations, located in the United States, provides nuclear engineering services to the US Department of Energy (DOE) as well as to other federal government programs.

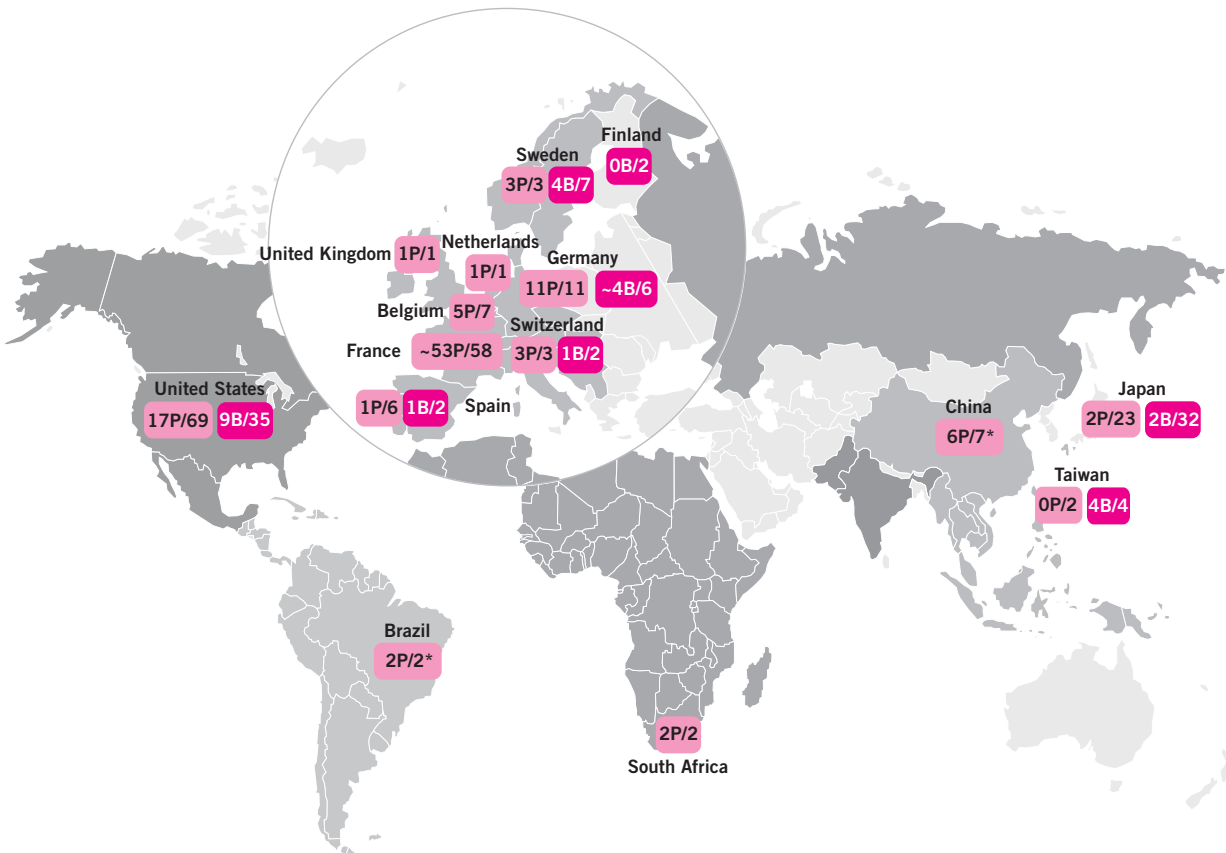
4.4.4.4. Market and competitive position

The Fuel business unit's principle business is the fuel assembly market for BWRs and PWRs – excluding the Russia-designed VVERs – and for research reactors. AREVA's share of this market is stable at about 40%.

In 2007, the worldwide market, excluding the former Soviet Union, remained stable at about 6,000 MTHM (uranium or plutonium) contained in the assemblies. The United States accounts for 38% of world demand, Europe 36% and Asia 26%.

The fuel industry has reorganized several times over the past few years, leaving three leading groups to satisfy 80% of global fuel demand: AREVA, Westinghouse and GNF. Over the years, the AREVA group has supplied a total of more than 182,000 fuel assemblies to its customers, two-thirds of them PWR and one-third BWR. Today, 134 of the world's 307 operating PWRs and BWRs (as of the end of December 2007, excluding VVERs) routinely use AREVA fuel, as shown in the figure below.

World map of reactors loaded with AREVA fuel



* Local fabricator that uses AREVA NP technology.

Note 1: P = pressurized water reactor (PWR); B = boiling water reactor (BWR). (-/-) = Number of reactors supplied with fuel by AREVA / total number of reactors in service.

Note 2: In addition to the PWR and BWR reactors in operation worldwide shown on this map, there are also PWRs and BWRs that do not use AREVA fuel, located in Mexico (2 BWR), Slovenia (1 PWR), South Korea (16 PWR), India (2 BWR) and Pakistan (1 PWR).

Sources: IAEA, WNA (October 2007).

Of the 134 reactors supplied with fuel by AREVA:

- two-thirds are reactors designed by AREVA, demonstrating the synergies between the Fuel business unit and the Reactors and Services division, which account for 92% of AREVA's installed base; and
- the other third represents 21% of AREVA's competitors' installed base.

As the following charts show, the AREVA group continues to be the European leader and the key challenger in the United States. This stability is explained to a large extent by the fact that 2007 deliveries were made under the same multi-year contracts that governed 2006 deliveries.

Market share of fuel suppliers in 2007

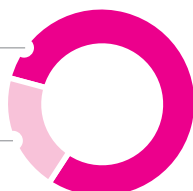
EUROPE

Total European market: 2,085 MT/year

PWR market in Europe = 1,760 MT/year

80% - AREVA

20% - Westinghouse + Enusa

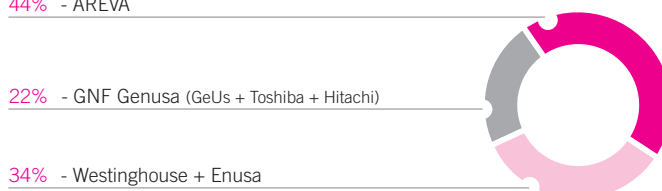


BWR market in Europe = 325 MT/year

44% - AREVA

22% - GNF Genusa (GeUs + Toshiba + Hitachi)

34% - Westinghouse + Enusa



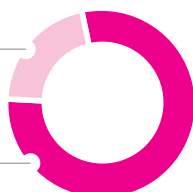
UNITED STATES

Total United States market: 2,210 MT/year

PWR market in United States = 1,430 MT/year

21% - AREVA

79% - Westinghouse + Enusa



BWR market in United States = 780 MT/year

29% - AREVA

9% - Westinghouse + Enusa

62% - GNF Genusa (GeUs + Toshiba + Hitachi)



ASIA

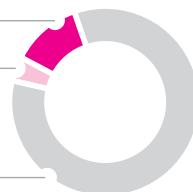
Total Asian market: 1,465 MT/year

PWR market in Asia = 845 MT/year

12% - AREVA

4% - Westinghouse + Enusa

84% - Autres

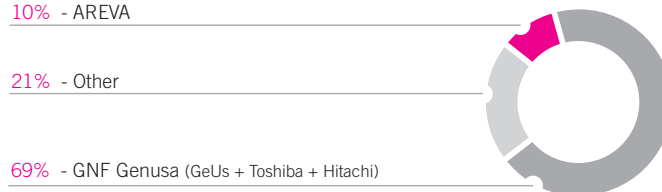


BWR market in Asia = 620 MT/year

10% - AREVA

21% - Other

69% - GNF Genusa (GeUs + Toshiba + Hitachi)



Source: Nuclear Assurance Corporation (Fuel Trac, 10/2007 edition); average values for 2007 +/- 1 year.

The existing requirements of operating reactors still determine demand, which will remain generally flat in terms of volume, since the number of reactors connected to the grid worldwide is expected to remain relatively stable until 2012. A noticeable increase in fuel demand will occur when a sufficient number of new power plants have been connected to the grid, considering that older reactors will be retired in the meantime.

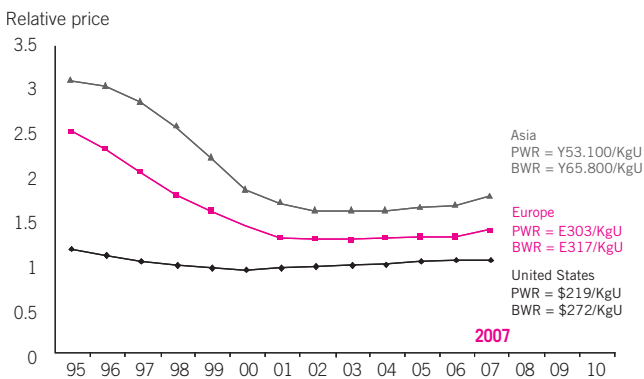
Under these circumstances, excess fuel fabrication capacity will continue to be high worldwide.

BNFL's sale of its subsidiary Westinghouse to Toshiba signals a new phase of reorganization among suppliers. The first fallout has already been felt: Mitsubishi terminated its cooperative agreement with Westinghouse, while Hitachi signed an agreement with General Electric and Mitsubishi and AREVA signed a memorandum of understanding. These tremors can be seen as precursors of a general reorganization of the market, particularly in Asia.

Utilities are also reorganizing, with a proliferation of inter-utility equity investments.

All these elements are contributing to price harmonization in the main regions of Asia, Europe and North America.

Fuel fabrication prices



Source: CKA.

4.4.4.5. Relations with customers and suppliers

Customers

AREVA operates mainly under multi-year contracts covering one or more reactors for the same utility. These contracts usually include services such as transportation and handling, technical support for fuel loading and unloading operations, fuel inspection during scheduled outages, or even underwater repair of damaged fuel rods or assemblies at the utility's reactor site. Given their importance for customer operations, the contracts normally include penalty

clauses, generally capped at the amount of the fuel supplier's services. Warranties are provided for:

- fuel integrity under normal operating conditions and up to the contractual burn-up (see Glossary);
- satisfactory reactor operations at nominal power;
- compatibility with fuel assemblies already in the reactor, recognizing that the reactor core is refueled in fractions; and
- transportability and the ability to be stored safely after irradiation.

Suppliers

Fuel fabrication entails chemical and physical conditioning of enriched uranium, followed by its "encapsulation" in a metal structure. The Fuel business unit's utility customers own the enriched UF₆ delivered by the enrichment plant.

Generally speaking, rising energy prices and pressures on demand from China's economy have increased prices for all commodities.

The zirconium needed to fabricate most of the Fuel business unit's products is affected by pressures in the zircon market. Zircon is the basic commodity from which metallic zirconium is extracted at the Jarrie plant. After increasing by 14% in 2006, zircon prices stabilized with the dollar's decline. The price of another base product, carbon black, continued to rise, with a 16% hike in 2006 followed by 9% increase in 2007. After stabilizing in 2006, electricity prices under the EDF/AREVA contract began climbing again in 2007. Security of magnesium supply, in terms of volume and price, has been secured under long-term contracts since 2007.

Subcontracted fabrication services primarily relate to spacer grid stamping, a key structural component of the fuel assembly. This service is secured via partnership agreements with Métalis, Novus and ETM, the main providers of these services.

4.4.4.6. Operations and highlights

Commercially, several significant orders were recorded in 2007:

- a contract to supply UO₂ fuel reloads to EDF over the 2008-2012 period, valued at about 1.4 billion euros, and the extension to 2008 of a contract to supply MOX fuel assemblies to EDF;
- a contract valued at about 150 million euros to supply fuel reloads to Electrabel for five of the seven Belgian reactors during the 2008-2015 period;
- a 350 million euro contract signed with China Guangdong Nuclear Power Corp. (CGNPC) to supply the first cores and 17 reloads for the first two EPRs sold to China, accompanied by a fuel technology transfer agreement;
- a 105 million euro contract signed with Goesgen in Switzerland to supply reloads made with enriched reprocessed uranium (ERU) through 2017;
- Cerca's growing share of the research reactor fuel market as a result of the ongoing program to modify reactors so they can use fuel that is less than 20% enriched in U-235 (TRIGA reactors in

the United States) and new contracts for Japanese clients, the OPAL reactor in Australia and the CEA's Jules Horowitz reactor in Cadarache, France.

In the Zirconium business line, production was down as a result of the prolonged shut-down of the UGINE plant in the second half of 2007.

In fuel product development and licensing, the success recorded in 2006 was followed by a new one in 2007 to operate twenty 900 MWe EDF reactors with MOX under the "MOX Parity" program. The French nuclear safety authority granted a license to use new fuel management procedures (Alcade) for an 18-month cycle at EDF's four N4 reactors.

In manufacturing, the Fuel business unit continued to optimize its manufacturing capabilities in 2007:

- The 100 million euro renovation program to be carried out at the Romans plant in France during the 2005-2008 period, begun in 2004, is on schedule and within budget. In 2007, this program includes production startup of new strategic equipment, i.e. two 600 MT conversion furnaces and two 700 MT pellet sintering furnaces. The renovation will meet the most stringent nuclear safety, industrial safety and radiation protection standards.
- The Zirconium business line's Jarrie and UGINE plants in France invested heavily to replace facilities and increase production capacity.
- To increase product reliability, the resistance welding process for fuel rod plugs used in Lingen, Germany, was successfully introduced at the Dessel plant. The process is now undergoing certification at the Romans plant.

Organizationally, the Fuel business unit continued to develop its cross-cutting, business line-oriented organization. Following the example of the Zirconium and Design and Sales business lines, the Fuel Fabrication business line is now matrixed over the three regions of France, Germany and the United States.

The goal of the new organization, bolstered by increased capacity, is to ensure flexibility and security of supply to provide the best possible response to customer requirements.

4.4.4.7. Outlook and development goals

The business unit's objective is to boost its international market share by expanding its market positions in the United States and Asia, chiefly China and Japan, while maintaining its strong European base and preserving its operating margin at all times.

To achieve this objective, the business unit is implementing a series of targeted actions:

- In products, the Fuel business unit is continuing to simplify its portfolio of existing products and to reduce the number of manufacturing processes. Development programs, including Gaia (PWR) and Delta (BWR), will be pursued to satisfy already identified long-term requirements. The purpose of these programs is to define the fuel assemblies destined to replace existing designs by the years 2010-2015.
- On the manufacturing side, the business unit is continuing to optimize its production plants to gain the flexibility needed to respond to a wide spectrum of customer requirements while improving productivity.

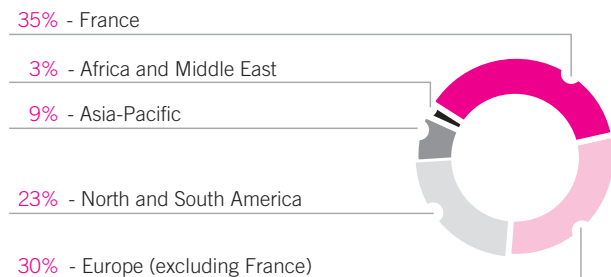
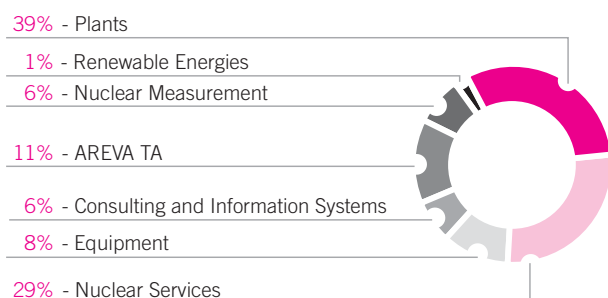
These actions are combined under the umbrella of the Zero Tolerance for Failure initiative (ZTF) launched by the business unit in 2003. That initiative is helping to meet customers' increasing expectations for impeccable product and service quality.

4.5. | Reactors and Services division

Key data

<i>(in millions of euros)</i>	2007	2006
Sales revenue	2,717	2,312
Operating income	(178)	(420)
Workforce at year end	16,500 employees	14,936 employees

2007 sales revenue by business unit and region



Overview

The Reactors and Services division contributed 23% to AREVA group sales revenue. The division designs and builds the two leading types of reactors currently in use around the world – pressurized water reactors (PWR) and boiling water reactors (BWR) – as well as naval propulsion and research/test reactors. It also offers products and services for upgrades, inspection, servicing and day-to-day operations of all types of nuclear power plants, as well as for nuclear propulsion and nuclear measurement.

The division is organized into seven business units:

- Plants business unit: design, construction and engineering of nuclear power plants;
- Equipment business unit: design and fabrication of nuclear power plant components;
- Nuclear Services business unit: maintenance, inspection and servicing of nuclear power plants;

- AREVA TA business unit: design and fabrication of naval propulsion reactors and complex systems with a high level of safety;
- Nuclear Measurement business unit: design and fabrication of nuclear measurement instrumentation;
- Consulting and Information Systems business unit: consulting, systems integration and MIS outsourcing;
- Renewable Energies business unit.

In terms of installed capacity, AREVA supplied the majority of the world's pressurized water reactors (PWR), representing close to two-thirds of all power reactors in the world, in competition with groups such as Westinghouse-Toshiba and Atomprom of Russia. Its reactors are located in key regions of the globe: North and South America, South Africa, China, South Korea and Western Europe.

The group also has solid experience in boiling water reactors (BWRs), for which General Electric is the world leader. There is a more limited market for BWRs than for PWRs; BWR units are in service in Japan, the United States, Germany and Northern Europe.

The new Renewable Energies business unit gives concrete expression to AREVA's strategy of expanding its offer for CO₂-free technologies. In the wind power business, AREVA acquired 51% of German company Multibrid in September 2007. Multibrid designs and builds high output offshore wind turbines (up to 5 MWe).

Strategy and outlook

The market for new power plant construction is picking up around the globe ever since AREVA sold a Generation III reactor (EPR) in Finland in 2003. The EPR's initial marketing phase has already yielded several orders and there is reason to believe that this trend will continue to grow and accelerate.

The contract in Finland, EDF's order for one EPR for the Flamanville site in France, and an order for China's first two EPR nuclear islands constitute a solid foundation for the competitiveness of this advanced Generation III reactor, which will benefit from standardization, duplication and economies of scale.

The constructor's control of the supply chain for critical components (large forgings, steam generator tubing, etc.) is a key factor in the development of new power plant programs. AREVA has scheduled the necessary investments to offer the guarantees demanded by customers in this respect.

The contract signed in late November 2007 between AREVA and the Chinese utility CGNPC to build two nuclear islands for the EPR and supply all of the materials and services needed for their operation for 15 years shows that the market wants integrated offers and that utilities are interested in the solutions AREVA has to offer.

Against this promising background, the Reactors and Services division's primary objective is to confirm its world leadership in nuclear power by capturing one third of the accessible market for new power plant construction and by promoting the nuclear option as an alternative to fossil fuels throughout the world. Accompanying this objective is a determination to expand into renewable energies, a natural partner to nuclear power for fighting CO₂ emissions, and a field in which a significant position is targeted by 2012.

In Europe, the group traditionally has very strong positions in France and Germany, which constitute a base for its recurring business. It has also developed business with major operators in other countries. In particular, AREVA plans to take part in the construction of new power plants in the United Kingdom.

The company's other shareholder, Prokon Nord, builds offshore wind projects and biomass power plants. This acquisition complements AREVA's equity interest in REpower (29.9%). AREVA is the main supplier of wind power transmission and distribution solutions to Suzlon, REpower's majority shareholder. The group's current activities in renewable energies include biomass cogeneration systems and research and development in the area of Proton Exchange Membrane fuel cells (PME) marketed by Helion.

The United States, which has the world's largest installed generating capacity, is also a growth engine for the Reactors and Services division. The group is number one in the services sector in that country and has conquered considerable market share in heavy equipment replacement at operating power plants as well as instrumentation and control system modernization and service life extension. UniStar Nuclear, the joint company created with Constellation Energy in 2005 to promote the American version of the EPR in partnership with Bechtel, was bolstered in 2007 by the partnership agreement between Constellation and EDF to develop EPR power plants.

In Asia, China is the leading accessible market, pending the possible opening of the Indian nuclear market. The group has been active in China for 20 years, building four of the ten nuclear plant units in operation in that country as of the end of 2006. Pursuant to the contract won at the end of 2007, AREVA will build first two nuclear islands for the EPR in Guangdong Province.

The Reactors and Services division has designed a strategy to achieve its objectives along the following lines:

- Successfully complete construction of the first EPRs and mine lessons learned from them to optimize future projects.
- Strengthen the offering in medium power reactors in the 1,000-1,250 MWe range by developing Atmea, a pressurized water reactor that complements the EPR, in partnership with Mitsubishi Heavy Industries, and by finalizing the design of the boiling water reactor with passive nuclear safety.
- Organize and strengthen nuclear engineering resources at the regional level to meet an expected sharp increase in demand in the coming years. A major worldwide recruitment effort has been under way since 2004-2005, and the group plans to continue its policy of selective acquisitions and alliances in the engineering field.
- Ensure the security of the supply chain for reactor construction by making the necessary investments (e.g. the 2006 acquisition of Sfarsteel, which specializes in large scale forgings, and investment in production capacities) and by entering into necessary

4.5. Reactors and Services division

partnerships, following the example set by the agreement with BWXT in the United States.

- Continue to develop expertise in the reactor services field and offer innovative integrated services, particularly in outage management.
- Pave the way for the reactors of the future by participating in international research and development programs pertaining to

Generation IV fast neutron reactors and high-temperature reactors (see section 4.13.), for which the group has a strong base of expertise from past efforts in France and Germany.

- Become a recognized player with a significant role in non-greenhouse gas generating renewable energies.

4.5.1. Plants business unit

4.5.1.1. Key data

(in millions of euros)	2007	2006
Sales revenue	1,053	741
Workforce at year end	5,167 employees	4,163 employees

4.5.1.2. Introduction and definitions

A “nuclear power station” (or nuclear power plant) is defined as an industrial plant that generates electrical or thermal energy from one or more nuclear reactors. A “nuclear reactor” is a system that produces heat from the energy released by the fission of uranium and plutonium atoms during a controlled chain reaction. A “nuclear steam supply system” is the combination of equipment used to produce pressurized water vapor from fission energy. A “nuclear island” is the system encompassing the nuclear steam supply system and the fuel-related facilities, as well as the equipment required for the system’s operation and safety. A “conventional island” consists of the alternating current turbogenerator coupled to it, along with the equipment required for their operation.

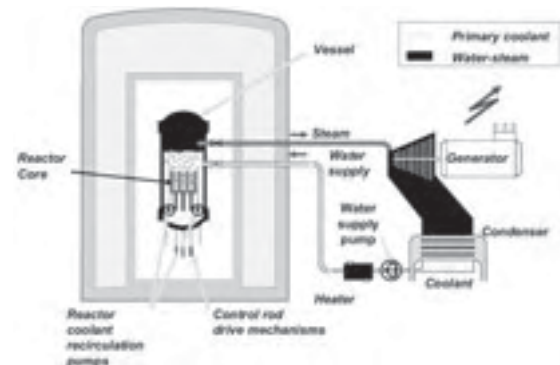
A nuclear power station consists of a nuclear island, a conventional island and miscellaneous equipment.

In nuclear power stations, the turbogenerator unit is driven by the steam produced by energy released through fission of the material in the fuel constituting the reactor core.

Light water reactors (in which water is used as both the coolant and the moderator) now count for more than three quarters of the nuclear power reactors in service worldwide. There are two major types of “light” water reactors, as opposed to the heavy water used in other reactor types: boiling water reactors (BWR) and pressurized water reactors (PWR).

In BWRs (see figure), water vaporizes in the vessel containing the core, comprising the fuel assemblies. The heat from the core is released into the water flowing through it. The resulting steam drives the turbine, then cools and returns to the condenser in liquid form before recirculation in the reactor vessel. Thus, in a BWR, the water is in a closed cycle, in which the steam expands directly into the turbine.

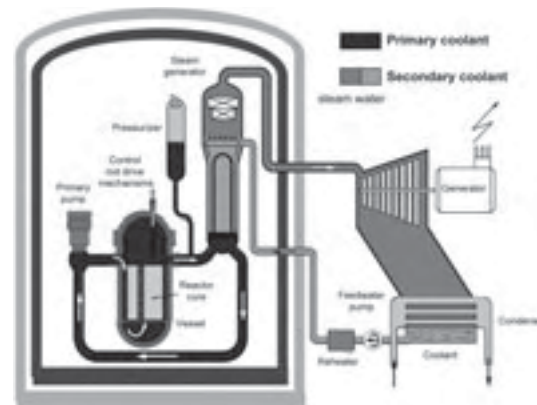
Boiling Water Reactor (BWR) operating concept



Source: AREVA.

In a PWR (see figure), an intermediate cooling system – the secondary cooling system – is placed between the water in the primary cooling system, heated by the reactor core, and the turbine. The heat generated in the reactor’s primary coolant system is released to the secondary coolant system via heat exchangers called steam generators. The water from the secondary cooling system is vaporized in the secondary part of the steam generators, and the resulting steam drives the turbine. The “energy production” function is thus separate from the “steam generation” function.

Pressurized Water Reactor (PWR) operating concept

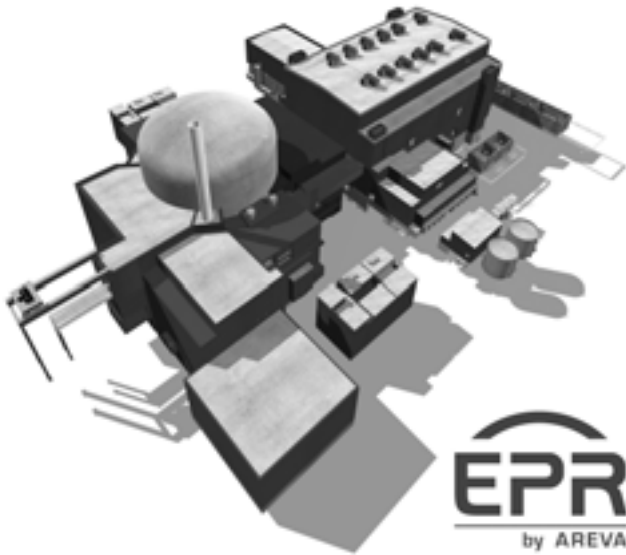


Source: AREVA.

The group is involved in both of these reactor technologies, which represent the majority of reactors in service worldwide.

4.5. Reactors and Services division

The group offers two Generation III+ reactors



AREVA's line of reactors includes the EPR and Atmea, which are PWRs, and a BWR. All are Generation III+ reactors which bring major advances in terms of competitiveness and safety while reducing environmental impacts and simplifying operations. All AREVA reactors are based on existing, proven technologies incorporating innovative systems. These models have a very high level of safety thanks to significant technology advances that help prevent and reduce the risk of an incident and provide greater protection for the neighboring population. They are also designed to withstand the crash of a commercial airplane. They have an estimated service life of 60 years, as opposed to an initial service life of 40 years for other reactor systems. Measures were taken from the beginning of the design phase to respond to environmental concerns while achieving better fuel utilization and waste volume reduction, for example by optimizing fuel burn-up. In reducing long-lived radioactive waste production by 15%, the design provides even better responses to environmental concerns. The EPR is the most powerful PWR marketed by AREVA. It uses either 5%-enriched uranium oxide fuel or MOX fuel (see Glossary). Its net electrical output is in the range of 1,600+ MWe.

The Atmea joint venture, officially formed in November 2007 by Mitsubishi Heavy Industries, Ltd. (MHI) and AREVA NP in equal shares, is working on the design of Atmea, which will have approximately 1,100+ MWe of power. Atmea has begun to develop and promote the Atmea 1 reactor worldwide. The reactor will meet the demand for mid-range nuclear reactors. It features advanced safety and security systems, high thermal yields, and a flexible 12 to 24 month operating cycle. Atmea will be ready for the market in 2010/2011.

AREVA is developing its latest boiling water reactor. Positioned in the medium-capacity market, its electrical output is 1,250+ MWe. This reactor incorporates primarily passive safety systems while keeping a certain number of active systems, ensuring a high level of safety and substantial operating flexibility.

4.5.1.3. Businesses

The Plants business unit is involved in every aspect of nuclear steam supply system and nuclear island construction, from design through connection to the grid. Its operations cover three main segments:

- a) Nuclear island construction
 - design, construction and start-up of nuclear islands,
 - design and fabrication of electrical systems and advanced instrumentation and control systems for new reactors;
- b) Recurring operations to support operating reactors:
 - engineering services to support heavy component replacement, enhance performance, extend service life, and other renovations and improvements to power plants and their operations,
 - upgrades to and renovation of instrumentation and control systems,
 - services for fast neutron reactors, including their dismantling,
 - a variety of services for research reactors;
- c) Research and development activities (see section 4.5.1.7.).

4.5.1.4. Manufacturing and human resources

The Plants business unit's primary assets are engineering resources in:

- France (35% of the workforce);
- Germany (43% of the workforce);
- the United States (22% of the workforce); and
- personnel on temporary assignment with customers worldwide.

The Plants business unit also has its own advanced technology development and testing capabilities, with facilities at its technical centers in Karlstein and Erlangen, Germany, and in Creusot and Chalon, France.

To prepare for growth in the new reactor construction segment, a plan to strengthen the business unit's human resources was set in motion in 2003, resulting in the hiring of several hundred employees per year, the majority of them engineers, with a good balance between young graduates and experienced personnel, mainly in France, Germany and the United States. The plan significantly lowered the age pyramid while stepping up subcontracting and mobility within the group.

4.5.1.5. Market and competitive position

The market for recurring business includes the signatory countries of the complete Treaty on the Non-Proliferation of Nuclear Weapons. The Plants business unit is a frontrunner in this market for business relating to the design of nuclear steam supply systems, for which it is an original equipment manufacturer (OEM). This

business is growing in the instrumentation and control systems and electrical systems segment.

For new construction, AREVA is the first nuclear reactor constructor in the western world to have received new reactor orders since 1999. Its competitors are Westinghouse, which was sold by BNFL to the Japanese firm Toshiba in 2006, General Electric in the United States, FAE in Russia, and AECL in Canada.

Reactor construction is a market that is destined to grow considerably. It is estimated that 400 to 800 GWe of total generating capacity will be needed by 2030 through new power plant start-ups and life extension of existing reactors (see section 4.2.2.3.).

4.5.1.6. Relations with customers and suppliers

The business unit's customers are nuclear utilities all over the world, both for new construction business, where contract values are high, and for non-recurring business covering a very wide range of services.

The Equipment business unit is the in-house supplier of strategic long-lead heavy components for nuclear power plants, including the reactor vessel, steam generators, reactor coolant pumps and pressurizer. Auxiliary equipment (piping, valves, tanks and heat exchangers) is purchased from traditional suppliers that the group has certified for quality assurance.

4.5.1.7. Research and development

Within the framework of the group's overall research and development programs, R&D spending represented closed to 15% of all committed costs in 2007. Whether conducted in-house or in partnership with research organizations, research and development efforts focused on:

- all of the key technologies for pressurized and boiling water reactors and for the design of or changes to new reactor systems, and technology development for the new generation of reactors;
- development and validation of modeling tools and related engineering methods concerning the process, safety, equipment and systems (neutronics, thermohydraulics, materials, mechanics, chemistry, circuits and instrumentation and control);
- development of products and engineering services to support the existing reactor fleet (performance improvement, life extension, etc.).

Pursuant to an agreement signed by AREVA and Mitsubishi on October 19, 2006 for joint development of a 1100 MWe PWR nuclear island, the conceptual design phase was successfully completed in 2007 and basic design work began in October 2007. At the same time, the companies' joint subsidiary, Atmea, was established.

Also in 2007, an important milestone was reached for EPR certification in the United States with the submittal of the certi-

fication application to the US Nuclear Regulatory Commission on December 11.

The business unit continued to plan for the future through its work on two types of Generation IV reactors:

- Sodium-cooled fast neutron reactors, a long-standing area of expertise for the company: The search for innovations in this field was kicked off in 2006, in support of recent governmental decisions in favor of fast neutron reactors. The objective of this phase, conducted in partnership with the CEA and EDF, is to be able, by the end of 2012, to finalize the major design bases of a future generation of fast neutron reactors for which a demonstrator may be available in 2025.
- High temperature reactors: R&D work on a commercial high temperature reactor for mixed power / heat generation continued.

4.5.1.8. Operations and highlights

Reactor construction projects

FRANCE

As a logical extension of a previously initiated process – public energy debate in 2003, framework energy policy legislation of July 13, 2005, public debate from October 2006 to February 2006 on the appropriateness of the EPR project at Flamanville –, EDF decided in May 2006 to build the first in a series of EPRs at its Flamanville site (the FA3 project) and applied for a construction permit (*autorisation de création*) from the government. At the same time, EDF awarded major procurement contracts, including contracts to AREVA for forgings of large primary components and, following a competitive procurement, for the operating instrumentation and control system.

The license decree was granted in April 2007. AREVA and EDF sealed an agreement on the main contract for the construction of the nuclear steam supply system, which was signed in April 2007. This agreement marks AREVA's 100th reactor order. EDF launched preparatory work in the summer of 2006 and began construction, with the first concrete poured according to schedule on December 3, 2007. The start of construction of the nuclear island is a major milestone in the Flamanville EPR project.

FINLAND

In December 2003, TVO awarded a contract to the AREVA/Siemens team for the turnkey supply of an EPR power plant at Oikiluoto (the OL3 project). This is the first advanced Generation III+ power plant under construction in the world. Start-up is currently slated for 2011.

While there are still challenges to be met for the project generally, the improvements initiated by TVO and the team to anticipate and contain schedule uncertainties are bound to pay off.

Construction moved forward steadily in 2007. The reactor containment building rose from 7 meters below grade to 23 meters above grade. The concrete floor supporting the turbine, part of Siemens'

4.5. Reactors and Services division

work package, was completed. The workforce at the site rose to 2,200 people, or more than half of the peak workforce expected in 2008 and 2009. Meanwhile, heavy component manufacturing was on track: the reactor vessel has been completed, the tubing for the first two steam generators has been fabricated, and the piping for the primary cooling system has been forged.

Drawing on the lessons learned in 2007 and on the involvement of major suppliers for construction packages and related components, civil works should be completed in 2009. The finishing touch will be put on the reactor building with the placement and concreting of the dome.

CHINA

On November 26, 2007, AREVA signed a record-breaking partnership agreement in the nuclear power field with Chinese utility China Guangdong Nuclear Power Corporation (CGNPC). The agreement, valued at 8 billion euros, with 1 billion to be spent locally, involves a series of contracts under which AREVA and CGNPC will build two EPR nuclear islands and supply all of the materials and services needed for their operation for 15 years. A joint engineering company will also be established. The partnership demonstrates the timeliness of the AREVA group's business model and its integrated offering for the entire nuclear cycle. Both EPRs will be built in Taishan, Guangdong Province.

UNITED STATES

The US nuclear landscape continues to evolve favorably and the business unit continued to focus on certifying and promoting the EPR, as well as on preparing for the first construction projects, following the path taken in 2005.

On December 11, 2007, AREVA submitted its application for certification of the US EPR to the US Nuclear Regulatory Commission, ahead of the initial schedule. This marks a decisive step towards startup of the first EPR in the United States in 2015.

An application for a combined construction permit and operating license (COL) for a first US EPR is being developed with utility Constellation Energy for its Calvert Cliffs site.

Preparations have begun on another application with Constellation Energy for its Nine Mile Point site. Two more applications were also launched with two other US utilities.

Discussions continued with Constellation Generation Group, UniStar Nuclear Development Company (its wholly owned subsidiary) and architect-engineer Bechtel in preparation for the first US EPR construction projects. They focused on the industrial organization and supplier selection for the turbine-generator, for which a request for proposals was organized. AREVA entered into an agreement with BWX Technologies, Inc. (BWXT), a subsidiary of McDermott International, Inc., aimed ultimately at restarting US manufacturing of heavy equipment for US nuclear power plants. The agreement focuses on the manufacturing of equipment for the future fleet of US EPRs and of replacement equipment for existing power plants. In addition, the first large, long-lead forgings were ordered for Calvert Cliffs.

UNITED KINGDOM

In August 2007, as part of the start of the certification process, AREVA and EDF jointly launched the pre-certification of the EPR in the United Kingdom with the submittal of the reactor concept to the British safety authorities. The application was accompanied by letters of interest from the 10 British utilities: British Energy, Centrica, E.On, Endesa, Iberdrola, RWE, Scottish and Southern Energy, Suez, Union Fenosa and Vattenfall, which see in the EPR a reactor suited to the new demand for nuclear power plants in the United Kingdom. In parallel, the UK government launched a public consultation. AREVA's strategy is to secure EPR certification at an early date and to propose it to any customer seeking to meet the United Kingdom's requirements for carbon-free power generation.

BULGARIA

Following the agreement reached in late 2006 between customer NEK and AtomStroyExport of Russia (ASE) to complete two Russian-designed VVER 1000 units in Belene, the business unit, teamed with Siemens, will act as ASE's designated subcontractor to supply various plant systems, especially the instrumentation and control, electrical and ventilation systems.

OTHER PROSPECTS

The EPR is one of two reactor systems on South Africa's short list. A call for tender was issued for an initial pair of reactors as part of a multi-phase program to build up to 20,000 MW, or the equivalent of 12 EPRs.

Recurring business

Though the relative share of recurring business still represented almost two thirds of the business unit's sales revenue in 2005 and 2006, this figure is gradually falling and is expected to be about half in 2007, owing to a foreseeable increase in reactor construction activities.

This business nevertheless remains strong in absolute value in a market that continues to be supported by utility investments to maintain or improve the performance of production plants. Recurring business includes a broad range of services for numerous customers, mainly in AREVA's three national markets of France, Germany and the United States, but also for many customers elsewhere, particularly in Sweden, South Africa and China.

Instrumentation and control system overhauls, mainly consisting of replacing obsolete analogue technologies with digital technologies, represents a significant percentage of these renovation operations. The business unit has several multi-year projects under way, including Dukovany in the Czech Republic, Loviisa in Finland, Ringhals 1 in Sweden, Philippsburg 2 in Germany, Qinshan 1 in China, and Oconee in the US.

Other recurring business includes several hundred contracts in varying amounts, exemplified by the following examples.

FRANCE

The large number of EDF power plants require updates to a variety of technical documentation, such as the “Regulatory Reference Documents for 900 MW and 1,300 MW units”. Similarly, for the third 10-year inspections of the 900 MW units, EDF is making a series of significant modifications in which the business unit is taking part (e.g. replacement of back-up injection system valves).

The business unit will also be very involved in the construction of the Jules Horowitz reactor for the CEA, working with AREVA TA.

In addition, Superphenix dismantling operations are continuing at a steady pace and will ensure that the skills needed for restart of development work on the sodium-cooled fast neutron reactor will be maintained and expanded.

GERMANY

The “grand coalition” is maintaining the political consensus on the phase-out of nuclear power, thus discouraging utilities from launching major programs. Some of them, however, appear to be determined to continue investing to ensure their long-term production capabilities. That includes RWE, which awarded a contract to the Plants business unit for studies on upgrades to the Biblis A power plant, and EnBW, which is preparing a significant safety optimization program to justify keeping Neckarwestheim 1 in service (Eviva).

SWEDEN

Electric utilities E.On and Vattenfall decided to allocate considerable investment to renovations for:

- Unit 2 of the Oskarshamn power plant (BWR): the PLEX project to revamp the instrumentation and control / electrical systems and for power uprating, for which a contract was awarded to the business unit at the end of 2006;

- Unit 4 of the Ringhals power plant (BWR): the FREJ project to replace three steam generators and the pressurizer, and to increase capacity. The business unit is in charge of developing backup documentation as part of the overall contract awarded to AREVA.

UNITED STATES

Progress Energy of Florida received a permit to increase power at the Crystal River 3 plant; the business unit is in charge of documentation justifying the increase as part of the overall contract won by AREVA.

SOUTH AFRICA

Eskom is considering power uprating and steam generator replacement for Koeberg 1 and 2.

4.5.1.9. Outlook and development goals

The outlook is still good for recurring business, given the utilities’ determination to optimize reactor reliability and availability, extend service life, and enhance performance. The business unit’s objective is to secure recurring business by adjusting its offer to new customer requirements, improving its work tools and methods, and harvesting product synergies among its operations in France, Germany and the United States.

With regard to reactor construction projects, the group’s objective is to build one third of new nuclear generating capacities on the accessible market. This means taking advantage of the opportunities offered by the accelerating nuclear power programs of China and South Africa, US utility initiatives, and the decisions taking shape in several countries to restart nuclear programs

4.5.2. Equipment business unit

4.5.2.1. Key data

(in millions of euros)	2007	2006
Contribution to consolidated sales revenue	215	251
Workforce at year end	2,089 employees	1,924 employees

4.5.2.2. Businesses

The Equipment business unit's primary activity is the manufacturing of mechanical components for the nuclear island.

- It designs and manufactures heavy components for the nuclear island, including reactor vessels, steam generators and pressurizers.
- It designs and manufactures moving components for the nuclear island, such as reactor coolant pump sets and control rod drive mechanisms that regulate the reaction in the reactor core. Having worked for several decades on optimizing these components for EDF, the business unit now has recognized expertise in this field, particularly in control rod drive mechanisms.
- It manufactures large forgings used in the manufacture of heavy components for the nuclear island as well as for the petrochemical industry.

4.5.2.3. Manufacturing and human resources

The Saint-Marcel plant near Chalon sur Saone, France, is dedicated exclusively to the manufacturing of heavy nuclear equipment for the nuclear steam supply system (NSSS). The main building covers a surface area of 39,000 m² and has a lifting capacity of 1,000 metric tons. With an average workforce of 768 people in 2007, the plant is capable of manufacturing the equivalent of 1.6 nuclear islands per year, not including moving equipment. Since opening in 1975, the plant has manufactured all of the heavy components for the 900 MWe to 1450 MWe units in the French nuclear program and had delivered more than 518 heavy components – reactor vessels, vessel heads, steam generators and pressurizers – to customers around the world as of the end of 2007⁽¹⁾. The capacity upgrades plan continued in 2007 with the hiring of 98 new employees and implementation of a plan for a 50% reduction in the total component transit time by the end of 2009.

(1) Plus 41 in fabrication.

(2) JSPM: Jeumont Solutions for Pumps and Mechanisms.

(3) Held 50/50 by JSPM and Dong Fang Electrical Machineries (DFEM).

The JSPM plant⁽²⁾ in northern France manufactures nuclear and non-nuclear equipment. Built in 1896, the plant employed 471 people in 2007. It has lifting capacity of 70 metric tons and a total workshop surface area of 31,000 m². The current size of the plant is such that capacity can be added without major difficulty. The plant specializes in the manufacture of moving mechanical components for the nuclear island and replacement parts for this equipment, including cooling pumps for the reactor coolant system and control rod drive mechanisms. It also provides related services.

Another subsidiary, Somanu, has a facility in Maubeuge to decontaminate nuclear power plant equipment prior to repair; it had an average workforce of 40 people in 2007.

The AREVA Dong Fang joint venture⁽³⁾ formed with the DFEM group in 2005, based near Chengdu, China, is currently building an assembly facility for JSPM-designed reactor coolant pump sets, enabling the Chinese market to be more easily served. Started up on July 30, 2007, the 3,800 m² facility has a lifting capacity of 75 metric tons and employed 20 people in 2007.

The Sfarsteel group, comprised of four companies located in or near Le Creusot, France, employed 405 people at year-end 2007. With these resources, the Equipment business unit increased its production capacity for large forgings needed to make heavy components for the nuclear island. Production facilities include a forge and two presses (including an 11,000 MT press) as well as substantial machining capabilities with high capacity machines. These resources also include mechanized welding and machining facilities for mechanical sub-assemblies.

4.5.2.4. Market and competitive position

The Equipment business unit's accessible market consists of all pressurized water reactors. Expansion to the boiling water reactor market in the longer term is also a possibility. The nuclear equipment market consists of two segments: the component replacement market and the new power plant market. The latter is growing rapidly, reflecting the restart of new power plant construction around the globe. The trend started a few years ago and accelerated in 2007 when AREVA signed a contract to build new power plants in China. Elsewhere in the world, South Africa issued a major call for tenders and reactor vendors submitted applications for certification of new reactors in the United States.

These developments coincide with more exacting demands from customers, stiffer competition, and price pressures accentuated by the dollar's weakness. The business unit must also cope with strong pressures on the commodities market, especially for steel and nickel.

Heavy components

Supply slightly exceeds demand in this market, where the competition, consisting of five companies, is global: Doosan and Mitsubishi Heavy Industries in Asia, Ensa and Camozzi (formerly Ansaldo) in Europe, and Babcock & Wilcox in North America. Unlike AREVA, which has an integrated offering, these competitors partner with Westinghouse or General Electric for engineering and project management. Other potential competitors, particularly in China, are not yet active on international markets. In addition, the trend for the past two years has been towards market restructuring, with Toshiba's buyout of Westinghouse, the alliance between GE and Hitachi, and the MHI partnership with AREVA in the reactor field.

The Equipment business unit occupies a dominant position in France, although EDF has completely opened up the large market for replacement steam generator fabrication to the competition. Prices have risen considerably due to higher commodity costs, especially for forgings and tubing, but margins have not followed suit and remain low for heavy components. Despite the challenging situation, the business unit's market share should stay at around 80%.

Price pressures continue overseas, where the competition is not waning. It will be challenging to maintain the leadership position the business unit has acquired over the past five years in the US, where its average market share is 30%, without locating part of its production there. It is worth noting that the US market is different from the European market in terms of the wide range of US utility requirements. Appropriate responses are required, incorporating not only the supply of heavy components for a variety of reactor systems, including those of Westinghouse, Babcock & Wilcox and Combustion Engineering, but also their integration and installation in the existing plant, sometimes with capacity increases⁽¹⁾. In this environment, the synergies between the operations of the Equipment business unit's three plants and the US-based engineering and services teams are helping to bring global services solutions to the utilities and are a key discriminator in terms of the competition.

The other key export business corresponds to the particularly dynamic Chinese market, especially for new power plant construction. Even more than in the United States, a strong local presence is crucial to penetrating this market. Here, the business unit concluded several subcontracting agreements with Chinese companies.

Opportunities are available elsewhere in the world as well, particularly in Northern Europe, Brazil and South Africa.

(1) In the case of component supply for the replacement market.

Moving components

New power plant construction is also driving up the market for moving components. The JSPM plants' main competitor in this market is Westinghouse, followed by MHI, mainly for reactor coolant pump sets. Curtis Wright is the main competitor for these systems in North America. To be responsive to local manufacturing criteria in the large Chinese market, the business unit formed a joint venture with the electro-mechanical construction group DFEM to manufacture and market JSPM-designed reactor coolant pump sets.

Forgings

The market for large forgings is extremely attractive in light of weak supply compared with the current strong demand. The principal competitor in this market is JSW of Japan, whose impressive production capacities enable it to make very large forgings. This ability together with its know-how makes JSW a key player in the manufacture of large forgings of heavy components for the nuclear island.

The replacement market should begin to sag around 2010 in both France and the United States. This trend should be largely offset by the restart of new power plant construction programs (see section 4.5.1., Plants business unit).

4.5.2.5. Operations and highlights

From a marketing perspective, orders on the new power plant market are received by the Plants business unit (see section 4.5.1.), which subcontracts primary component manufacturing to the Equipment business unit.

AREVA had significant breakthroughs on this market in 2007, including a contract with CGNPC of China for the construction of two EPR nuclear islands. CNPEC also signed a letter of intent with the AREVA Dongfang joint venture to supply 18 reactor coolant pump sets designed by JSPM. This large order represents several years of production for the newly formed joint venture. In the United States, after a first order in 2006, the business unit received a second order for critical forgings for an EPR power plant, confirming real progress on this market. The forgings will be manufactured in part at the Creusot forge and will be delivered to the client by the Equipment business unit. Other important offers being negotiated via the Plants business unit include four EPRs for the US market and two more units for South Africa.

Demand remained reasonably strong on the replacement market. EDF issued a large call for tenders for phase 2 of its steam generator replacement program for 900 MWe reactors.

In addition, a contract was signed with French shipbuilder DCNS for the supply of forgings for the Barracuda nuclear submarine program and two contracts were awarded to manufacture 84 forged collars for the petrochemicals sector for Nuovo Pignone (General Electric group) and Larsen & Toubro.

4.5. Reactors and Services division

On the production side, the Saint-Marcel plant is forging ahead with a plan to reduce the time required to produce components, from the order to final delivery to the customer. This ambitious plan encompasses every function of the plant. The objective is to cut production time in half by the end of 2009. At the same time, the plant is increasingly called upon by major new power plant construction projects such as Olkiluoto 3 in Finland, Ling Ao II in China and, more recently, Flamanville 3 in France. Manufacturing of the Flamanville reactor vessel and steam generators has begun. Numerous replacement components were delivered in the first half of 2007, including two steam generators and a vessel head for the St. Lucie power plant in the United States, four steam generators for Salem 2 in the United States, a vessel head for the Koeberg plant in South Africa, and three steam generators for EDF's Chinon nuclear plant in France. The first forgings for Flamanville 3 were received in the workshop. In addition, two vessel heads for the Diablo Canyon nuclear plant are being manufactured by BWXT in the United States. This particular order is performed in the framework of the partnership established in 2006 with BWXT, a McDermott subsidiary. Under the agreement, BWXT will manufacture certain heavy components in the United States.

At JSPM, manufacturing of the reactor coolant pump sets and control rod drive mechanisms for Olkiluoto 3 is well under way. In addition, a significant Capex program was launched in 2007 to modernize the plants with new machinery while improving work flows by reorganizing the pump set manufacturing shop and the start of production of the drive mechanism shop. In Maubeuge, France, the test loop built by Somanu has reached the startup phase. With this tool, JSPM will be able to offer reactor pump testing services in actual operating conditions by 2009/2010.

In forgings, the plan to increase capacity at Creusot Forge continues with the startup of several pieces of machinery needed at the tail end of the thermal treatment and machining process for forgings. This plan, covering the period 2006-2009, will eventually generate a 90% increase in the number of forging sequences. Representatives of the customer certified the first forgings of the primary coolant system for the Olkiluoto 3 project. This certification confirms the new manufacturing process implemented in 2006 after the first forgings were rejected.

4.5.2.6. Relations with customers and suppliers

Customers

On the new power plant market, the Equipment business unit acts as a subcontractor to the Plants business unit, which deals directly with the final customer. However, the Equipment business unit deals directly with the customer on the replacement market.

EDF is the Equipment business unit's largest customer. The business unit's exports go largely to Chinese conglomerates, US utilities and the Finnish utility TVO for the construction of the Olkiluoto 3 nuclear island. The increasingly competitive market environment is prompting customers to demand more attractive contracts, especially as regards warranties, delivery schedules

and compensation. The preference is for global service proposals covering the supply of replacement components, the replacement operations themselves (see section 4.5.3., Services business unit), and related engineering and certification. As the only entity in the market capable of offering all of these supplies and services, the AREVA group has a definite competitive advantage.

Suppliers

The Equipment business unit uses two main categories of suppliers: tube-makers for steam generator tubing, and steel companies for heavy components made of forged steel parts. There is only a handful of steam generator tubing manufacturers. Three of them serve the Western market: Sandvik in Sweden, Valinox in France, and Sumitomo in Japan. Their current capacities are sufficient to meet requirements in the short to mid term but will rapidly become insufficient in view of the number of new power plant construction projects. Considering the critical nature of these supplies, the Saint-Marcel plant has formed alliances with two of the steam generator tubing manufacturers by reserving capacity for long-term requirements.

There are also very few competing steel-makers capable of meeting the quality standards of the nuclear industry. Most of them are concentrated in Italy (Safas and Terni), the United States (Lehigh) and Asia (Doosan in South Korea and JSW in Japan). Of these companies, only JSW is positioned on the market for large forgings. China also has considerable capacity (especially CFHI), as will India soon, but companies there have not yet been qualified to meet nuclear industry requirements.

Limited capacity to meet rising demand from the petrochemical industry puts these suppliers on the critical manufacturing path for most of the components produced by the Equipment business unit, i.e. forgings and tubing for heavy components, as well as forgings for reactor coolant pump set casings. Given this situation, the business unit was able to secure new forging capacity and strengthen its position for this commodity by acquiring the Sfarsteel group in 2006. This acquisition does not preclude partnerships with other forges, as it is anticipated that the capacity available at Le Creusot will not be sufficient to meet the growing demand in the coming years.

4.5.2.7. Research and development

The business unit is focusing its research and development activities in two main areas: 1) improving technologies and processes for ongoing projects, and 2) evaluating and developing reactor equipment solutions for the coming decades.

These activities are oriented towards improving the business unit's technologies and processes, favoring the use of new materials, promoting modeling and digital simulation, and implementing control systems used in manufacturing and monitoring equipment.

Taking heavy components as an example, improvement goals include processes to forge very large components and welding processes. The goal is also to improve the quality of the components and assemblies, reduce manufacturing cycles, and lower costs by using a design-to-cost approach.

This effort will be duplicated in moving components, with the priority given to the development of a 60 Hz reactor coolant pump for the US market, a test loop for reactor coolant pumps operated at full capacity, and design, calculation and diagnostic tools.

This level of effort will be maintained over the next five years to support new power plant construction projects and will be bolstered by additional resources and skills (experts and specialists).

4.5.2.8. Sustainable development

The Equipment business unit's management team led an ambitious program for change in 2007 resulting in improved economic, environmental and industrial and occupational safety performance. In occupational safety, the Saint-Marcel and JSPM sites are now among the top performers in the AREVA group. The Equipment business unit's were particularly beneficial to Sfarsteel, with the accident frequency rate at its plants dropping by 75%. Operational integration of the occupational safety and environmental management systems was implemented at the Saint-Marcel and JSPM plants, and the use of fossil fuels dropped in 2007.

Management's policy is founded on AREVA's continuous improvement initiative and related activities (Lean Six Sigma, performance objective charts, etc.), which contributed to better risk management and significant growth in profitability for the Equipment business unit.

4.5.2.9. Outlook and development goals

The Equipment business unit will continue to develop its production sites by investing massively in plant modernization and capacity upgrades while acquiring new skills and building up the workforce. For example, after doubling the number of employees at Saint-Marcel over the past four years, the business unit plans to hire 300 people over the next ten years at JSPM while increasing the number of employees at Creusot Forge substantially.

The medium term outlook is favorable due to a full backlog, ensuring significant capacity utilization and a positive growth outlook. At the same time, the product mix is changing considerably, with a strong increase in the proportion of components for new power plants.

The main challenges for the short term are to deliver heavy components on schedule, including forgings required to manufacture these components, to continue to improve operating and financial performance at Saint-Marcel, and the industrial reorganization of JSPM. At Saint-Marcel, improved performance is closely linked to the successful implementation of the performance improvement plan, in particular the reduction in production transit times. At the Creusot Forge, the challenge is to meet production deadlines for its large backlog while implementing an ambitious Capex program. The challenge for all units in 2008 will be the success of the Olkiluoto 3 and Flamanville 3 projects.

Over the longer term, the Equipment business unit must be able to supply the primary components of new power plants as the nuclear revival unfolds, at the best cost, highest quality standards and within the allotted schedule. This requires expanding the business unit's industrial footprint at the global level, with decisions to be made in 2008.

4.5.3. Nuclear Services business unit

4.5.3.1. Key data

(in millions of euros)	2007	2006
Sales revenue	791	644
Workforce at year end	3,734 employees	3,585 employees

4.5.3.2. Businesses

The Nuclear Services business unit offers services enabling utilities to improve the availability and productivity of their power plants and extend their service life while maintaining a high level of safety:

- These include outage services, which are recurring maintenance operations for which the Nuclear Services business unit coordinates and integrates different servicing and inspection operations to reduce outage times. A scheduled outage must be kept as brief as possible and may require teams of more than 1,000 people, some of whom are employees of the Nuclear Services business unit, while others are subcontractors and still others the customer's subcontractors. In this case, the Nuclear Services business unit's mission may be to coordinate all co-contractor operations and activities.
- Primary component services include repairs, servicing and replacement of heavy components in the nuclear steam supply system.
- Non-destructive examinations are inspections of safety-related equipment required by regulation. The Nuclear Services business unit is the world leader in reactor vessel and steam generator inspections, with a wide range of inspection services for all types of operating reactors.
- Decontamination and chemical cleaning services reduce radiation exposure during repairs and servicing.
- Engineering services and upgrades draw on the designer/constructor skills and experience of the Plants business unit.
- Services are also provided for reactor instrumentation and control systems and electrical systems.
- Contaminated components are serviced offsite in hot workshops⁽¹⁾.
- Some dismantling is also performed on equipment from the reactor coolant system, where expertise in component size-reduction, disassembly and decontamination can be provided.

AREVA's Nuclear Services business unit offers the world's largest portfolio of products and services for all reactor types, drawing on its leadership position in the French, German and American

(1) A hot workshop is a specialized workshop in which contaminated components can be cleaned, maintained and repaired without the constraints of plant outage schedules.

nuclear power programs, recognized technical expertise, and a strong international presence.

4.5.3.3. Manufacturing and human resources

By definition, the Nuclear Services business unit provides services to customers that operate nuclear power stations. The business unit has all of the resources it needs to develop and certify the processes and tooling it uses to carry out these services.

In addition, the business unit has access to hot workshops in Europe and the United States for offsite maintenance, and to two facilities dedicated to personnel training and education: Cetic in France, co-owned by EDF and AREVA NP, and another facility in the United States.

To provide proximity to the customer and continuous personalized service, staff is regionally based, chiefly in France (1,600 employees), Germany (840 employees) and the United States (660 employees).

The business unit also has sites in Sweden (subsidiary Uddcomb Engineering), Spain (subsidiary AREVA NP Services Spain), Canada (subsidiary AREVA NP Ltd.), China (Shenzhen Nuclear Engineering joint venture) and South Africa (subsidiary Lesedi Nuclear Services).

In 2007, the business unit established Netec, a world technical center for non-destructive examination (NDE) that reinforces AREVA's technology leadership in this field and increases the integration of international NDE development resources to improve the product offering even further.

4.5.3.4. Market and competitive position

Market

The potential market for the Nuclear Services business unit consists of PWRs and BWRs and, to a lesser extent, Candu and VVER reactors.

Outages for servicing and maintenance, or to replace heavy components, are scheduled for these reactors every 12 to 24 months.

Each unit outage generates a market ranging from a few million to tens of millions euros.

AREVA estimates the worldwide nuclear services market at around 4.4 billion euros per year. The market is stable on the whole. Key

market drivers are the aging of the world's plants, the construction of new reactors, the deregulation of the electricity market and price pressures.

Barriers to market entry vary according to the segment. Being an original equipment manufacturer (OEM) is a decisive advantage in the area of engineering services and performance improvement, just as it is for primary component services. Differing regulations can also limit access to certain domestic markets.

Competitive position

Two major players, AREVA and Toshiba-Westinghouse, are now competing for first place in the nuclear services sector. Following their respective 17% share of the market come Mitsubishi Heavy Industries of Japan 11% and the alliance of General Electric of the US and Japan's Hitachi (11%).

The remaining 44% is divided among powerful local companies, such as KPS in the Republic of Korea and AECL in Canada, and a multitude of other specialized companies in every country with nuclear power plants.

The players in nuclear services continue to consolidate as international competition intensifies.

4.5.3.5. Operations and highlights

Business was more buoyant in 2007 than in 2006, largely due to multiple heavy component replacement operations in France, the United States, South Africa and China. Operating income for 2007 was much higher than in 2006, driven by volume and considerably improved productivity. New orders were also high, approximating the levels reached in 2006, particularly with the signature of several large contracts in France.

The business unit's French, German and American employees participated in more than 110 unit outages around the world in 2007.

Business was strong in France, with several steam generator and vessel head replacement operations for EDF. The business unit also performed chemical cleaning of secondary steam generator parts for three EDF units. The integrated maintenance services contract with EDF continued satisfactorily, with 18 services performed in 2007. As in 2006, the reactor vessel and steam generator inspection business was strong, both in France and overseas. Modifications to 900 and 1,300 MWe units during 10-year inspections were performed as planned.

In Germany, precision operations to replace screws inside the reactor vessel were performed at one power plant. New outage and inspection services contracts were signed with plant operator E.On. AREVA also won a contract to dismantle in-vessel equipment at the Stade power plant (cutting, decontamination and canisterization). A proposal was submitted to E.On to perform similar reactor vessel services.

In the United States, business was stronger in 2007 than in 2006 due to heavy component replacements, including one operation to replace steam generators and two vessel head replacement operations, and to the larger number of unit outages in which the business unit participated. Several new contracts were awarded, including outage services at the Cooper BWR power plant and the long-term outage services contract for plant operator Constellation.

In South Africa, the outage of Koeberg 1, including replacement of the vessel head, was completed successfully.

The business unit's local platforms in Spain, South Africa, the People's Republic of China and Sweden are actively contributing to sales revenue growth. In Spain, Tecnimarse became AREVA NP Services Spain. Along with the change in name came an expanded scope of expertise and a stronger base for AREVA's nuclear services in Spain. In China, the Shenzhen Nuclear Engineering joint venture (SNE) continued to develop business in an environment undergoing considerable change.

Several strategic export contracts were also won in 2007. In South Africa, a contract was signed to perform the third phase of modifications at Koeberg 1 and 2. In Belgium, a long-term contract was won to inspect the vessel heads at the Doel and Tihange power plants, against very fierce international competition. In South Korea, a contract was signed with the utility KHNP to renovate core instrumentation at Kori 2.

4.5.3.6. Relations with customers and suppliers

Customers

The Nuclear Services business unit's customers are utilities in Europe (France, Germany, Belgium, Great Britain, Spain, Sweden, Switzerland and Slovenia), Asia (China, South Korea, Japan, Taiwan), North and South America (the United States, Canada and Brazil), and South Africa. The business unit routinely provides services in 30 countries. EDF is our leading customer, at about one third of the business unit's activity, while US utilities represent another third.

Deregulation pressures are pushing the market towards global solutions to achieve performance objectives, lower costs and extend power plant service life, all while improving safety levels. These new requirements are leading operators to combine services under integrated maintenance services umbrellas, or – especially in the United States – under multi-year “Alliancing” contracts. These are contracts that combine component supply, engineering services, modifications and maintenance services, and even fuel supply.

These new business models are good news for integrated service providers with a global reach such as AREVA.

4.5. Reactors and Services division

Suppliers

More than 50% of the business unit's procurement is for services. The services business is a highly seasonal one, dictated by reactor outage schedules and optimization of regional electricity supply. The trend is towards reducing reactor outages by concentrating a maximum number of operations into a minimum amount of time.

The business unit must therefore adapt to extreme variations in workload every year. To achieve this, the business unit has entered into numerous partnership agreements with different suppliers to accommodate exceptionally heavy workloads as well as the need for specific crafts. These suppliers and service providers are certified in terms of quality and technical ability to ensure compliance with the basic requirements for this type of work.

4.5.3.7. Sustainable development

The business unit's operations do not have a significant impact on the environment. Only the hot workshops are subject to specific monitoring due to the radioactive operations performed there. We have set a priority on harmonizing assessment models for these impacts.

The Nuclear Services business unit monitors its employees' radiation exposure during servicing operations in customer facilities and is working to limit it. The goal is to adhere to the 20 mSv/year limit set by AREVA. In 2007, 13 group employees working at customer sites received an individual dose exceeding that limit, although not exceeding the local regulatory limit (European Union: 100 mSv over five consecutive years, with a maximum of 50 mSv in any one year; United States: 50 mSv/yr). The business unit has taken all of the necessary corrective measures to prevent a recurrence of this situation.

All of the Nuclear Services business unit's facilities have been certified under ISO 14001 since the end of 2005.

4.5.3.8. Outlook and development goals

Several key factors are expected to impact operations in 2008:

- the number of heavy component replacement operations in France and the United States will be down compared with 2007;
- new markets will emerge as a result of innovative services like Asset Management, which correspond to significant changes in the market;
- activities related to the design and construction of new reactors by the Plants business unit will be developed.

While developing these innovative offers on a contractual and technical level (including supporting information systems), the Nuclear Services business unit will continue to strengthen its positions in export markets by developing its existing local platforms. Additional strategic joint ventures, acquisitions and partnerships will be considered in 2008, based on strategic objectives for each country.

The business unit's R&D centers, particularly the new Netec center, will underpin its technological leadership and ability to innovate over the medium to long term, and the recruitment of specialists in each of its businesses – a key success factor in a highly competitive environment – will continue.

4.5.4. AREVA TA business unit

4.5.4.1. Key data

<i>(in millions of euros)</i>	2007	2006
Sales revenue	308	314
Workforce at year end	2,103 employees	2,048 employees

4.5.4.2. Businesses

The AREVA TA business unit offers its employees' expertise to customers in three main segments, described below.

Power supply systems for naval propulsion

The core business of the AREVA TA business unit is designing, manufacturing and maintaining nuclear reactors and related equipment for naval propulsion, services, fuel and related equipment. This business meets stringent safety, reliability and availability requirements.

The market consists of nuclear powered vessels, industrial facilities and related testing. It requires mastery of key methodologies and technologies, such as systems architecture, project management, digital safety technology, safety analysis, thermohydraulics and neutronics, acoustics and vibration, and integrated logistical support. Nuclear reactors designed by AREVA TA have powered the French navy's submarines and aircraft carriers for all of the fleet's operating missions for more than 35 years.

AREVA TA also provides propulsion-related services and systems, including reactor control systems, monitoring systems, and acoustic discretion for facilities, systems and components. AREVA TA has unique experience as a designer and facilities operator for the CEA. In addition to its reactor design activities, the business unit provides support to the operator of onboard submarine and aircraft carrier reactors in the form of services, maintenance and training. This includes support for the management and operation of characterization, training and test reactors, whose role is to prevent technological and human risk at several levels: validation of onboard reactors before sea duty, full-scale testing of innovations, endurance tests, predictive maintenance, and operator training.

Engineering of complex facilities

The AREVA TA business unit has recognized expertise in the engineering of complex systems, industrial facilities and the fuel cycle, including design and construction engineering, support to the project authority, and expertise aimed at improving the facilities' industrial performance.

Examples of this expertise include the following:

- **Major instrumentation and facilities for science and research**

AREVA TA took charge of the definition and design studies for the Jules Horowitz experimental reactor for the CEA.

A design study contract was awarded to AREVA TA to constitute the safety and regulatory documentation needed for authorization to build the ITER facility.

- **Nuclear fuel cycle facilities**

AREVA TA is working with AREVA NC and SGN on the UP1 plant at Marcoule, where it is providing dismantling scenario designs incorporating cost, schedule, dosimetry and waste volume data; preparing safety documentation; and supporting the operator to secure the necessary permits from the French nuclear safety authority.

- **Industrial facilities**

EDF awarded a turnkey contract to AREVA TA to design and build the solid waste processing system for the Flamanville EPR. AREVA TA was the lead company in the industrial teaming relationship that designed and built the final assembly line of the A380 aircraft for Airbus Industrie in Toulouse.

Designing electronic systems for reliability and availability

In the rail transportation market, AREVA TA offers customers the design and fabrication of highly reliable onboard and fixed equipment and systems ensuring passenger comfort and safety while offering a high level of availability. AREVA TA plays a significant role in this market, which demands performance levels approaching those of the nuclear industry in terms of safety and availability, offering:

- automated monitoring systems for guided transport;
- safety monitoring systems for train conductors;
- operating parameter recorders, commonly called "black boxes," to record operating events;
- control systems to open and close subway doors; and
- train tracking systems.

In 2007, national defense projects accounted for about 60% of the business unit's sales revenue, while civilian nuclear power and industrial sectors such as transportation, industrial applications and the environment, made up close to 40%.

4.5. Reactors and Services division

4.5.4.3. Manufacturing and human resources

The business unit has five main manufacturing and engineering locations in France:

- Saclay, devoted mainly to support functions and marketing and project operations;
- Aix-en-Provence, dedicated mainly to engineering projects;
- Cadarache, focused on in-service reactor support and operations;
- Lyon, centered on the development and marketing of acoustic, vibration and condition-based maintenance solutions for industry and municipalities; and
- Toulouse, specializing in electronic equipment and engineering projects for the aeronautical industry.

4.5.4.4. Market and competitive position

AREVA TA works primarily in France in the defense, large scientific and industrial instrumentation, guided transport and aeronautical industries. For national security reasons, there are very few international business opportunities in naval nuclear propulsion.

Its engineering activities concerning complex industrial facilities have enabled AREVA TA to develop business in conjunction with other entities of the AREVA group in the United States, where it provides expertise and solutions in its core businesses, including mechanics, structural design and safety analysis. Its competitors in these fields are systems and technology engineering firms.

In the transportation sector, AREVA TA strengthened its presence in Asia, in particular to gain a stronger foothold in relation to systems competitors, and is offering solutions to equip new rail lines or to upgrade the equipment of existing ones.

4.5.4.5. Operations and highlights

Highlights of the year are discussed hereunder.

- Detailed design began for the Barracuda program involving six nuclear attack submarines to be built under the program launched by the French defense procurement agency DGA in 2006. AREVA TA is the prime contractor for the nuclear steam supply system that will be used to propel these submarines. The contract covers the design and construction of the submarines and operational readiness support during the first years of service. The contract will significantly strengthen AREVA TA's position in the field of naval nuclear propulsion.
- AREVA TA was chosen to perform servicing operations on the naval nuclear propulsion reactors of the *Charles de Gaulle* aircraft carrier during the scheduled outage for service and repairs, the first major overhaul of the ship nine years after it was first launched. The work began in 2007 and will continue in 2008.

- AREVA TA continued development studies for the Jules Horowitz reactor in preparation for the start of construction. The business unit also continued to perform contracts for nuclear fuel cycle facilities and nuclear facilities AREVA (GB II project in particular), CEA (Agathe, Magenta) and ITER.
- In the aeronautical business, AREVA TA contributed to the three major assembly stations of the A380 production line and has become a leading company in this field.
- In the transportation sector, AREVA TA continued to deliver computerized safety systems for the MF2000 metro operated since early 2007 by the Paris transit authority (RATP) on line 2 of the Paris metro system.

4.5.4.6. Relations with customers and suppliers

AREVA TA's leading customers are the CEA, French defense procurement agency DGA, and French shipbuilder DCN. In the markets for nuclear power, transportation and manufacturing, the CEA, EADS and Paris transit authority RATP account for the largest percentage of the business unit's sales revenue.

4.5.4.7. Research and development

The business unit's research and development plan confirmed the previously defined strategic orientation, with special emphasis on continued research on new reactor concepts for naval propulsion. In 2007, efforts led to the development of technology building blocks in the field of safety control systems.

4.5.4.8. Sustainable development

The AREVA Way self-assessment initiative was rolled out throughout the organization. In addition, AREVA TA's initiative to listen to stakeholders gave rise to a customer satisfaction survey and an employee opinion survey. Performance improvement goals were identified through these initiatives and broken down for each unit.

Environmental performance improved significantly and was rewarded by ISO 14001 certification for all of the business unit's industrial sites. The business unit also worked to reduce energy and paper consumption at its different sites, supported by an employee awareness campaign.

4.5.4.9. Outlook and development goals

The outlook is for growing sales revenue in the coming years by bringing our engineering solutions and expertise to project authorities and operators of complex facilities. In addition, significant engineering and support services contracts in naval nuclear propulsion give the business unit greater visibility in terms of sales revenue over the coming years. Safety solutions for guided urban and inter-urban transport also indicate growing domestic and international sales revenue.

The AREVA TA business unit's growth strategy continues to focus on supplementing the AREVA group's commercial platform as a designer and supplier of advanced power systems and equipment for naval propulsion, and bringing highly safe and reliable solutions to industry, research and transportation.

The business unit will also continue to maintain a strong presence in the engineering of large scientific instrumentation, including the Jules Horowitz reactor, the Megajoule Laser and ITER.

4.5.5. Nuclear Measurement business unit

4.5.5.1. Key data

<i>(in millions of euros)</i>	2007	2006
Sales revenue	159	175
Workforce at year end	1,053 employees	1,060 employees

4.5.5.2. Businesses

The Nuclear Measurement business unit develops and markets safety and security measurement and monitoring solutions. It designs, manufactures and markets equipment and systems to detect and measure radioactivity, monitor nuclear facilities, characterize waste and provide radiation protection. It also provides related services. Its products and services meet customer requirements for nuclear safety, occupational safety and monitoring of their production operations. In this respect, the Nuclear Measurement business unit plays an important role in the central issue of sustainable development for the AREVA group and its main customers in the areas of nuclear and occupational safety, including nuclear operators, research laboratories and government services.

4.5.5.3. Manufacturing and human resources

The business unit integrates services with its equipment design, manufacturing and sales through 5 main marketing subsidiaries and some 30 offices on 5 continents.

In terms of manufacturing, the business unit is currently optimizing its operations worldwide by globalizing its production facilities in Europe, North America and Asia.

The business unit now has 8 production sites in the United States, France, Canada, England and Belgium. More than 320 employees work directly in production.

4.5.5.4. Market and competitive position

The nuclear measurement market, including the Homeland Security program in the United States, is a global niche market worth an estimated 900 million euros per year. The Nuclear Measurement business unit, which uses the Canberra brand, is the world leader in this market with a share of around 20%.

The business unit operates in North America (50% of sales), the world's largest market, Europe (31%, excluding France), France (11%), Asia (7%) and elsewhere around the globe (1%).

Its principal competitors are SAIC, Thermo, Synodis (MGP) and Ametek/Ortec, which together hold 40% of the market. The remaining 40% of the market is divided among a hundred minor players. The nuclear measurement market is attracting new competitors, particularly in connection with Homeland Security contracts from the US government.

4.5.5.5. Relations with customers and suppliers

Customers

Traditionally, the nuclear measurement market's customers are nuclear power plants, fuel fabrication and treatment plants, radiation chemistry and environmental laboratories, scientific research laboratories, and the medical sector.

In addition to these customers, the business unit serves public and private organizations in charge of radiation monitoring at national borders as well as emergency response teams and the armed forces. This last customer category is growing, especially in the United States through a program set up by the Department of Homeland Security.

In 2007, to be more responsive to customer requirements in its different segments, the Nuclear Measurement business unit reorganized its marketing and sales departments into four business lines: Safety, Defense and Non-Proliferation, Nuclear Power Plants, and Laboratories and Fuel Cycle.

Suppliers

Of the commodities used by the business unit, the only one that is of special interest is germanium, a copper residue that does not exist in the natural state. There are only three entities in the world capable of producing the hyper pure germanium crystals used to manufacture gamma-ray semiconductor sensors. As the largest of the three manufacturers, the Nuclear Measurement business unit has a competitive advantage. The other components and materials used by the business unit may be acquired without any particular constraint or risk.

4.5.5.6. Operations and highlights

Sales for the Nuclear Measurement business unit were comparable to those of 2006, excluding the effect of currency exchange (EUR/USD).

US government contracts were lackluster in 2007 due to the economic climate, but this does not call into question growth forecasts for this market.

4.5.5.7. Outlook and development goals

The business unit's objective for 2008 and the coming years is the successful transformation of niche operations into a high-tech enterprise aimed at serving customers around the globe, particularly by consolidating its world leadership in the "Laboratories and Fuel Cycle" market and by capturing additional market share in the nuclear power plant and Homeland Security markets.

4.5.6. Consulting and Information Systems business unit

4.5.6.1. Key data

<i>(in millions of euros)</i>	2007	2006
Sales revenue	157	156
Workforce at year end	2,163 employees	2,101 employees

4.5.6.2. Businesses

The Consulting and Information Systems business unit, under the trade names of Euriware and its subsidiary PEA Consulting, is active in several fields:

- consulting in operating performance, information system governance and organizational management, representing about 8% of the business;
- information systems integration, representing about 23% of the business;
- technical and industrial systems, representing about 17% of the business; and
- MIS outsourcing (see Glossary), representing about 52% of the business unit's sales.

The majority of the business unit's contracts are for recurring business, particularly MIS outsourcing, and more than 70% of its contracts are for periods ranging from three to five years.

In addition to the contribution to sales revenue mentioned above, the business unit is also responsible for managing the group's information systems and IT resources.

4.5.6.3. Manufacturing and human resources

With around 2,200 employees as of the end of 2007, the Consulting and Information Systems business unit deploys teams in France (95%) and Russia (offshore technical systems integration).

Three MIS production centers in France provide hosting services and offer services for remote management and operations of systems and information networks.

Specialized centers offer outsourced applications maintenance and secure infrastructure services.

4.5.6.4. Market and competitive position

The business unit has a strong position on the French IT services market.

It is a recognized player in France, particularly in evolutionary MIS outsourcing, systems integration for industry, and supply chain consulting.

The business unit competes with the leading industrial software and systems management firms on the French market.

4.5.6.5. Relations with customers and suppliers

Customers

The Consulting and Information Systems business unit's customers are major companies outside the group in the sectors of energy (EDF, the CEA), manufacturing (French shipbuilder DCNS, Messier Bugatti), Defense (French Defense Ministry) and services (France Telecom, Natixis).

Contracts with these customers generally run three to five years in the case of MIS outsourcing, and for shorter terms in the case of consulting and systems integration.

Suppliers

The Consulting and Information Systems business unit's resources consist of software, computer equipment and computer services subcontracts, all of which are integrated into Euriware's services. Its main suppliers are software publishers, including Microsoft, SAP, Veritas, Computer Associates, EMC2 Documentum, Business Object, Filenet and Générrix; equipment manufacturers, including HP and IBM; data storage suppliers, including EMC and Adic; and service providers such as SCC.

4.5.6.6. Operations and highlights

The consulting, systems integration and MIS outsourcing markets continued to grow in 2007. The business unit's sales outperformed the market and its market share grew in 2007. The majority of the business unit's MIS outsourcing contracts due to expire were renewed (IFP, Invacare, Ineos, CTSN) and new contracts with new customers were signed (EDF, Tornier, DHL, Manpower, Structis).

The business unit has been firming up its growth strategy in the Energy sector and was rewarded with important contracts from utilities.

4.5.6.7. Outlook and development goals

The French software and data services market is expected to continue to grow in 2008, but to a lesser extent, according to forecasts of the French Information and Communication Technologies Observatory.

The business unit's strategy is to continue to develop its four main businesses of MIS outsourcing, business systems integration, technical and industrial systems integration, and consulting.

It also plans to develop its outsourced applications maintenance and its secure infrastructure services using a clear, streamlined and consistent approach while centering its position on its strong expertise.

To achieve its growth objectives, in particular in the Energy, Industry and Defense sectors, the Consulting and Information Systems business unit relies on key offerings such as evolutionary MIS outsourcing, industrial data processing (instrumentation and

control systems, maintenance management and industrial asset management), electronic documentation management, product lifecycle management (PLM), information system security and business solutions.

To achieve growth, the business unit will use its contract portfolio with AREVA and other customers outside the AREVA group as a springboard. Its position both inside and outside the group enables the business unit to innovate continuously, build expertise and offer services targeting its customers' requirements.

To support the AREVA group's development in the North American nuclear market, the business unit plans to open an office in the United States to offer its services and high-level skills in the IT field.

The business unit is an integral component of the AREVA group's global offer: it is proposing an increasing number of services to the group's major customers and developing proposals to support the group's other businesses.

4.5.7. Renewable Energies business unit

4.5.7.1. Key data

<i>(in millions of euros)</i>	2007	2006
Sales revenue	35	32
Workforce at year end	195 employees	55 employees

4.5.7.2. Strategy

Expanding on the strategic thinking first initiated when AREVA was established in 2001, the group formalized its renewable energies strategy in 2006 by creating the Renewable Energies business unit. The business unit combines all of the group's expertise in distributed power generation, bio-energies, wind power, fuel cells and hydrogen.

In a balanced CO₂-free energy mix, nuclear power and renewable energies complement each other, with one supplying competitive, centralized baseload electricity while the other supplies decentralized supplemental power.

The business unit has several objectives:

- expand the group's portfolio of CO₂-free power generation technologies;
- become a significant player in wind power and bioenergies by participating in their industrial development;
- extend AREVA's reach to high-potential geographical areas and to decentralized markets; and
- translate AREVA's sustainable development commitments into action.

The Kyoto initiative benefits renewable energies by giving special weight to this solution in the fight against the greenhouse effect. Rising fossil fuel prices are also making them more competitive.

Renewable energies are a trend destined to continue in Europe, which has set a goal of 20% of its electricity from renewable sources by 2020. They are also an undercurrent in other regions, with political initiatives on renewable energies multiplying in North America as well as in emerging countries such as China, India and Brazil.

4.5.7.3. Wind power

Market

The wind power market is expected to yield the strongest growth in the near term. The International Energy Agency (IEA) forecasts that wind power's share of power generation will rise from 2% to 3% from 2005 to 2010, at which time it will represent a market of close to 25 to 30 billion euros per year. In 2007, the wind power market came to a total of about 20 billion euros, up 34% from the previous year.

Europe, with its aggressive goal of "green electricity", should continue to lead the market, building on wind power successes in Germany, Denmark and Spain. With the stagnation of hydropower and the relative maturity of other technologies, growth can only come from wind power, solar power and biomass. Wind power's solid learning curve gives it the strongest advantage of the three. Its share of the European market is expected to rise from 5% to 10%.

AREVA's estimates are based on approximately 12% growth in wind power to 2012, with growth clearly strongest in offshore wind power. In Europe, installed offshore wind power capacity is expected to grow by 1-3 GW per year through 2012. AREVA hopes to establish a lasting position in wind power by seeking technology leadership in certain segments, such as high output offshore wind farms.

AREVA's position

AREVA acquired a 21.1% equity interest in REpower in September 2005; this stake came to 29.95% at the end of 2007. Hamburg-based REpower specializes in high output wind turbine technology particularly suitable for offshore sites. REpower designs, tests, assembles and maintains wind turbines.

In October 2007, AREVA acquired 51% of Multibrid, a wind turbine designer and manufacturer based in Germany, which specializes in high output offshore turbines. Multibrid designs, tests, assembles and maintains wind turbines. The company has 60 employees and plans to double its staff by the end of 2008.

With the acquisition, AREVA became part of a joint venture with Prokon Nord, a German wind farm developer, and is participating, as exclusive supplier via Multibrid, in the first German offshore project at Borkum West (30 MW) and Borkum West 2 with the supply of 80 wind turbines representing 400 MW of power, as well as in the first offshore project in France near Côte d'Albâtre (105 MW).

Multibrid offers important marketing and industrial synergies with AREVA's Transmission & Distribution division, a leading supplier of equipment to connect wind turbines to the grid.

AREVA made a strategic decision to penetrate the fast growing offshore wind market and intends to develop Multibrid rapidly by providing:

- financial resources for its development;
- financial guarantees to investors to support the development of Multibrid's projects; and
- access to its customer base and sales network through AREVA's commercial presence in more than 100 countries, particularly through its transmission and distribution businesses, where the group's familiarity with utilities and grid operators will benefit Multibrid.

4.5.7.4. Bioenergies

Market

Bioenergy is CO₂-neutral in the sense that the CO₂ released during combustion was captured by the plant during its growth.

A recent report by the International Energy Agency, "Energy Technology Perspectives: Scenarios and Strategies to 2050", predicts that electricity from biomass will go from 1.3% in 2003 to 2-5% in 2050. Installed biomass production capacity, currently close to 62 GW, is expected to grow by 6-9% over the next five years.

While biomass uses well known technologies, the market remains very fragmented because of the proliferation of players involved.

In view of the costs to gather this resource and its abundance, development is expected to be concentrated in developing countries, where it will encourage rural development in some areas.

AREVA's position

AREVA is a forerunner in bioenergy technology development in France. As an architect-engineer, the group offers turnkey power plant solutions using biomass, biogas, mine gas, and waste heat recovery. AREVA has built or is building 20 bioenergy plants in Europe, Latin America and Asia, for a total of 220 MW of installed electric generating capacity.

However, two events contributed to a decrease in sales revenue in 2007: a contract to build four 12 MW and 24 MW biomass plants was put on hold in Brazil, and a customer cancelled

three 20 MW biomass projects in France due to the lack of operating permits.

This setback does not affect anticipated sales revenue growth. AREVA plans to become a leading player in this fast growing sector, with a goal of tripling annual sales revenue to approximately 125 million euros in 2008.

With this in mind, in January 2008 AREVA acquired 70% of Koblitz, a Brazilian supplier of integrated solutions for power generation and cogeneration (heat and electricity) from renewable sources.

Koblitz employs more than 500 people today and has plants in Sao Paulo and Sao Jose do Rio Preto, in agricultural areas rich in sugar cane. Its core business is the turnkey supply of services for the construction of biomass power plants and small hydroelectric plants.

This acquisition strengthens the group's position in Brazil, where renewable energies produced 90% of all electricity and where the use of biofuels is expected to grow by 50% over the next five years. The Brazilian renewable energies market is growing rapidly. Local production capacity is expected to increase by at least 5% annually (i.e. 5,000 MW) to offset electricity shortages.

AREVA is also active in engineering, procurement and construction (EPC), an activity it plans to develop by acquiring its own combustion technologies.

The group is targeting several high-potential regions, including India, China and Brazil. The goal is for more than 60% of its sales revenue and workforce to be located outside Europe.

This growth will be achieved by developing two markets:

- biomass combustion applications and industrial heat recovery; and
- methanation and cogeneration facilities integrated into biofuel plants.

4.5.7.5. Fuel cells and hydrogen

Market

Hydrogen and fuel cells are a key component of the future energy mix.

Though hydrogen is now produced in large quantities from fossil fuels by methane reforming, hydrogen production by electrolysis and its use as an energy vector in combination with a fuel cell also has strong potential.

A fuel cell is a new energy conversion system. It is clean, quiet, highly efficient and can be deployed very rapidly. The concept is to combine hydrogen and oxygen via a membrane, simultaneously creating water, heat and electricity.

This technology is already available to meet specific needs, such as for stationary power supply applications (back-up generators, site electrification) and for passenger and freight transportation.

4.5. Reactors and Services division

AREVA's position

AREVA's subsidiary Helion designs, develops and manufactures systems based on electrolyzers and proton exchange membrane fuel cells (PEM), whose potential applications combine safety, reliability and availability. Helion offers stationary generators such as 20-200 KWe back-up generators and systems for distributed power generation connected with intermittent renewable energy sources.

In 2007, AREVA continued to develop back-up generators incorporating operating experience from a system delivered to CEA-Saclay in 2006. In 2008, AREVA will offer a back-up system in the 20-50 KWe range. The first SPACT fuel cell system for transportation applications was delivered to the French railways

(SNCF) in Le Mans. SNCF is a partner for this project. After completion of a test phase, the fuel cell system will be installed in a locomotive in the spring of 2008.

Together with other industrial partners and French research organizations involved in hydrogen energy development, AREVA is participating in the Hydrogen Energy Horizon program for experimental development followed by industrial deployment of fuel cell technologies for stationary applications and distributed hydrogen production by PEM electrolysis.

4.6. | Back End division

Key data

<i>(in millions of euros)</i>	2007	2006
Sales revenue	1,738	1,908
Operating income	203	273
Workforce at year end	10,638 employees	10,697 employees

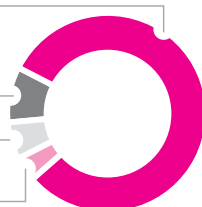
2007 sales revenue by business unit and region

78% - Treatment and Recycling

13% - Logistics

6% - Cleanup

3% - Engineering

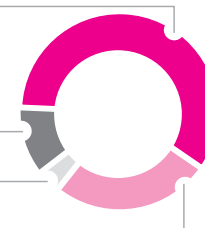


57% - France

18% - Asia-Pacific

5% - North and South America

20% - Europe (excluding France)



Overview

The Back End Division, which contributed 15% of AREVA group sales revenue, offers solutions for the management of used fuel. It is organized into five business units: Treatment, Recycling, Logistics, Cleanup and Engineering.

- The Treatment and Recycling business units are involved in production to recover reusable uranium and plutonium from used fuel so that it may be recycled in nuclear reactors as MOX or UO₂ fuel (see Glossary). In line with AREVA's commitment to sustainable development and environmental protection, AREVA has developed advanced technologies to treat used fuel to recover 96% its materials, reduce final waste volumes, and package the waste for storage and disposal. The group's production operations are performed at two sites: the La Hague plant for used fuel treatment and the Melox plant for MOX fuel fabrication.
- The Treatment and Recycling business units have a Nuclear Site Value Development business which manages dismantling operations for the group's shut-down sites. These operations concern certain facilities at La Hague, Marcoule and Cadarache.

In early 2008, the organization of the Treatment and Recycling business units evolved to mirror their businesses. The new organization now features a Recycling business unit, which combines

the group's production operations, and a Nuclear Site Value Development business unit.

- The Logistics business unit designs and manufactures casks to transport and store nuclear materials. It also provides materials transportation services to the entire group.
- The Cleanup business unit mainly provides site support operations in the nuclear field. It also acts as industrial operator of waste disposal sites.
- The Engineering business unit designs and builds facilities and installations for the front end and back end of the fuel cycle.

The division also manages major treatment technology transfer programs, particularly for the Rokkasho Mura plant in Japan. Other programs to transfer MOX fuel recycling technology are also in progress with Japan and the United States.

The world's installed reactors generate approximately 6,500 metric tons of heavy metal (MTHM) of used fuel each year. This is equal to the amount of fresh fuel loaded in the reactors. The total worldwide inventory of used fuel was around 139,000 MTHM at the end of 2007.

4.6. Back End division

Power companies can manage their used fuel in one of two ways:

- In the open cycle, the used fuel is considered non-reusable. It is stored in pools or in dry storage systems at sites designated for that purpose. The storage solutions available on the market allow the utility to manage its own used fuel for several decades. The long-term challenge will be the final disposal of the utility's inventory of used fuel, often in connection with national nuclear waste disposal programs.
- In the closed cycle, the used fuel is considered to contain a large amount of reusable materials still capable of producing a large amount of energy. In this case, the used fuel is treated to separate the reusable uranium and plutonium from the final waste; the latter represents only about 4% by volume of the used fuel. The recovered uranium and plutonium are recycled into fuel for nuclear power plants in the form of MOX (a mixture of the two materials) or as reprocessed uranium.

The group is the world leader in both the open and closed fuel cycle markets.

AREVA has a very large technological and industrial advance in treatment and recycling, making it the preferred partner in this field worldwide. The group is active in the design and construction of new treatment and recycling plants in partnership with other countries.

Treatment and recycling help conserve natural uranium resources and facilitate radioactive waste management by reducing their volume and radiotoxicity substantially. With the nuclear revival gaining momentum and raw materials prices rising, the closed cycle is gaining growing interest among electric power companies.

Strategy and outlook

Whereas the Front End division prepares fresh fuel for nuclear power plants, the Back End division's main activity is to recycle fuel that has already been used in the reactors.

AREVA has a major technological advance in this field that gives it a particularly large competitive lead in the current environment of nuclear revival. Treatment and recycling offers several advantages to utilities:

- nuclear fuel fabrication that does not use new supplies of natural uranium; and
- waste volumes divided by five and radiotoxicities divided by ten.

Treatment and recycling are thus a stabilizing factor in the long-term use of nuclear power. This is why several countries seeking to deploy large-scale nuclear power programs are turning to treatment and recycling technology, which makes a significant contribution to energy independence. Some of them even want to acquire their own facilities.

The AREVA group has become a full partner alongside the US Department of Energy in the Global Nuclear Energy Partnership, which is reexamining US policy on used fuel management.

The treatment and recycling businesses have excellent visibility due to the duration of the used fuel treatment and recycling cycle, which lasts about 10 years, starting with the fuel's discharge from the reactor. The group's long-term relationships with its customers give it a current backlog of close to five years of sales revenue. In addition, the group has entered into long-term partnerships with foreign customers aimed at promoting closed fuel cycle technologies via technology transfers, support, and feasibility studies.

The processes developed and implemented by the group in the closed cycle are fully demonstrated and have achieved production maturity. The group intends to promote this option to countries with nuclear power programs and to their nuclear power plant operators, and aims to achieve even better operating performance and cost-effectiveness with its innovative processes.

There are strong barriers to market entry, given the complexity of the closed fuel cycle and the long duration of the decision-making process. In particular, the market requires major development of advanced technologies.

The business units spend approximately 4% of their sales revenue on R&D to maintain their technological leadership and optimize their production facilities.

Treatment and recycling is also conducive to non-proliferation. In fact, AREVA can offer global services consisting of removing used fuel as soon as it is unloaded from a power plant in order to produce MOX fuel.

Treatment and recycling also allows nuclear materials inventories to be built up for use in future Generation IV reactors.

The Back End division's goal is to consolidate its world leadership position. Its strategy follows six lines of action:

- **Reinforce the used fuel treatment and recycling business in France.** The group is working to strengthen and extend its backlog with French and foreign utilities.
- **Capitalize on its closed cycle technologies in markets worldwide.** The group plans to develop back-end technologies by working closely with authorities in countries seeking to develop treatment and recycling facilities of their own. This strategy has already produced two major projects:
 - In Japan, an important technology transfer program has been in place with the Back End division's Japanese partners since 1987. The technologies developed in this field have

culminated in the construction of a used fuel treatment plant by Japan Nuclear Fuel Limited (JNFL) in Rokkasho Mura, Japan, a sister to the La Hague plant. Commercial start-up is scheduled for 2008 with capacity set at around 200 tWhr/yr, or the equivalent of 800 MTHM/yr. AREVA's relationship with JNFL is continuing via start-up assistance for the Rokkasho Mura plant through the end of 2007. AREVA is also transferring technology for MOX fuel fabrication and proposes to assist JNFL during the design, construction and operation of its future MOX plant.

– In the United States, the AREVA group's treatment and recycling technologies form the basis of the "MOX for Peace" project, which involves building a MOX fuel fabrication facility in the United States to recycle US defense plutonium for the US Department of Energy (DOE). With regard to treatment, the US administration opted for the open ("once-through") cycle in the 1970s as a response to the risk of proliferation. Following the enactment of the Energy Bill in August 2005, and concurrent with pressures on energy supplies, interest in the long-term development of nuclear power has revived. The DOE's Global Nuclear Energy Partnership (GNEP) launched in February 2006, for example, reopens the treatment and recycling option, seen as an opportunity for the United States to increase Yucca Mountain's disposal capacities, recover reusable materials in a controlled manner, and reduce the risk of proliferation. In August 2007, AREVA, teamed with MHI, JNFL, Washington Group, BWXT and Battelle, was selected along with three other US and international teams to provide its assessment of potential commercial models to the DOE.

The group also signed a contract with China in November 2007 to perform a feasibility study on a treatment and recycling plant in China.

- **Strengthen its leadership position in the used fuel storage market.**

This relates in particular to the Logistics business in the United States and involves strengthening the group's current positions while preparing for the reopening expected in the used fuel transportation market, most notably by developing new dual-purpose casks for storage and transportation.

- **Market products and services related to the transportation of fuel and nuclear materials.**

This is a strategic objective of the Logistics business unit, which must be capable of overseeing and ensuring the safety of all of the group's nuclear materials transportation, both for the front end and the back end of the cycle.

- **Provide engineering for the group's new projects.**

During the initial phase of the nuclear revival, the group wants to develop its capabilities throughout the cycle. Supporting these developments is a strategic objective of the Engineering business unit, not only for the group's projects, but also for expanding the synergies with the group's other engineering entities.

- **Manage the progress of the division's dismantling operations.**

This is a field in which the group is active internationally as well. For example, it is a member of a team with Washington Group and AMEC to manage the closure of the Sellafield site in Great Britain.

4.6.1. Treatment and Recycling business units

4.6.1.1. Key data

<i>(in millions of euros)</i>	2007	2006
Sales revenue	1,363	1,552
Workforce at year end	5,751 employees	5,797 employees

4.6.1.2. Businesses

AREVA is the world leader in the used fuel treatment and recycling market, with more than 30 years of experience in the back end of the nuclear cycle. The group uses processes to extract new energy resources from used nuclear fuel.

After fuel has been used in the reactor, 96% of its content consists of recyclable materials: 1% is plutonium and 95% is uranium. Used fuel treatment consists of separating these reusable materials from final waste, which will be packaged. Most of the radioactivity in used fuel is contained in this final waste. The waste is packaged in a form safe for storage and transportation. Final waste packaging is also designed for high integrity during disposal in terms of containment and durability.

The materials are recovered from the used fuel through treatment so that they may be recycled. Some of the uranium is recycled into fuel; the remainder is stored in stable form, constituting the equivalent of a uranium stockpile. The plutonium is used to fabricate another type of fuel: MOX, a mixture of uranium and plutonium oxides. AREVA is the world's leading producer of MOX.

In line with their commitment to sustainable development and environmental protection, the Treatment and Recycling business units also provide cleanup of equipment and facilities and dismantling of sites after closure. The goal is to enable reuse of the site.

4.6.1.3. Manufacturing and human resources

Treatment

Most of the Treatment business unit's operations are conducted at two plant sites, the La Hague site in northern France and the Marcoule site in southern France.

THE LA HAGUE SITE

The world's most advanced treatment technologies are in use at AREVA's La Hague site, which treats used fuel from French and foreign power plants and from research reactors.

The La Hague plant has two production lines, UP2 and UP3, which currently have a combined treatment capacity corresponding to the generation of 450 TWh/yr of electricity, i.e. 1,700 metric tons of used fuel per year.

THE MARCOULE SITE

At the Marcoule site, AREVA is cleaning up and dismantling nuclear facilities that have reached the end of their service lives and operates various industrial units. The rehabilitation operations launched in 1998 are the first of this scale in the world.

The Marcoule plant is the CEA's leading partner for these operations under an industrial partnership agreement valid through 2015 and existing contracts running through the end of 2010.

Recycling

The Recycling business unit has two production sites in France.

MELOX SA

The Melox plant is the world leader in the MOX fuel fabrication market.

AREVA filed a license application in 2004 to increase production to 195 metric tons of heavy metal (MTHM) per year to meet growing demand. The application, part of AREVA's strategy of consolidating all its MOX fuel fabrication operations at the Melox plant, was the subject of a public inquiry conducted from April to June 2006. The inquiry culminated with the granting of the license decree on April 26, 2007, authorizing Melox to raise throughput from 145 to 195 MTHM per year to meet customer requirements and expectations regarding fuel management.

THE CADARACHE SITE

The AREVA Cadarache plant ceased commercial production on July 16, 2003 and is now performing two different types of operations:

- repackaging and removal of reusable materials from previous fabrication operations for recycling, a task that will be completed in June 2008, and
- cleanup and dismantling of facilities prior to their transfer to the CEA.

The site has been conducting cleanup and equipment dismantling since 2003 to prepare for the start of large-scale dismantling operations, expected to begin in 2008 and to continue through 2012.

The operating experience from these operations is being applied to technical modifications to the Melox plant and will be used to optimize future MOX fuel fabrication plants elsewhere in the world.

4.6.1.4. Market and competitive position

The world market for used fuel treatment and recycling is very concentrated and highly regulated by technical and regulatory requirements. The market's main features are:

- a concentrated industry with a limited number of suppliers of treatment and recycling facilities,
- a very high level of technological expertise,
- extremely high development costs for substitute technologies,

- capital-intensive operations,
- stringent emissions and environmental impact requirements, and
- a limited number of customers, for whom services are performed under long-term contracts.

The installed capacity of the La Hague plant and AREVA's vast experience rank the group number one worldwide in treatment. Britain's BNG and Russia's FAAE (Rosatom) are the next largest producers.

Worldwide treatment and production capacities in 2007

(In MTHM/year*)	Installed capacity	2007 production	Cumulative production
La Hague, France	1,700	946	23,646
Sellafield-Thorp, United Kingdom	900	0	4,000
Chelyabinsk East, Russia	400	100	4,100
Subtotal for 2007	3,000	1,046	31,746
Rokkasho Mura, Japan**	800	212	303
Total 2007	3,800	1,258	32,049

* MTHM/year = metric tons irradiated heavy metal/year.

** Production figures for the Rokkasho Mura plant (91 MT in 2006, 212 MT in 2007) relate to the active testing phase preparatory to commercial start-up.

Sources: AREVA, World Nuclear Association, IAEA, BNFL, JNFL.

In the recycling field, the AREVA group is now the world's leading producer of MOX fuel, with licensed annual production of 195 MTHM.

In 2007, about 130 metric tons of MOX were produced worldwide, including 125 MT at the Melox plant. This corresponds to a market

share for the AREVA group of approximately 96%. The year was characterized by a variety of customers and fuel designs, for which Melox conducted numerous certifications to plan production for the 2008-2009 period.

Worldwide recycling and production capacities in 2007

(in metric tons/year)	Installed capacity	2006 production	2007 production	Cumulative production
AREVA-Cadarache, France	Shut down in July 2003	0	0	345
AREVA-Melox, France ^(a)	145 MTHM	145	125	1,300
Belgonucléaire-Dessel, Belgium ^(b)	40 MTHM	19	0	664
BNFL-Sellafield, United Kingdom ^(c)	120 MTHM	3	5	30
Total in 2007	305 MTHM	167	130	2,339
J-MOX, Japan	100 MTHM ^(d)	-	-	-
Total	405 MTHM	-	-	-

(a) Melox plant: licensed capacity of 195 MTHM per year since April 2007.

(b) Production shut down in mid 2006.

(c) AREVA estimate based on data published by the Nuclear Decommissioning Authority (NDA).

(d) Plant in the design stage.

4.6.1.5. Relations with customers and suppliers

Customers

The Treatment and Recycling business units' leading customers are utilities as well as operators, organizations and institutions in charge of managing the back end of the cycle, particularly in France, Germany, Japan, Switzerland, Belgium, the United Kingdom and the Netherlands.

In collaboration with the group's other business units – particularly the Logistics, Chemistry and Fuel business units – the Treatment and Recycling business units offer customers integrated services covering transportation, treatment, and the fabrication and sale of MOX fuel. EDF is the largest customer in terms of volume for both business units.

The United States, Japan and the United Kingdom are also interested in the Treatment and Recycling business units' technologies for their fuel treatment and/or fuel fabrication plant construction projects.

Suppliers

AREVA's La Hague and Melox plants call on a large number of suppliers for operations that are not part of the AREVA group's core business. These companies undergo a very demanding selection process and are closely supervised, particularly in areas requiring technical expertise and that must meet health, security, safety and environmental requirements.

4.6.1.6. Operations and highlights

Treatment

OPERATIONS

With a total of 946 MT in 2007, production was down at the La Hague plant compared with 2006 due to production postponements in the unloading, shearing and vitrification operations. A total of 770 canisters of vitrified waste and 1,408 containers of compacted waste were produced in 2007. The last of the vitrified waste from Japan was returned to that country.

At Marcoule, as the CEA's leading industrial partner, AREVA continued to provide:

- cleanup and dismantling operations as prime contractor, and
- nuclear and non-nuclear industrial facility operations, including waste packaging, effluent treatment and decontamination.

All of these missions were carried out under the umbrella of the 2005-2010 multi-year agreement, valued at more than 1 billion euros.

MARKETING AND SALES

AREVA is working with EDF to develop a contract for the future treatment and recycling of EDF's used fuel and for the retrieval and packaging of legacy waste.

The contract is expected to include aspects related to the final shutdown and dismantling of the La Hague plants, for which EDF bears part of the cost, in exchange for a lump sum payment.

Internationally, AREVA signed a contract with Sogin of Italy for the treatment of 235 metric tons of used fuel stored in two reactor buildings in Italy. Six metric tons of Italian used fuel were delivered in late 2007 and will be treated in 2008.

Pursuant to the technology transfer agreement signed by AREVA and JNFL of Japan in 1987, 212 MT of fuel had been treated as of the end of 2007 as part of the Rokkasho Mura plant's active testing activities.

The plant had ramped up throughout 2007 and 74 performance guarantees – throughput, releases, product quality, etc. – had been achieved by year end.

In the third quarter of 2007, JNFL and AREVA signed another agreement for a long-term partnership to promote the recycling of used fuel internationally while collaborating on improving the industrial performance of their respective plants.

As part of the agreement signed with British Nuclear Group (BNG) of the United Kingdom in March 2005, AREVA is providing assistance to improve the productivity of the vitrification facility at the Sellafield plant as well as support services related to the start-up and operating control of the vitrification process over a four-year period.

Recycling

MELOX SA

Melox confirmed its world leadership position in the MOX market with close to 1,300 MT fabricated since plant start-up to the end of 2007, bringing the total number of assemblies delivered to the Recycling business unit's customers to 5,000 since 1972.

An important milestone in restarting the Japanese MOX program was reached in 2006 with AREVA's signature of three MOX fuel supply contracts for deliveries over the 2007 to 2020 period. Production under these contracts began in 2007. Fabrication of the first MOX fuel for the Japanese power company Kyushu began in October, following finalization of the equipment certification phase developed to meet the specifications of fuel designer and vendor MHI.

On December 26, 2007, France's Nuclear Safety Authority (ASN) authorized equal status for MOX and UO₂ fuel in EDF's nuclear reactor fleet.

With the "MOX Parity" program, AREVA supplies EDF with enhanced MOX fuel whose performance has been raised to the level of standard UO₂ fuel.

The new MOX delivers energy in the reactor over four annual cycles rather than the previous three and achieves 52,000 MWd/MT rather than the previous 43,000 MWd/MT, as standard UO₂ fuel has been doing for several years.

The ASN authorization delivered to EDF enabled the fabrication of the first reload of 12 assemblies at the Melox plant and their loading in unit 1 of EDF's Tricastin nuclear power plant in April 2008.

The new fuel features:

- M5 cladding, an improved alloy compared with zircalloy 4, and
- a higher plutonium assay in the MOX pellets, which was raised from 7% to 8.65%.

This was a decisive moment for the future of MOX, and the Melox plant and Fuel business unit were equal to the challenge. The authorization was a critical milestone for EDF, which has worked hard alongside AREVA to secure MOX/UO₂ parity for its reactor fleet.

THE CADARACHE SITE

Following ASN's decision of March 21, 2007, the Cadarache site mobilized considerable resources to meet the deadline of June 30, 2008 for completing all repackaging and removal operations for reusable materials from former production. By then, all of the materials must have been shipped to the AREVA La Hague site for storage pending recycling. The treatment and conditioning of these reusable materials called for special capabilities and additional personnel from the Melox plant. The operations were on schedule, despite the technical difficulties encountered due to the properties and quality of the very old materials to be repackaged.

Once these operations are completed and the final shut-down and dismantling decree has been published, with the latter expected at the end of 2008, site operations will be limited to cleanup and dismantling, which will continue through 2013. As of the end of 2007, the program for initial cleanup and equipment removal was 15% complete.

TECHNOLOGY TRANSFER

Under arms control agreements between the United States and Russia, each country agreed to eliminate 34 metric tons of surplus defense plutonium by using it to fuel civilian nuclear reactors.

The United States chose AREVA's plutonium recycling and MOX fabrication technology and skills. The US government began construction of the MOX Fuel Fabrication Facility (MFFF) at the Savannah River site in South Carolina on August 1, 2007. Construction is being carried out by the Shaw AREVA MOX Services team (SA MOX). A hundred AREVA employees are working on the project.

In addition, four lead MOX assemblies fabricated by the Recycling business unit in 2005 as part of the Eurofab project are in their second irradiation cycle in one of the reactors at Duke Energy's Catawba plant in South Carolina. The second cycle will end in mid-2008 and will be followed by examinations before reloading.

In November 2007, the US-Russian arms control agreement was supplemented by an agreement confirming the start of plutonium incineration in fast neutron reactors in Russia.

4.6.1.7. Research and development

Treatment

Under the umbrella of the agreement between AREVA and the CEA, installation and preliminary testing of the cold crucible, a new generation of melter for the vitrification facility, will begin in 2008. The new melter will broaden the range of vitrification applications to include more waste types.

R&D on the COEX™ process for the co-extraction of uranium and plutonium ramped up in 2007. A patent was registered in November 2007 to protect the process, which is critical to future treatment and recycling plant projects in the United States and China.

Recycling

The Recycling business unit's research and development programs focus mainly on new products and technologies.

- **In the new products field**, the Recycling business unit is supporting programs carried out under the tripartite agreement between the CEA, EDF and AREVA aimed at achieving a MOX assembly burn-up rate comparable to that of uranium assemblies. As part of this program, Melox will fabricate lead fuel rods that will be subjected to several irradiation cycles in one of EDF's PWRs.
- **In the technology field**, the Recycling business unit's activities center on preparations for adapting Melox processes, primarily to accommodate new MOX fuel designs.

In addition, an R&D program for process optimization conducted jointly by Melox and AREVA's UO₂ fuel fabrication plants led to the selection of the uranium oxide powder (UO₂) produced with the dry conversion process used in the Lingen plant in Germany. It should ultimately replace the powder produced with the wet process at AREVA Pierrelatte's TU2 plant.

4.6.1.8. Sustainable development

Treatment

At La Hague, the Orcade project involving the dismantling of the UP2-400 plant and retrieval of legacy waste continued to ramp up. The license application for the final shut-down and dismantling of the receiving, storage, shearing and dissolution facilities of the UP2-400 plant was filed in early 2008. The public inquiry is expected to take place in 2008.

The trio of quality, health & safety, and environmental certifications was renewed at the AREVA La Hague plant.

4.6. Back End division

At Marcoule, AREVA is developing the “Marcoule 2006/2015” industrial project, which calls for AREVA to continue in its role of leading industrial partner to the CEA at the Marcoule site and to demonstrate to stakeholders of the nuclear industry that the back end of the cycle is under control on the technical, economic and social levels.

In this regard, the Marcoule site strengthened its sustainable development initiative in 2007, in particular through:

- continuation of the Project Organization Committees, which enable employees to get actively involved in organizational changes affecting them;
- receipt of all three certifications in March 2007: ISO 9001 for quality, ISO 14001 for the environment, and OHSAS 18001 for occupational safety; and
- good results from the first year of existence of an employee suggestions system aimed at stimulating individual and collective creativity to introduce new ideas and contribute to sustainable performance.

Recycling

Following through on its continuous improvement initiative, the Recycling business unit received OHSAS 18001 certification for both the Melox site and the AREVA Cadarache site in 2006. This is the international reference in occupational health and safety management systems.

Both entities are engaged in an integrated effort to secure the trio of health and safety, quality, and environmental certifications, of which the OHSAS 18001 certification is a part.

Also during the year, an employee suggestions system was set up to stimulate individual and collective creativity concerning health, occupational safety, quality and the environment, thus helping to improve sustainable performance.

4.6.1.9. Outlook and development goals

With the nuclear revival gaining momentum and the resulting increase in nuclear fuel usage, utilities are reassessing their used fuel management strategies and are becoming interested in treatment and recycling.

With the Global Nuclear Energy Partnership (GNEP) initiative started in February 2006, the US administration confirms that nuclear power must play a major role in meeting growing demand for energy around the world. It also constitutes recognition of treatment and recycling, which aim to recover the energy content of used fuels and minimize final waste, as a solution for the sustainable development of nuclear power.

In September 2006, AREVA responded to a request for expressions of interest from the DOE. At the end of 2007, the DOE selected the International Nuclear Recycling Alliance (INRA) led by AREVA and Mitsubishi Heavy Industries, Ltd, to perform exploratory studies. Other team members are Japan Nuclear Fuel, Ltd, Washington Group International, BWX Technologies, Inc. and Battelle.

Also for the DOE, AREVA is currently building the MOX Fuel Fabrication Facility at the Savannah River site in Aiken, South Carolina, in partnership with the Shaw group. This project falls within the framework of agreements signed between the United States and Russia to “demilitarize” 34 metric tons of surplus defense plutonium by recycling them in the form of fuel for civilian use.

Like the United States, many countries are once again considering used fuel treatment and recycling. The contract signed in April 2007 with the Italian firm Sogin to treat 235 MT of used fuel is a strong sign of the renewed interest in treatment and recycling technology.

In November 2007, a global contract was signed with China, part of which provides for feasibility studies for the construction of a used fuel treatment and recycling plant in China.

In 2008, the goal of the Treatment and Recycling business units is to continue its technology transfer programs with the United States and Japan and to promote treatment and recycling technology around the world.

4.6.2. Logistics business unit

4.6.2.1. Key data

<i>(in millions of euros)</i>	2007	2006
Sales revenue	218	180
Workforce at year end	874 employees	802 employees

4.6.2.2. Businesses

The Logistics business unit operates in two main areas:

- the design and management of the fabrication of casks and other specialized equipment to transport and/or store nuclear materials in the front end and back end of the fuel cycle as well as from research reactors; and
- the organization and execution of nuclear materials transportation, including management of the related transportation fleet.

4.6.2.3. Manufacturing and human resources

Given the international nature of its business, the Logistics business unit has locations in three of the world's major regions:

- in Europe, where the business unit's leading entity, TN International, has expertise in every aspect of logistics, possesses a large fleet of shipping casks, and carries out nuclear materials transportation, in particular through its subsidiaries LMC and Mainco;
- in the United States, home of its subsidiaries Transnuclear Inc. and PacTec, which specialize in the design and sale of storage and transportation casks; and
- in Japan, where its subsidiary Transnuclear Ltd specializes in engineering, transportation management, maintenance and sales of casks at power plant sites.

4.6.2.4. Market and competitive position

The business of nuclear materials transportation and of the design of transportation and storage casks for nuclear materials is characterized by:

- the wide variety and large number of materials involved,
- the competitive and global nature of the market, and
- the existence of stringent, ever-changing regulations specific to each transportation mode and to each country.

The business unit's sales revenue for 2007 was divided among North America (25%), France (29%), Asia (22%), Germany (6%) and other European countries (18%).

The market in which the Logistics business unit operates focuses on the needs of utilities with nuclear reactors and of industries in the nuclear sector, such as mining or enrichment. It also includes the special needs of nuclear research centers/laboratories and research/test reactors.

Storage capacity requirements and the type and volume of materials transported vary from one country to the next, depending on installed nuclear generating capacity, the availability of fuel cycle facilities, and the back end option chosen by the utilities.

- In Europe, in addition to EDF in France, most nuclear utilities turn to the Logistics business unit to transport their nuclear materials, from natural uranium to final waste. In the back end of the cycle, EDF is the leading shipper of used fuel, which it ships to the AREVA La Hague treatment plant. Other operators also ship fuel to La Hague (the Netherlands, Italy and some research reactors). Political decisions concerning the back end of the fuel cycle (open cycle or postponement of decision) have created a large market for used fuel storage. The Logistics business unit is well positioned in this market, particularly in Belgium, Switzerland and Germany.
- In the United States, utilities do not presently recycle used fuel from their power plants. The government had committed to taking title to the fuel beginning in 1998 at a final repository (Yucca Mountain). The start-up date for the repository has been regularly postponed, but it should occur towards the end of the next decade. In the meantime, the utilities have a growing need for dry storage capacity at their power plant sites. Transnuclear Inc., the US entity of the Logistics business unit, is a leader in this market. Later, when the final repository becomes available, there will be substantial demand to ship used fuel to that facility. At the same time, the United States is leaning towards a closed cycle policy, which would also create opportunities in transportation.
- In Asia, the group's strongest presence is in Japan, which has opted for the treatment and recycling of its used fuel. That country's used fuel is currently treated in France and in the United Kingdom. The MOX fuel from recycling and waste from used fuel treatment must be shipped from Europe to Japan. To supplement treatment and recycling capacities currently being brought on line in Japan, used fuel storage capacities will be needed after 2010. This creates a market in which the Logistics business unit is aiming for a significant share.

The Logistics business unit is the world leader in both of its businesses and the only commercial entity to operate in every segment of the nuclear cycle on an international level. It has about 10 key competitors in the various segments of the market – transportation, brokerage, transportation systems, casks and equipment, and licensing – in the three leading regions of Europe, the United States and Japan.

4.6.2.5. Relations with customers and suppliers

Customers

The Logistics business unit's customers are nuclear operators seeking solutions for radioactive materials transportation in both the front end and the back end of the fuel cycle, as well as for materials storage.

Through its subsidiaries, the business unit counts as its customers the majority of the world's utilities, research reactor operators, fuel cycle companies and institutes, and nuclear research centers and laboratories.

Suppliers

The Logistics business unit conducts three types of procurement: cask fabrication, maintenance and transportation services. For cask fabrication, the Logistics business unit selects suppliers in the steel-making, boiler-making and machining industries. Strong and continually rising demand for mechanical construction makes it necessary to monitor worldwide production capacities closely. The equipment is maintained almost exclusively in AREVA NC's La Hague and Marcoule plants. The Logistics business unit uses suppliers of all modes of transportation (rail, road, sea, air).

4.6.2.6. Operations and highlights

Business was generally stable in the transportation field in 2007, marked by the beginning of shipments from Italy to France in connection with the contract to treat 235 MT of used fuel.

The Logistics business unit also initiated the design of new casks to meet European market requirements for transportation and storage.

The business unit strengthened its leadership position in the United States with the signature of 11 contracts to supply dry storage systems. Three of these contracts relate to or include services for on-site canister loading and transfer from the reactor pool to the storage module, indicating the growth of this service offering.

The business unit also formed a team dedicated to transportation oversight in North America and is preparing for the ramp-up of transportation operations on the continent.

In addition, the business unit rolled out a new organization in 2007 designed to strengthen its supervision of the AREVA group's transportation operations in France and around the world. The Logistics business unit is now the leading player in this field for all of the group's entities.

4.6.2.7. Outlook and development goals

The Logistics business unit is pursuing three major objectives:

- to support the closed fuel cycle development strategy of AREVA's Back End division,
- to oversee all of the AREVA group's transportation operations, and
- to bolster its world leadership position in transportation and storage for the front end and back end of the nuclear fuel cycle in Europe, North America and Asia.

In Europe, this means strengthening its already solid position in the storage market and expanding its shipping services for the front end of the cycle and for research/test reactors.

In North America, the business unit plans to maintain its leadership position in storage and to capture a significant share of the transportation market.

In Asia, the objectives are to conquer market share in storage and to expand to the intercontinental transportation market for the front end.

4.6.3. Cleanup business unit

4.6.3.1. Key data

<i>(in millions of euros)</i>	2007	2006
Sales revenue	98	107
Workforce at year end	2,376 employees	2,592 employees

4.6.3.2. Businesses

The Cleanup business unit provides global services and solutions to nuclear facility operators in several fields:

- outsourced operation of nuclear waste treatment facilities, particularly for low and medium level waste;
- cleanup and dismantling of shut-down facilities, in association with other AREVA business units;
- management and execution of jobsite logistics and/or support services at nuclear facilities and sites so that contractors can perform their work in compliance with all applicable nuclear safety, industrial safety and radiation protection regulations;
- special maintenance services, mechanical services, equipment handling, nuclear facility handling operations, and radioactive cleanup;
- consulting and/or project management services to nuclear operators concerning the selection of proven operations and maintenance solutions and for the design and execution of innovative operations;
- radiation protection and nuclear measurement services; and
- training for operations in a nuclear environment and skills management support to contractors.

4.6.3.3. Production and human resources

The majority of the business unit's operations involve workers in France who are deployed to customer sites. The business unit services practically all of the French nuclear sites.

The business unit invests heavily in employee training, with each employing receiving an average of 32 hours of training per year. In addition, a certification program leading to a Certificate of Qualification delivered by the Metallurgical Union has been in place since 2004 for jobs in dismantling and nuclear logistics.

The Cleanup business unit has expertise in the vast majority of techniques for low and medium level effluent and waste processing, volume reduction and safe packaging. Backed by its experience and its ability to innovate, the business unit is able to offer its customers cost-effective, demonstrated solutions.

The Cleanup business unit has operated the environmentally regulated Triade facility for more than 10 years. There, it maintains machinery and equipment used in controlled areas, recertifies equipment, and processes low level waste for its own account or for its customers. The business unit also makes facilities available to customers so that they may maintain their equipment in a secure environment.

4.6.3.4. Market and competitive position

The Cleanup business unit operates almost exclusively in the French market, which represents about 500 million euros a year. Less than 2% of its sales come from the export market.

The Cleanup business unit is the leader in France, with a market share of close to 31%. Its main competitor is the Onet group, followed by the nuclear divisions of the Suez, Vinci, Spie and Bouygues groups.

Stiff competition and strong price pressures have prompted the Cleanup business unit to reconsider its commercial position, and it is now evolving towards global, higher value-added services that capitalize on the experience and skills of its seven companies.

4.6.3.5. Operations and highlights

The Cleanup business unit expanded its scope of services in 2007, particularly through:

- a contract with EDF for global site support services at the Cattenom and Tricastin sites;
- more complex facility dismantling contracts at the CEA's Cadarache, Fontenay-aux-Roses and Marcoule sites;
- renewal of the industrial facility operator contract for Andra's low level/medium level disposal site; and
- additional in-house services for the group's operating sites (La Hague, Eurodif, SICN, etc.).

4.6.3.6. Relations with customers and suppliers

Customers

Most of the Cleanup business unit's customers are French nuclear companies: utilities, fuel cycle companies, and companies that work with nuclear waste, such as AREVA, Andra, the CEA and EDF. In the fall of 2007, the business unit conducted a customer satisfaction survey of 150 French and foreign customers, and received high scores for its responsiveness, technical and organizational professionalism, targeted studies and the quality of its customer relations.

Suppliers

In line with the AREVA group's master procurement plan, the Cleanup business unit is rolling out its long-term partnership-based subcontracting plan, with activities under way concerning Freyssinet, OMS, Ortec and Aris. This outsourcing plan is geared towards optimizing the existing supplier list and retaining suppliers so that the Cleanup business unit can offer customers global, integrated services in support of industrial operations.

4.6.3.7. Sustainable development

The Cleanup business unit continued to deploy its total quality management initiative 2007. Three new legal entities were certified in 2007, and a plan to secure dual quality and safety certification for all of its operations was launched as part of an integrated management system for the entire business unit.

4.6.3.8. Outlook and development goals

The business unit has been growing at a rate of more than 5% per year since 2004. This positive trend is linked to new customer requirements, including greater reliance on outsourcing of operations and delegation of more responsibility to service providers.

In the mid term, the Cleanup business unit will grow by continuing to widen the scope of its offering, offering higher value-added services and increasing its attractiveness to customers. Underpinning our global offering will be our in-house skills and the development of partnerships for operations for which we are not the dominant supplier.

4.6.4. Engineering business unit

4.6.4.1. Key data

(in millions of euros)	2007	2006
Sales revenue*	59	69
Workforce at year end	1,393 employees	1,252 employees

* Contribution to consolidated sales. Inter-business unit sales represent the majority of the business unit's sales.

4.6.4.2. Businesses

The Engineering business unit draws on the synergies between SGN and Mécachimie in:

- nuclear fuel cycle engineering, and
- mechanical systems integration.

The Engineering business unit provides new facility design and construction services to worldwide nuclear operators as well as plant modifications and optimization of existing facilities. It also provides operating support in areas such as safety analysis, modeling and equipment maintenance.

The business unit operates primarily in the front end and back end of the nuclear fuel cycle. Its engineering services encompass every stage of the plant life cycle:

- process development;
- design and installation of special equipment;
- project implementation, including project management, procurement, construction, testing and start-up;
- operating support; and
- dismantling of sites and facilities.

The Engineering business unit's almost 50 years of expertise and process development for nuclear fuel cycle facilities translate into unique added value and operating experience for its customers.

Through its operating units in France and the United States, the Engineering business unit is active in every country with a nuclear power program. The Engineering business unit is a partner for commercial nuclear facility operators, directly or indirectly, in France and abroad.

In light of its rising workload and project diversification, the business unit is engaged in a proactive, sustained recruitment program aimed at augmenting skills in its core business and rejuvenating the age pyramid.

4.6.4.3. Manufacturing and human resources

The business unit's personnel provide:

- engineering services, including design, procurement, construction management and testing;
- fabrication and assembly services as a mechanical systems integrator; and
- on-site construction management and start-up services, particularly in Rokkasho Mura, Japan.

The business unit also has a development and testing laboratory in northern France. The Engineering business unit is active in the United States via project teams that are providing support to the MOX fuel fabrication facility (MFFF) funded by the DOE.

In France, the business unit has three regional offices in Saint-Quentin-en-Yvelines, in northwestern France near the La Hague plant, and in southeastern France near the Marcoule and Pierrelatte sites.

4.6.4.4. Market and competitive position

The Engineering business unit is a major player in nuclear fuel cycle engineering at the international level. This highly competitive market is spread out over several geographical areas and divided between the front end of the fuel cycle, involving uranium chemistry and enrichment, and the back end of the fuel cycle, involving treatment and recycling, facility dismantling and waste management. The business unit is the world leader in engineering for uranium defluorination (front end) and treatment and recycling (back end).

The revival of nuclear power throughout the world has created an upsurge in demand for engineering services as new design and construction projects are launched, particularly in the front end of the cycle, with the construction in France of the Georges Besse II enrichment plant and new uranium chemistry capabilities and, in Russia, the defluorination plant. The market in the back end of the cycle, excluding projects for the group, primarily involves optimization of existing plants and lifecycle extension, as is the case for British Nuclear Group's Waste Vitrification Plant at Sellafield, and for waste management and dismantling projects.

4.6.4.5. Relations with customers and suppliers

Customers

The Engineering business unit's main customers in France are:

- AREVA internally, and more specifically the La Hague, Pierrelatte and Cadarache sites, where the Engineering business unit provides a local presence to the nuclear operator for services and is involved in all capital spending projects to improve production plant performance; and
- the CEA and EDF for dismantling and waste/effluent retrieval and processing, and Andra for waste management/disposal studies.

Internationally, the business unit's main customers are:

- the DOE in the United States for MOX fuel and waste management,
- the Nuclear Decommissioning Agency in Great Britain, and
- JNFL in Japan, where it supplies equipment and provides start-up assistance for the used fuel treatment plant in Rokkasho Mura.

Suppliers

The Engineering business unit seeks synergies with other AREVA group companies to satisfy the procurement requirements of its customers or for its own account. In France, outside the group, it uses a regularly audited supplier list for each speciality. Internationally, it searches for local suppliers and partners based on project requirements.

4.6.4.6. Operations and highlights

The Engineering business unit supports the group's international development, particularly in connection with technology transfer agreements in Europe, Asia and North America.

Asia

South Korea: Supply of key vitrification facility equipment and related systems to process radioactive waste from South Korean nuclear power plants.

Japan: The business unit is participating in the testing of the Rokkasho Mura plant conducted by JNFL. At the end of 2007, testing campaigns verified that the plant achieves daily throughput capacities for the shearing and dissolution of PWR and BWR fuel.

Europe

Russia: In association with the Chemistry business unit, the Engineering business unit continued to carry out design, process equipment procurement, installation supervision and testing connected with the construction of a depleted uranium defluorination plant in Siberia. As of the end of 2007, all equipment had been delivered and assembly and testing supervision had begun.

United Kingdom: The Engineering business unit joined the Treatment business unit to supply vitrification equipment as well as testing and personnel training services to British Nuclear Group's Sellafield plant.

France

For the AREVA group:

- The Engineering business unit is the prime contractor for construction of the Georges Besse II uranium centrifuge enrichment plant in Pierrelatte. An important project milestone was met in December 2007 with the delivery of the shared-access Centrifuge Assembly Building (CAB).
- In connection with the Comurhex II project, the business unit is providing design and project management services for the replacement and optimization of the uranium chemistry facilities at Pierrelatte and Malvési.

Business in facility dismantling at treatment sites is also picking up in tandem with programs for the final shut-down of the UP2 400 plant at La Hague and related waste retrieval operations as well as the establishment of an industrial organization consisting of AREVA NC, AREVA TA and SGN to carry out cleanup operations at the UP1 plant at Marcoule for the CEA.

North and South America

In the United States, the business unit continues design work for construction of the new US MOX fuel fabrication facility (MFFF), which will recycle defense plutonium. The Engineering business unit is participating with other group entities in the plant construction and testing phase, which began August 1, 2007.

In addition, the Engineering business unit is a party to the proposal submitted to the DOE by the International Nuclear Recycling Alliance (INRA), whose members are AREVA and American and Japanese partners. The proposal is for the design of a used nuclear fuel treatment plant and for an advanced fast reactor for fuel recycling.

4.6.4.7. Outlook and development goals

The Engineering business unit's workload grew by 10% from 2006 to 2007.

This growth stems largely from new construction, but also from lifecycle extension and optimization of the group's production plants. This level of workload is expected to continue over the short term, paralleling the group's major construction programs. In particular, the Engineering business unit will deploy the necessary resources to provide project management support for the Mining business unit's uranium production capacity development projects in Africa.

At the same time, the Engineering business unit plans to pursue international business in support of AREVA's development and cooperation projects in China and the United States.

4.7. | Transmission & Distribution division

Key data

(in millions of euros)	2007	2006
Sales revenue ⁽¹⁾	4,327	3,724
Operating income	397	191
Workforce at year end	25,248 employees	22,988 employees

(1) Contribution to consolidated sales.

2007 sales revenue by business unit⁽²⁾ and region

49% - Products

11% - Automation

8% - Services

32% - Systems



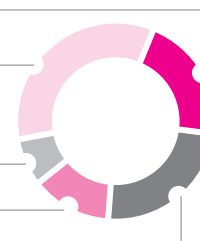
21% - Africa and Middle East

34% - Europe (excluding France)

8% - France

13% - North and South America

24% - Asia-Pacific



(2) Sales by the Products, Services and Automation business units via the Systems business unit are recognized by the latter.

Overview

The Transmission & Distribution division, representing 36% of AREVA's sales in 2007, manufactures, installs and maintains equipment and systems for the medium and high voltage markets. Its products are used to transmit and distribute electricity from the power plant to the end-user. They also ensure electricity distribution reliability, quality and safety, and efficient power supply system operations through real-time information management. The related services offer a high quality resource supporting the division's products and systems throughout their lifecycle.

The Transmission & Distribution division is organized into four business units:

- the Products business unit designs and manufactures medium and high voltage products;

- the Systems business unit supplies turnkey transmission and distribution projects;
- the Automation business unit manufactures and installs solutions for real-time power grid control and operation; and
- the Service product line provides maintenance services.

The Transmission & Distribution division was ranked third worldwide in its markets in 2007, based on sales revenue. The division's recognized expertise and the support it receives from the AREVA group bolster this position. The Transmission & Distribution division is one of the world's three global players, covering the full range of medium and high voltage products and services in every region of the world.

Strategy and outlook

AREVA's Transmission & Distribution division possesses key technologies and know-how that enable it to consolidate its position and take advantage of growth opportunities. It has a solid manufacturing base and its expertise is well known to its customers. Demand is growing in the division's markets due to:

- rapid power system development in emerging countries, including China, India and Middle Eastern countries;
- grid strengthening and rejuvenation in countries where the transmission and distribution infrastructure is already well developed (Europe, United States, Russia); and
- demand for grid interconnection and management as a result of deregulation.

The Transmission & Distribution's business strategy focuses on three major areas, discussed below.

Continuing our efforts to boost productivity, launched under our initial optimization plan

The 2004-2007 optimization plan was built around four key performance drivers: procurement, business process improvement, industrial redeployment, and optimization of our business portfolio. This plan resulted in the spectacular recovery of profitability in the Transmission & Distribution division, one year ahead of schedule, with return on capital employed now equivalent to that of its principal competitors.

These performance drivers are now routine and are enabling the division to increase its competitiveness continually. They are also generating more resources to invest in this dynamic market.

Accelerating profitable organic growth

The division plans to strengthen its marketing efforts to capture a large share of the investments to be made in this sector in the coming years. These efforts will continue to focus on fast growing markets, in particular China and India. The division also plans to double its business with electricity-intensive industries, typified by the joint venture it signed with aluminum producer Rusal.

To ensure profitable growth, the expected increase in orders requires selectivity in commercial proposals, improved service quality, and optimization of committed costs.

To support strong market growth, the division plans to increase its capital spending by 50% over the 2007-2009 period in relation to the 2004-2006 period. Above all, Capex will target increased production capacities in fast growing regions (China and India) as well as in Europe. In addition, the division will invest greater resources in R&D to set us apart even more from our competitors, with an emphasis on ultra high voltage applications.

Assessing and seizing targeted external growth opportunities

The division plans to pursue its strategy of targeted acquisitions to strengthen its presence in certain market segments and in certain regions. The strategy is also to secure the supply of key components at a time when strong market growth is putting pressure on every segment of the supply chain.

Consistent with this strategy, AREVA established two joint ventures in China:

- a joint venture with Sunten Electric Company, which should enable the T&D division to become number one in China for dry-type distribution transformers; and
- a joint venture with aluminum producer Wuxi to produce key components for gas-insulated transformers in China.

The 2007 acquisitions of Passoni & Villa, which specializes in power transformer bushings, and of VEI Power, an Italian company specialized in secondary distribution products, continues in this vein.

Together, these measures are helping the division to meet its goals:

- to become the preferred supplier to utility customers,
- to become the world leader in each of the division's product lines,
- to accelerate growth in China and India while strengthening our positions in Europe,
- to become the undisputed leader in ultra high voltage, and
- to increase market share with electricity-intensive industries.

Market and competitive position

Market segmentation

AREVA estimates the worldwide market for transmission and distribution at 52 billion euros in 2007.

The Products business unit's market represents more than half of the total transmission and distribution market. Its market is growing, driven mainly by switchgear, and especially by high and medium voltage transformers (Power Transformers and Distribution Transformers product line). The Systems market is fueled by growing demand for power electronics applications, including high voltage direct current links and interconnections. The Service market is buoyed by rising demand for high value-added offerings that supplement these of the Products and Systems business units.

Electricity transmission involves dispatching electricity from the power plant over long distances at voltages generally ranging from 52 kV to 800 kV. The demand for transmission is almost entirely from integrated power generating companies and power transmission utilities. Some industrial sites that use large quantities of electricity, such as aluminum producers, may be connected directly to the transmission grid.

Distribution involves delivering electricity to local low voltage distribution networks at medium voltages ranging from 1 kV to 52 kV.

Customers

The Transmission & Distribution division serves some 30,000 customers in 160 countries. The division has a sales network in 100 countries that maintains and coordinates customer relations for all of the division's products, systems and services. The sales force of 1,200 associates is divided among 9 regions.

The Transmission & Distribution division's customers belong to one of five main categories:

- integrated power companies that manage the entire process of electricity generation, transmission and distribution, from the power plant to the end-user;
- transmission companies spawned by deregulation and the split between power generation and transmission and distribution operations in some countries;
- distribution companies that deliver power to the end-user and which may be privately owned or controlled by local municipalities;
- large industrial users of electricity that need the Transmission & Distribution division's expertise to supply power to their sites (oil and gas, mining and metals, etc.); and
- infrastructure companies, such as airports and railway systems, which turn to the Transmission & Distribution division for their turnkey electrical distribution projects.

Electric utilities account for 46% of the demand for distribution products and systems, while manufacturing and the service sector account for 54%.

Growth engines

A combination of structural factors determines demand for power systems in the Transmission & Distribution division's market:

- **Electricity consumption:** Meeting growing demand for electricity from the population, from the emergence of new urbanization and from industry requires:
 - Power grid expansion: Significant investment will be needed to transport increasing quantities of energy to satisfy user demand, particularly in China and India, where economic growth and demographics are rampant;
 - Interconnection development: Large infrastructure projects will ensure the safety and reliability of power supply from the generating station to areas of demand. The development of electricity exchanges and efforts by government to ensure security of energy supply require the creation of large, dense, completely secure power systems.
- **Security of supply:**
 - Renewables and Flexible Alternative Current Transmission Systems (FACTS): These technologies help electric systems cope with the increasing burden created by optimization of electric power supply transmission, distribution and quality.
 - Conversion to digital: Grid operations are increasingly automated to respond to electricity market growth, to meet supply quality and reliability requirements, and to integrate decentralized power generation from sources such as wind turbines or biomass.
 - Infrastructure replacement: A significant proportion of capital investment requirements is dedicated to replacing aging infrastructure, particularly in Europe and the United States.
- **Changes in the power sector:**
 - Deregulation: The development of competitive markets stimulates capital investment in power systems, as long as this investment can be covered by reasonably clear and stable rate regulations (which generally happens after a period of transition).

The combination of these factors is impacting the transmission and distribution market favorably and is conducive to steady growth in investment.

Market trends

The transmission and distribution market experienced strong growth in 2007. After steady growth of around 11% in 2006, the sector benefited from the good health of the world economy, strong growth in emerging countries like China and India, Russia's comeback, and the large amount of capital investment in industries such as oil and aluminum.

Group estimates put worldwide growth in the transmission and distribution market at 13% in 2007. Market growth should be sustained by growing investment requirements in North America, the European Union's commitment to developing reliable inter-connected power systems, and steady demand for electrical infrastructure from emerging countries.

Three big players were able to take advantage of this growth and dominated the market in 2007: AREVA T&D, ABB and Siemens. Together, they have captured more than 50% of the total market today, as compared with 40% four years ago. Recent acquisitions are also a sign of the sector's vitality, which tends towards consolidation.

Geographically, the market was most dynamic in emerging countries in Asia, particularly China and India, in Africa, and in the Middle East in 2007.

- Europe represents close to 23% of the market. The need to strengthen and interconnect power grids and the development of renewable energies will have an impact on the transmission and distribution market in Western Europe. There is a potentially large market in Central Europe and Russia arising from the replacement of existing equipment and regional economic growth.
- North and South America represent 17% of the market. In the United States, a combination of factors should have a favorable impact on investment in transmission and distribution, most notably increased investment in generation, replacement of the aging installed base, and policy commitment to developing secure power systems.
- The Asia-Pacific region represents 42% of the market. China and India have the best potential for growth in all market segments.
- Africa and the Middle East represent 18% of the market. Major transmission projects (interconnections) will be a source of growth.

4.7.1. Products business unit

4.7.1.1. Key data

(in millions of euros)	2007	2006
Sales revenue ⁽¹⁾	2,581	2,161
Workforce at year end	14,450 employees	13,076 employees

(1) Before inter-business unit sales eliminations.

4.7.1.2. Businesses

The T&D division's Products business unit designs, manufactures, markets and installs a complete range of high and medium voltage products to transmit and distribute electricity, from the power plant to the end-user.

Generally speaking, electricity is generated at medium voltage (12 kV to 36 kV). Its voltage has to be stepped up to 132 kV to 800 kV to minimize energy losses during long distance transmission. The voltage is then gradually decreased in the distribution networks as it gets closer to the end-user. The business unit's products are installed in every grid point and primarily serve to raise or lower voltage, insulate and connect circuits, and measure current and voltage in real time.

The business unit supplies equipment for:

- high voltage electricity transmission (52 kV-800 kV): conventional switchgear, shielded substations, instrument transformers and power transformers;
- primary and secondary medium voltage distribution (1 kV-52 kV): compact transformer substations, distribution transformers, disconnectors, circuit breakers, engine starting cells and lightning protection systems.

The Products business unit is organized into nine product lines:

- power transformers,
- distribution transformers,
- circuit breakers,
- generator circuit breakers,
- gas insulated switchgear (GIS),
- instrument transformers,
- disconnectors,
- primary distribution, and
- secondary distribution.

4.7.1.3. Manufacturing and human resources

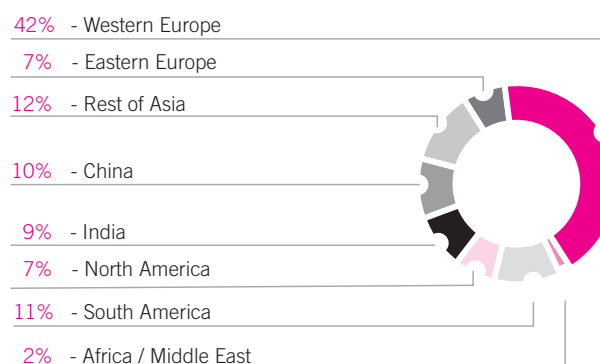
In 2007, the Products business unit launched a major program to increase its production capacity while continuing efforts begun in 2006 to standardize product lines, renew its catalogue of products, and streamline and improve manufacturing processes.

The 9 product lines manufacture at 56 sites around the world, including:

- large manufacturing and assembly sites strategically located near major electricity transmission and distribution markets, and
- smaller sites dedicated to final product adjustments based on local customer requirements.

These plant sites are located in 25 countries, as shown in the figure below.

Manufacturing sites of the Products business unit at year-end 2007



The Products business unit has 14,450 employees worldwide, 56% of whom are in Europe. Skilled workers make up 55% of the workforce and engineers and technicians make up the remainder.

4.7.1.4. Market and competitive position

The Products business unit is active in three market segments:

- the utilities segment;
- industry, particularly oil and gas, mining and metals, power generation and rail transportation; and
- the services segment.

4.7.1.5. Relations with customers and suppliers

Customers

Please refer to the "Customers" heading in the overview of the Transmission & Distribution division at the beginning of section 4.7.

Suppliers

The Procurement department focused on four strategic areas to contribute to the business unit's profitable growth:

- securing procurement volumes by strengthening our relationship with suppliers, including activities to boost their productivity in some instances;
- renegotiating existing contracts to take into account the increasing volumes needed to accommodate production growth at all of our sites, thereby reducing unit costs;
- selecting local suppliers to support the construction of new plants; and
- augmenting procurement in low cost countries and establishing framework purchasing agreements.

4.7.1.6. Operations and highlights

Acquisitions and joint ventures

In line with its strategy for growth, AREVA T&D made two acquisitions in 2007.

Passoni & Villa, a world class manufacturer of high voltage bushings, joined the group on March 30. Its operations employ 150 people and represent sales revenue of 26 million euros.

On October 1, AREVA T&D acquired the medium voltage business of VEI Power Distribution S.p.A., which specializes in medium voltage switchgear for the distribution sector. Its operations employ 216 people and represent sales revenue of 46 million euros.

In April, AREVA T&D signed an agreement to form a joint venture with a Chinese and a German partner, both specialized in aluminum vessel casting. This strategic agreement led to the creation of Wuxi Aluminum Casting, which will support the development of our gas insulated switchgear business in China.

On June 13, AREVA T&D signed a heads of agreement to form a joint venture with Sunten, the largest manufacturer of distribution transformers in China. The transaction will close upon approval by the Chinese authorities, expected in mid-2008.

These acquisitions and partnerships round out our products catalog and strengthen our global market presence for these product lines, particularly in China, Italy and Eastern Europe. In all, five new sites became part of the Products business unit in 2007, including two sites in Italy, two in China and one in Malaysia.

Capital investment and reorganization

In 2007, AREVA T&D continued to optimize its industrial footprint, most notably through business combination projects in Montreal, Canada, and Mexico City, Mexico. These projects will be completed in 2008.

In September 2007, AREVA T&D announced its intention of shutting down high voltage instrument transformer operations based in France.

AREVA T&D's 2007 capital projects focused primarily on increasing production capacities, including a score of major capital spending projects at existing sites and the start of construction of five new sites. Approximately a third of all capital expenditures were allocated to India and a third to Western Europe, in the principal AREVA T&D Centers of Competence.

The majority of the capital projects initiated in 2007 will be completed in the last quarter of 2008 or in the first quarter of 2009.

Total capital expenditures came to more than 110 million euros in 2007.

These new projects will benefit all of the business unit's operations.

Key contracts

The transmission and distribution market continued to experience strong growth in 2007 (+13%), influenced by three main regional factors.

The growth of the Asian and Indian markets: The Product business unit won many new contracts in China, such as medium voltage switchgear valued at 16.5 million euros for the oil industry (Qingdao refinery in Shanangdong) and the transportation sector (Changdu and Shenzhen metrorail systems). In India, a large contract concerning the sale of 400 kV and 220 kV GIS substations was completed for Alstom Power.

All product lines benefited from investment by oil producing countries to improve their high and medium voltage systems. In Qatar in particular, AREVA T&D received a 31 million euro order from Iberinco, the equipment integrator for the Messaied GIS substation (for project owner Kahramaa). It also received several orders for power transformers in Saudi Arabia, including four 752 MVA transformers for SEC valued at 13.2 million euros.

In Europe, the replacement of existing equipment in developed countries picked up speed. National Grid of the UK, which is developing its power network through the Alliance project, placed large orders with AREVA T&D valued at 46.2 million euros for 420 kV GIS transformers and bushings for the Penwortham and Hackney sites.

South Africa is also emerging as a strategic very high voltage market for the business unit. There, the client Eskom placed an order for 800 kV disconnectors.

4.7.1.7. Outlook and development goals

The design and structuring of electricity transmission and distribution networks continues to evolve, influenced by demographic and economic growth and by energy policies.

The Products business unit has several growth opportunities:

- Megalopolis development throughout the world, especially in Asia, requires the installation of modular, compact and reliable equipment to carry large quantities of electricity to urban centers.
- Increased long distance electricity transmission from generating facilities to areas of demand, particularly in China and India, requires the use of ultra high voltage equipment.
- The replacement of obsolete equipment in industrialized countries requires new equipment featuring the latest innovations.
- Greater focus on environmental concerns means a proliferation of renewable energy sources and measurement of the environmental impacts of the equipment.

In this growing market, the Products business unit's strategic priorities follow four main thrusts:

- Innovation: Investment in R&D continues to grow to redesign existing products to cost in the short term and to develop new products meeting new market demands in the long term.
- Production cost reductions: Plant productivity is receiving close attention, with systematic implementation of Lean Manufacturing processes and the streamlining or renegotiation of procurement contracts.
- Industrial strategy: New market segments are being targeted and production strengthened in high growth areas via acquisitions, partnerships and expanded production capacities.
- Human resources: The Products business unit's strategy for growth is centered on attracting and training new talent – engineers, managers and staff – in response to strong growth and the need for expertise, and developing and retaining all employees.

4.7.2. Systems business unit

4.7.2.1. Key data

(in millions of euros)	2007	2006 ⁽²⁾
Sales revenue ⁽¹⁾	1,389	1,211
Workforce at year end	2,597 employees	2,286 employees

(1) Before inter-business unit sales eliminations.

(2) Excluding the Distributed Energy business (DEN).

4.7.2.2. Businesses

The Systems business unit designs and builds turnkey substation projects and power electronic equipment for the electricity transmission and distribution market.

Drawing on substation engineering expertise and project management know-how, the Systems business unit integrates transmission and distribution equipment – transformers, medium and high voltage equipment, protection and monitoring systems, telecommunications and services – and provides solutions tailored to the electric grid of each Transmission & Distribution division customer.

The Systems business unit offers:

- turnkey medium and high voltage substations;
- power electronics for:
 - high voltage direct current substations (HVDC),
 - systems to increase grid capacity and quality (FACTS: flexible alternating current transmission systems), and
 - energy conversion and electrolysis.

To succeed, the Systems business unit draws on technology and applications expertise, on a keen understanding of the technical and economic challenges facing its customers, and on partnerships with suppliers.

4.7.2.3. Manufacturing and human resources

The Systems business unit has 26 sites in Europe, North America, Asia, Australia, the Middle East and Africa. Its staff outside France consists of 1,000 engineers, two-thirds of whom provide project management,

The business unit also has a high voltage power electronics testing facility at the Glover Street site in Stafford, United Kingdom, and an energy conversion and electrolysis testing facility in Massy, France.

4.7.2.4. Market and competitive position

The systems market grew by more than 8% in 2007. The leading customers were in the Persian Gulf, the Middle East, the United Kingdom, Southeast Asia and India. In these fast-growing regions, customers want to buy complete systems to compensate for a lack of indigenous resources.

Demand for turnkey projects is on the rise and changing rapidly. For some of the business unit's largest customers, this translates into the collaborative development of solutions to reduce the cost of complex projects. The market is dominated by projects using gas insulation technologies (GIS).

ABB and Siemens are our leading competitors. These two companies together with AREVA T&D constitute the top three names for customers and systematically compete for their business. There are also regional competitors consisting of local contractors, particularly in the less technical substation field.

The Systems business unit is ranked second worldwide in aluminum electrolysis, a fast-growing business, especially in Russia.

4.7.2.5. Relations with customers and suppliers

Customers

Please refer to the "Customers" heading in the overview of the T&D division at the beginning of section 4.7.

Suppliers

The procurement of products such as circuit breakers, transformers, disconnectors and grid protection products represents some 70% of the Systems business unit's sales revenue; 40% of this comes from in-house suppliers. Sourced procurement includes cables, distribution cabinets, metal structures, civil engineering and assembly labor.

4.7.2.6. Operations and highlights

Business was lively and orders were up very sharply in 2007, chiefly as the result of major contracts in the Middle East and in the field of aluminum electrolysis in Russia and Canada.

- **Libya:** Gecol awarded three contracts valued at more than 300 million euros for the turnkey supply of ten 220 kV gas insulated substations (GIS), two 400 kV GIS substations and 69 power transformers to interconnect the country's different regions.
- **Saudi Arabia:** Contracts valued at more than 150 million euros were awarded for two turnkey 400 kV shielded substations in Jubail and Shuquaiq.
- **Dubai:** After opening a new site in the country, the business unit was rewarded with a contract valued at more the 140 million euros for nine 132 kV substations.
- **China:** A technology transfer agreement signed with Cepri in the direct current field opens the door to an order for the Sino-Russian DC back-to-back project.

The business unit is also renovating the South East network for National Grid of the United Kingdom under a five-year alliance contract. AREVA T&D receives some 150 million euros in orders per year under this arrangement.

Contract wins in 2007 in the aluminum electrolysis market confirm the long term leadership of the business unit with the world's two largest primary aluminum producers:

- **Alcan:** The business unit was chosen to supply the substations for the Jonquière pilot plant in Canada. The plant's mission is to industrialize Alcan's new aluminum production technology by scaling up the 500-kA process. This contract confirms the technological advance of aluminum electrolysis solutions developed by SPS and puts AREVA T&D in a good position with Alcan to market the process in the future.
- **Rusal:** The business unit won two major contracts valued at around 170 million euros for the supply of substations to the Taishet and Bogushany plants in Russia. These contracts follow on the heels of a similar contract for the Khas plant in Russia, where nominal aluminum production capacity was reached ahead of schedule at the end of October 2007. The Power Electronics Ekaterinburg joint venture embodies the partnership between Rusal and the business unit for local substation manufacturing. The joint venture is now ready to manufacture substations for the Taishet and Bogushany plants.

As part of the business unit's optimization plan, major steps have been taken since 2005 to prevent the erosion of project margins, and these continued in 2007:

- A new management team was put in place and the organizational structure was modified to tighten operating control, including a reduction in the extent of management to match oversight to the pace of growth.
- Greater selectivity in responding to requests for proposals was exercised, with emphasis on the transmission and distribution project organization.

- Corrective action was taken to reduce cost slippage on orders.
- The role of procurement was strengthened.

These steps enabled the successful completion of low-margin contracts in the backlog and raised the quality of new orders appreciably.

4.7.2.7. Outlook and development goals

The market has been booming for more than four years. Growth should continue over the coming years as facilities are overhauled to catch up with postponed capital investment. In addition, customers are leaning increasingly towards turnkey solutions, particularly in the Persian Gulf and Asia.

Gas insulated substations (GIS) are gradually winning customers over for safety reasons, and their cost has dropped considerably as the design and technology have been simplified.

The business unit is also reaping the benefits of renewed capital investment in parts of Europe, including England and Central Europe. A growing need for interconnection to facilitate energy exchange will continue to put pressure on demand for direct current transmission systems in Europe, India and China.

Development is expected to continue in the Gulf region, India and Southeast Asia in 2008, where the demand for electricity and electrification is strong. The business unit plans to locate more of its operations in these countries to carry out its design work and projects and to take advantage of local growth.

With the Latin American transmission market stagnating, the trend is to refocus on operations in the industrial and distribution segments.

Rising demand for power electronics solutions should also benefit the business unit in the mid term.

The Systems business unit's development priorities for the coming years follow four major lines of action:

- support growth by focusing on recruiting and training project managers and electrical engineers;
- increase the business unit's responsiveness to customer needs by deploying a regional organization with skills platforms supporting flexible local work centers, paying particular attention to Gulf countries;
- pursue growth in China by building on the order for the Sino-Russian direct current project; and
- build up the business unit's presence in electrolysis.

4.7.3. Automation business unit

4.7.3.1. Key data

(in millions of euros)	2007	2006
Sales revenue ⁽¹⁾	570	530
Workforce at year end	3,603 employees	3,404 employees

(1) Before inter-business unit sales eliminations.

4.7.3.2. Businesses

The Automation business unit's three global product lines provide solutions for real-time digital automation of transmission and distribution systems:

- digital products for automation, including protection equipment to detect transmission and distribution equipment failures and send protection commands, and equipment to measure the electrical signal and transmit information;
- digital systems for automation of substations and energy management (SCADA), which operate transmission and distribution networks remotely and ensure efficient energy market management; and
- related support services to maintain digital infrastructure in working order, renovate automation systems and provide specialized operator training.

The Automation business unit's offer is built around onboard electronic technologies and real time information systems. These technologies are implemented through four major business lines:

- software applications for power flow management,
- design and fabrication of onboard automation modules,
- real time information systems integration, and
- related support services.

4.7.3.3. Manufacturing and human resources

The Automation business unit operates three centers of excellence for research and development, one in the United States and two in Europe. It also has six automation product assembly centers, including a joint venture with a Chinese partner, and 18 engineering centers to integrate and manage automation and information system projects, including a back office center in India.

The Automation business unit has more than 3,600 employees, almost 70% of whom are engineers and managers. More than 80% of its employees are based outside France. The business unit has a production and research center in India that employs about 1,000 people.

4.7.3.4. Market and competitive position

The market for automation and information systems for equipment and transmission and distribution networks averages 4.7 billion euros per year.

Growth in the substation control and protection equipment segment is fueled by capital investment by transmission and distribution network operators seeking to expand their network in developing countries and to replace aging infrastructure in industrialized countries.

In network and market management solutions, operator investments are directly related to the deregulation of energy markets, which requires the deployment of real time solutions to balance supply and demand and to ensure the safety of transmission and distribution grids.

The business unit's main competitors are the other two global players in transmission and distribution, ABB and Siemens. These competitors together with AREVA T&D control about 40% of the world market. The Automation business unit also competes with companies that are more specialized in certain segments, such as Schweitzer for protection equipment in the United States, Telvent for power station automation systems, and Schneider for electric power quality measurements.

There are also local and regional competitors, such as Nari in China or General Electric in the United States.

4.7.3.5. Relations with customers and suppliers

Customers

The majority of end-users of automation products, systems and services are utilities that manage the world's leading power supply systems. The business unit serves these users directly as well as through integrators and resellers. A total of 80% of the Automation business unit's sales revenue came from 150 customers around the world.

Suppliers

The Automation business unit continues to pursue a strategy of increasing its volume of procurement in Asia (India, China), Eastern Europe (Romania, Poland) and North Africa (Tunisia).

4.7.3.6. Operations and highlights

Business in substation automation solutions climbed sharply in 2007. The business unit continued to build up its engineering centers in India, the United Arab Emirates (Dubai), Russia (Moscow) and Algeria to give major customers a stronger local presence.

The business unit won several major contracts in 2007:

- Energy market management systems: Qatar, Saudi Arabia, Kuwait, Azerbaijan, the United States, Switzerland, India (Support), China, Denmark and Scandinavia, France;
- Substation automation: Italy, Russia, Middle East;
- Energy optimization systems for power generators: the Netherlands, France

In 2007, we also deployed our energy management solutions on the power generation and petrochemicals sectors:

- launch of the P345 generator protection family of products,
- launch of e-Terra Generation automated energy management system, and
- supply of substation automation systems across the Trans-Siberian pipeline.

In the area of manufacturing, the sourcing of electronic board fabrication successfully launched in 2006 was completed and extended to a wider range of components. The lean manufacturing program launched that same year was also widely instituted in the main manufacturing plants.

4.7.3.7. Outlook and development goals

The interconnection of electricity markets continues to represent an opportunity for the Automation business unit by multiplying the number of information systems and focusing major power companies' attention on grid automation.

The interest in distribution system revamping through demand monitoring represents an additional opportunity. Growing data integration linking substations, control systems and energy trading rooms is a new growth engine.

These advances are expected mainly in Europe, and particularly in Eastern Europe. The Asian markets should continue to grow steadily, particularly that of India. In the Middle East, capital investment in the construction of new substations and for the rising number of grid interconnections should continue.

The Automation business unit's short term objectives are:

- deployment of innovative solutions for optimum data integration among the different parts of the power system;
- enhanced onboard electronic solutions for network measurement, control and protection;
- continued geographic deployment for customer support, particularly in Russia, the Middle East and North America;
- continued expansion of our solutions to the power generation and oil and gas markets; and
- continued cost reductions through ongoing performance improvement plans.

Longer term, the business unit's growth will come from its ability to capture opportunities linked to the renovation of grid operating systems and markets in Europe while pursuing expansion in Russia, the Middle East and the United States.

4.7.4. Service product line

4.7.4.1. Key data

<i>(in millions of euros)</i>	2007	2006
Sales revenue ⁽¹⁾	441	498
Workforce at year end	1,787 employees	2,022 employees

(1) Before inter-business unit sales eliminations.

4.7.4.2. Businesses

The Services product line provides services to support the Transmission & Distribution division's products and systems throughout their lifecycle. In addition to traditional maintenance, repair, training and equipment/substation revamping services, the product line offers more global solutions for long-term facility maintenance.

Resources close to the customer, knowledge of existing facilities and technical expertise as a product manufacturer are key success factors in this business. Older transmission and distribution equipment, placed in service several decades ago, is aging; the product line is ideally positioned to capitalize on this market, which represents a potentially large source of revenue.

4.7.4.3. Manufacturing and human resources

With offices in more than 20 countries, the product line operates out of 37 sites strategically located near its customer, including 25 sites in Europe (with 2 major sites in England, 8 in France and 4 in Germany), 7 sites in Asia-Pacific and the Middle East, and 5 sites in North America. A series of broad-based programs to capitalize on and transfer knowledge ensure that product line personnel maintain their technical expertise in the products and systems of the Transmission & Distribution division.

The Service organization has about 1,800 employees worldwide, 60% of whom are in Western Europe. Engineers and technicians make up 65% of the workforce, with skilled workers involved directly on various contracts making up the remaining 35%.

4.7.4.4. Market and competitive position

In an increasingly competitive environment, the quality and continuity of electricity supply, and thus the maintenance of power system facilities, is a major concern for customers of the

Transmission & Distribution division. The market is characterized by constant growth tied to an expanding installed base coupled with the aging of that base, resulting in higher maintenance requirements.

The product line's main competitive advantages are in-depth technical knowledge as a product manufacturer and synergies with the divisions' three other business units (Products, Systems and Automation).

4.7.4.5. Relations with customers and suppliers

The Service product line's customers are the same as those of the Transmission & Distribution division's other business units.

4.7.4.6. Operations and highlights

New orders were stable in 2007 at like-for-like consolidation scope (before inter-business unit eliminations). Significant new orders include a maintenance contract with E.On valued at 3.7 million euro connected with a scheduled nuclear reactor outage. CLP of China awarded a 2.9 million euro contract to the Service product line to revamp vacuum circuit breakers. Singapore Power Grid awarded a purchase order for mobile stations in the framework of a 2.6 million euro support contract.

The Service product line was in line with the objectives set for 2007 in the Transmission & Distribution division's three-year plan.

4.7.4.7. Outlook and development goals

The services market for the installed based is expected to grow by about 6% per year. Market development is fueled by the need to renovate the aging installed based and growing interest in service solutions integrating the entire product lifecycle as well as in high value-added consulting services to optimize equipment performance. However, these growth engines are partially checked by new product reliability and by customers' continuing efforts to trim their facility maintenance budgets.

The Service product line's growth priorities for the coming years follow three main lines of action:

- exploit the potential of the installed base (estimated replacement value: 21 billion euros) by identifying opportunities by market segment, geography and product type, and by adopting a proactive marketing and sales approach;

- develop our regional presence to meet customer requirements more efficiently while streamlining our network of sites;
- promote innovative services based on technical expertise:
 - support the product lines with an installation and start-up service combined with maintenance contracts by deploying resources in new markets,
 - deploy long-term performance-based service contracts in answer to customer expectations,
 - increase spare parts sales by setting up a logistics organization and streamlining the global supply chain; and
- refocus our service offering on AREVA T&D equipment, where the Service product line has the most to offer its customers.

4.8. | Major contracts

In the normal conduct of its business, the group enters into numerous contracts of a specific nature in terms of normal business operations due to their economic significance, strategic nature or the specific types of technologies deployed.

Pursuant to Appendix 1 of European Commission Regulation no. 809/2004 dated April 29, 2004, the contracts viewed by the group as important are summarized hereunder. It should be noted that a confidentiality requirement attaches to all or part of these contracts.

China: AREVA and CGNPC sign the largest contract ever in the history of commercial nuclear power

On November 26, 2007, AREVA and China Guangdong Nuclear Power Corp. (CGNPC) signed a record-breaking contract valued at 8 billion euros, with 1 billion euros contracted locally. A contract of this magnitude is unprecedented in the civilian nuclear power market. Under a series of agreements, AREVA will build two nuclear islands for the new-generation EPR with CGNPC and will provide all of the materials and services needed for their operation. This and other agreements signed during the year are presented below.

4.8.1. Front End division

South Korea – Enrichment services contract

On June 7, 2007, AREVA signed a contract valued at more than 1 billion euros to meet the long-term enrichment supply requirements of Korean utility KHNP. The group will provide enrichment services during the 2010-2029 period.

China – Sale of natural uranium from Uramin's production

This contract was signed with CGNPC Uranium Resources Co. Ltd on November 26, 2007. It gives access to 35% of Uramin's future mining production, thus securing the customer's supplies. The contract was signed in the framework of the agreement to supply two nuclear islands to China (see section 4.8.2.).

Germany – Sale of enriched uranium product

This contract was signed on October 25, 2007 with KLE, an RWE subsidiary, and covers the supply of U_3O_8 , conversion services and enrichment services to the Emsland reactor. The contract runs through 2019.

Sweden – Enrichment services contract

On July 11, 2007, Vattenfall awarded a contract covering its reactor requirements for enrichment services. The contract runs through 2014.

China – Contract for first 2 reactor cores and 17 reloads, UF_6 and enrichment services

This contract was signed with Guangdong Taishan Nuclear Power Company Ltd on November 26, 2007. The first cores are slated for delivery in 2013 and 2014. The last reload is scheduled to be delivered in 2026. The contract was signed in the framework of the agreement to supply two nuclear islands to China (see section 4.8.2.).

China – Technology transfer contract for the design and fabrication of EPR fuel assemblies

Concomitant with the contract to supply the first fuel cores and reloads for the Taishan EPRs, a contract was awarded to transfer technology to China Guangdong Nuclear Power Holding Company Ltd for the design and fabrication of the EPR fuel assemblies, leading to the establishment of a joint venture.

4.8.2. Reactors and Services division

France – EPR contract with EDF

In France, EDF decided in May 2006 to build the first of a series of EPR reactors at its Flamanville site (the FA3 project). The construction permit was issued in early 2007.

EDF awarded several contracts to the group for the construction of the EPR project's nuclear steam supply system (NSSS) and for the safety and operational instrumentation and control systems.

The last contract was signed in May 2007 for remaining design studies, procurement, manufacturing, assembly and startup of the NSSS.

China – Taishan EPRs

CONTRACT TO SUPPLY TWO NUCLEAR ISLANDS

This contract was signed with Guangdong Taishan Nuclear Power Company Ltd on November 26, 2007. It covers the design and supply of two EPR nuclear islands (excluding civil works). The contract will be performed by AREVA teamed with Chinese partners China Nuclear Power Engineering Company, Ltd and China Nuclear Power Design Company, Ltd (Shenzhen).

EPR TECHNOLOGY TRANSFER AGREEMENT

This contract was signed on November 26, 2007 with China Guangdong Nuclear Power Company, Ltd (CGNPC), at the same time as the sales contract for the two Taishan nuclear islands. The contract pertains to the transfer of EPR technology used for the Taishan project.

France – Barracuda contract

The French defense procurement agency DGA notified the team comprised of AREVA TA and French shipbuilder DCNS that it would award a contract for the first two units in France's new Barracuda class nuclear attack submarine program. The contract for the first unit was awarded on December 21, 2006; the second unit was awarded on September 14, 2007. The program calls for the construction of six nuclear propulsion submarines to replace France's Rubis class nuclear attack submarines by 2016. At some 8 billion euros, including 1 billion euros for AREVA TA's share, it is one of the largest programs in the history of the French navy. The contract, covering a 20-year period, commits AREVA TA and DCNS to DGA and CEA, acting jointly as project authority, for the design, construction and associated support system of six submarines and for operational readiness services for the first three units. AREVA TA is the architect engineer for the onboard NSSS, with the first one scheduled to operate in 2015.

4.8.3. Back End division

Italy – Contract for used fuel transportation and treatment with Sogin

In May 2007, AREVA signed a contract valued at more than 250 million euros with the Italian firm Sogin for the shipment

to the La Hague plant of 235 metric tons of used nuclear fuel from the Caorso, Trino and Garigliano facilities. Fuel shipping to La Hague began in 2007. After treatment, the final waste will be returned to Italy no later than December 31, 2025.

4.8.4. Transmission & Distribution division

Russia

Two contracts were signed with Rusal in June and October 2007 to provide power supply systems for the aluminum smelters of the Taishet and Bogushany plants.

Saudi Arabia

AREVA T&D bolstered its presence in Saudi Arabia with two new contracts:

- In February 2007, T&D signed a contract with SEC to supply a 400 kV GIS interconnection station in Jubail.

4.8. Major contracts

- in September 2007, the division signed a contract with MHI of Japan for a 400 kV GIS station to dispatch electricity from the Shuqaiq power plant.

Libya

Three contracts valued at 300 million euros were signed in 2007 with the public utility Gecol:

- a contract for ten 200 kV GIS transformer stations, signed in June 2007;
- a contract for two high voltage 400 kV GIS substations in the Tobruk and Sebha region, signed in July 2007; and
- a contract to supply 69 power transformers.

Qatar

In December 2007, the Transmission & Distribution division was awarded the largest contract in its history by Kahramaa, the water and power company of Qatar, for a total of approximately 500 million euros. This contract, part of the program to expand Qatar's electricity transmission system, calls for the turnkey supply of 14 turnkey gas-insulated (GIS) substations.

4.9. | Principal sites of the AREVA group

Pursuant to appendix I, point 8 of European Commission Regulation no. 809/2004 of April 29, 2004, information is provided hereunder on the group's property, plants and equipment.

The group uses a certain number of premises and plant sites in connection with its operations, of which it is either owner or lessor.

The group's principal worldwide plant sites are listed below. The primary criterion for listing sites is the size of the operation conducted there. The principal office sites are shown on the map below.

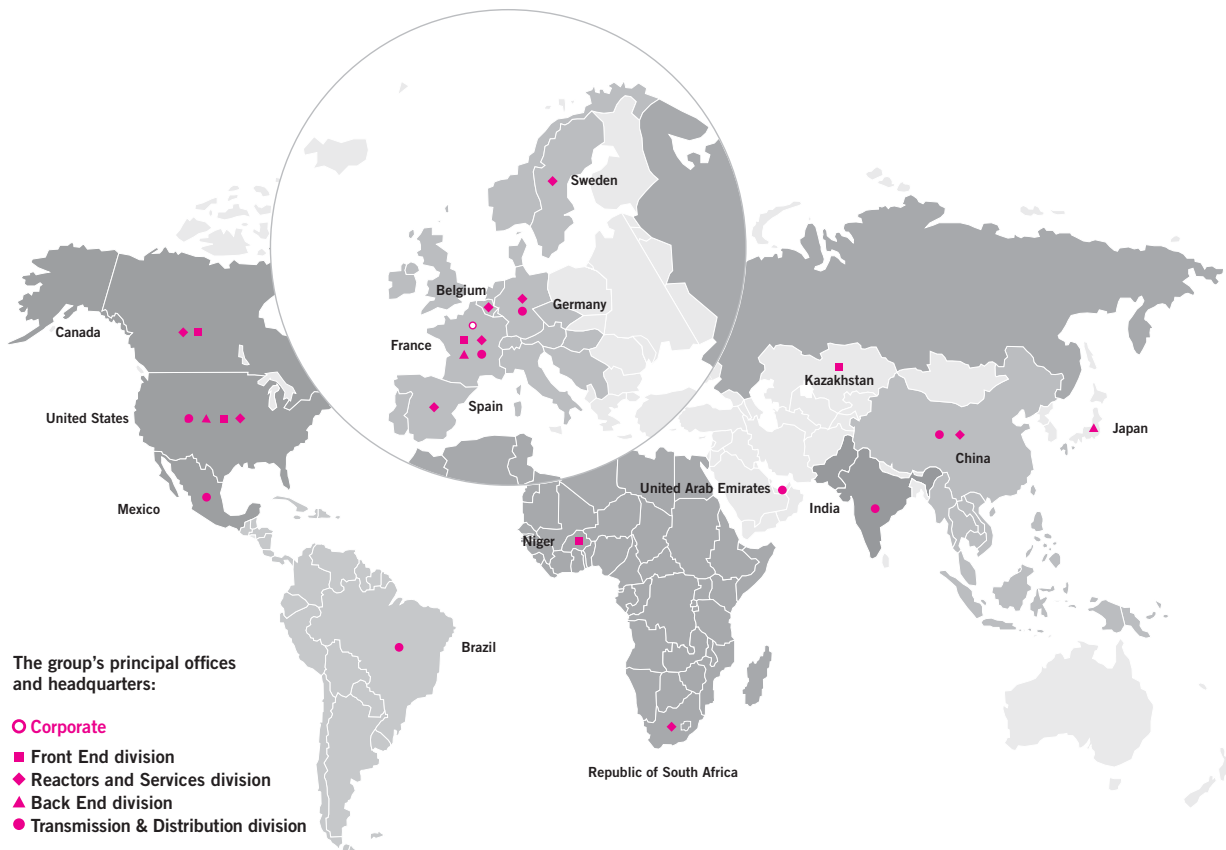
Regulations applicable to the group's nuclear operations likely to have an impact on the use of its sites are described in section 4.14.2.

The group operates at some 58 principle plant sites. These sites are distributed geographically as follows:

- 29 in France;
- 11 in European countries other than France;
- 8 in North and South America;
- 7 in Asia;
- 3 in Africa and the Middle East.

Several different operations are conducted at some of these sites.

4.9.1. Offices



4.9. Principal sites of the AREVA group

4.9.2 Corporate

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate	Surface area
AREVA Tower La Défense - France	Offices	Lease	No	78,538 m ²
33, rue La Fayette Paris 75009 - France	Offices Registered office	Lease	No	27,419 m ²

4.9.3. Front End division

In all, 16 sites have been identified as principal sites and are listed below.
Of the 16 sites listed, 8 are located in France and 8 are abroad in 6 different countries.

4.9.3.1. Mining business unit

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate (mortgage, etc.)	Surface area (m ²)	Products manufactured
Arlit , Niger	Offices and production and storage facilities	Long-term concession	No	721,000	Uranium concentrate
Akokan , Niger	Offices and production and storage facilities	Long-term concession	No	499,000	Uranium concentrate
McCleam , Canada	Plant and base camp	JV / 70%	No	42,140	Uranium concentrate
Muyunkum , Kazakhstan	Offices and production and storage facilities	Full ownership	No	25,750	Eluates
Torkuduk , Kazakhstan	Offices and production and storage facilities	Full ownership	No	36,975	Eluates and uranium concentrate

4.9.3.2. Chemistry business unit

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate	Surface area	Products manufactured
Pierrelatte , France (licensed nuclear facility / licensed nuclear defense facility / environmentally regulated facility)	Plant and outlying areas	Full ownership	No	Land: 272.7 hectares	RepU denitration (TU5) Defluorination Denitration (TU2) Depleted UO ₂ Storage UF ₆
Miramas , France (environmentally regulated facility)	Plant	Full ownership	No	Land: 37 hectares Construction: 15,000 m ²	Lithium
Malvési , France (environmentally regulated facility)	Plant	Full ownership	No	Land: 59.43 hectares	UF ₄

4.9.3.3. Enrichment business unit

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate	Surface area	Products manufactured
Pierrelatte , France Saint-Paul-Trois-Châteaux Bollène France (licensed nuclear facility)	Plant	Full ownership land	No	Land: 259.8 hectares	Enrichment services Effluent treatment
Pierrelatte , France Saint-Paul-Trois-Châteaux Bollène France (licensed nuclear facility)	Plant under construction	Full ownership	No	Land: 40.3 hectares	Equipment maintenance Enrichment services (in future)

4.9.3.4. Fuel business unit

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate	Surface area	Products manufactured
Romans-sur-Isère , France (licensed nuclear facility)	Plant	Full ownership	No	Land: 320,648 m ² Buildings: 28,366 m ²	Fuel assemblies for PWR reactors and various components Research reactor fuel and nuclear instrumentation
Paimboeuf , France (environmentally regulated facility)	Plant	Full ownership	No	Land: 64,366 m ² Buildings: 17,201 m ²	Zirconium tubes for fuel assemblies
Jarrie , France (environmentally regulated facility)	Plant	Lease	No	Land: 97,088 m ² Buildings: 32,502 m ²	Zirconium sponge
Rugles , France (environmentally regulated facility)	Plant	Full ownership	No	Land: 73,491 m ² Buildings: 14,638 m ²	Flat products in zirconium
Ugine , France (environmentally regulated facility)	Plant	Full ownership	No	Land: 56,764 m ² Buildings: 25,385 m ²	Intermediate products in zirconium and titanium Plug rods
Dessel , Belgium (nuclear facility)	Plant	Full ownership	No	Land: 96,300 m ² Buildings: 15,600 m ²	PWR fuel assemblies (UO ₂ and MOX)
Richland , Washington State, USA (nuclear facility)	Plant	Full ownership	No	Land: 1,344,204 m ² Buildings: 36,790 m ²	Powder and pellet production (UO ₂ , Gad & BLEU), assemblies, and various components
Lingen , Germany (nuclear facility)	Plant	Full ownership	No	Land: 493,301 m ² Buildings: 17,600 m ²	PWR and BWR fuel assemblies

4.9. Principal sites of the AREVA group

4.9.4. Reactors and Services division

In all, 20 sites have been identified as principal sites and are listed below.
Of the 20 sites listed, 9 are located in France and 11 are abroad in 7 different countries.

4.9.4.1. Equipment business unit

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate	Surface area	Products manufactured
St-Marcel France (environmentally regulated facility)	Plant	Full ownership	No	Buildings: 39,000 m ² (workshops) + 7,300 m ² (offices) Land: 19 hectares	Heavy components (reactor vessel, vessel head, steam generator, pressurizer)
Jeumont France (environmentally regulated facility)	Plant	Full ownership	No	Buildings: 30,000 m ² Land: 5 hectares	Reactor coolant pump sets, control rod drive mechanisms
Maubeuge France (licensed nuclear facility)	Plant	Full ownership	No	Buildings: 7,100 m ² (workshops) + 700 m ² (offices) Land: 4.5 hectares	Services related to contaminated component maintenance: reactor coolant pumps
Le Creusot France (environmentally regulated facility)	Plant	Full ownership/ Lease	No	Land: 7.8 hectares Buildings: 51,000 m ²	Large forgings for the nuclear and petrochemical industries Machining of large parts
Montchanin France (environmentally regulated facility)	Plant	Full ownership/Lease	No	Land: 7.6 hectares Buildings: 29,700 m ²	Mechanized welding boilermaking
Montchanin France (environmentally regulated facility)	Plant	Lease	No	Land: 2.6 hectares Buildings: 7,700 m ²	Machining of mechanical parts
Deyang Sichuan, China	Plant	Co-ownership by 50/50 JSPM/ Dongfang Electric Machinery joint venture	No	37,400 m ² (workshops) + 1,800 m ² (offices) Land: 4.6 hectares	Reactor coolant pump sets

4.9.4.2. Nuclear Services business unit

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate	Constructed surface area	Products manufactured
Chalon-sur-Saône France (environmentally regulated facility)	Offices, Cedem development center, Cemo hot facility, Cetic training center (50/50 JV with EDF)	Ownership	Information not available	Buildings: 59,192 m ² (hot facility: 400 m ² Cetic: 5,323 m ²)	Robotics / tooling / decontamination / storage of tooling (contaminated / decontaminated)
Lynchburg United States (nuclear facility)	Offices, hot facilities, training center	Ownership	No	Buildings: 28,000 m ²	Decontamination Hot maintenance facility
Erlangen Germany	Offices, facilities	Lease	Information not available	Buildings: 43,000 m ²	Robotics / tooling

4.9.4.3. AREVA TA business unit

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate	Surface area	Products manufactured
Cadarache France	Production plant / Offices	Full ownership	No	n/a	n/a

4.9.4.4. Nuclear Measurement business unit

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate	Surface area	Products manufactured
Meriden CT United States	Production and services site	Full ownership	No	16,200 m ²	Standard Products / Systems
Albuquerque, NM United States	Production and services site	Lease	n/a	2,120 m ²	Standard products
Loches France (environmentally regulated facility)	Production and services site	Full ownership	No	4,800 m ²	Standard products
Olen Belgium	Production and services site	Full ownership	No	1,500 m ²	Standard detectors
Lingolsheim France (environmentally regulated facility)	Production and services site	Lease	n/a	2,053 m ²	Specialty detectors
Oak Ridge, TN United States	Production and services site	Full ownership	No	3,160 m ²	Crystal growth
Concord Ontario, Canada	Production and services site	Lease	No	2,746 m ²	Standard products
Harwell, United Kingdom	Production and services site	Lease		1,880 m ²	Standard Products / Systems

4.9. Principal sites of the AREVA group

4.9.4.5. Renewable Energies business unit

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate	Surface area	Products manufactured
Recife Brazil	Office and plant	Full ownership			Turnkey power plants and electrical panels
Bremerhaven Germany	Office and plant	Lease			5 MW wind turbines

4.9.5. Back End division

In all, 9 sites have been identified as principal sites and are listed below.
All of the 9 sites listed are located in France.

4.9.5.1. Treatment business unit

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate	Surface area	Products manufactured
La Hague France (licensed nuclear facility)	Industrial site Outlying areas and land holdings	Full ownership Not fully owned	No	Plant land: 244 hectares Land excluding site: 116.5 hectares Land: 26.5 hectares	Used fuel treatment

4.9.5.2. Recycling business unit

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate	Surface area	Products manufactured
MELOX Marcoule France (licensed nuclear facility)	Plants and offices	Full ownership	No	Land: about 5 hectares	MOX fuel fabrication + packaging of scrap and waste Mechanical facility (fabrication of parts for Melox) Transportation logistics
Cadarache France (licensed nuclear facility)	Plants and offices	Lease	No	27,100 m ²	MOX fuel production shut down in July 2003 (Eurofab production in 2004) Site undergoing dismantling

4.9.5.3. Logistics Business Unit

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate	Surface area	Products manufactured
Valognes France	Road-rail terminal	Full ownership	No	7 hectares	n/a
Tourlaville France	Warehouse	Full ownership	No	9,800 m ²	n/a
Pont-St-Esprit France	Warehouse	Full ownership	No	2,000 m ²	n/a

4.9.5.4. Cleanup business unit

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate	Surface area	Products manufactured
Bollène France (environmentally regulated facility)	Plant	Lease	No	9,644 m ²	Machine maintenance, waste processing, equipment recertification

4.9.5.5. Engineering business unit

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate	Surface area	Products manufactured
Beaumont Hague France	Testing and integration facility	Full ownership	No	4,860 m ²	Applied R&D, equipment assembly and testing before installation at customer sites

4.9. Principal sites of the AREVA group

4.9.6. Transmission & Distribution division

Transmission and Distribution operations are carried out at some 66 sites in 35 countries. In all, 13 sites have been identified as principal sites and are listed below. Of the 13 sites listed, 3 are located in France and 10 are abroad in 6 different countries.

4.9.6.1. Products business unit

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate	Surface area	Products manufactured
Aix-les-Bains France	Plant	Full ownership	No	33,900 m ²	HV products
Mâcon France	Plant	Full ownership	No	41,500 m ²	MV circuit breakers
Villeurbanne France	Plant	Full ownership	No	56,000 m ²	HV products
Kassel Germany	Plant	Full ownership	No	36,800 m ²	HV products
Mönchengladbach Germany	Plant	Full ownership	No	13,600 m ²	Power and distribution transformers
Regensburg Germany	Plant	Full ownership	No	28,100 m ²	MV circuit breakers
Stafford United Kingdom	Plant	Full ownership	No	38,200 m ²	Power transformers
Suzhou China	Plant	Full ownership	No	32,800 m ²	MV + HV products
Naini India	Plant	Full ownership	No	32,200 m ²	Power and distribution transformers
Gebze Turkey	Plant	Full ownership	No	46,600 m ²	Power and distribution transformers

4.9.6.2 Systems business unit

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate	Surface area	Products manufactured
Stafford United Kingdom	High voltage testing platform for power electronics	Lease	No	1,496 m ²	n/a

4.9.6.3 Services product line

Location	Type of asset (plant, warehouse, office building, etc.)	Lease/Full ownership	Existence of encumbrances on the real estate	Surface area	Products manufactured
Stafford United Kingdom	Warehouse and offices	Lease	No	2,500 m ²	n/a
Salford United Kingdom	Warehouse and offices	Lease	No	21,000 m ²	n/a
Villeurbanne France	Workshop, warehouse and offices	Ownership	No	5,200 m ²	Renovation of circuit breaker parts
Regensburg Germany	Workshop, warehouse and offices	Partly leased and partly owned	No	1,297 m ²	Circuit breaker repair and rehabilitation
Mâcon France	Plant	Ownership	No	2,306 m ²	Medium voltage cells
Linz Austria	Warehouse and offices	Ownership	No	2,765 m ²	Circuit breaker and substation equipment

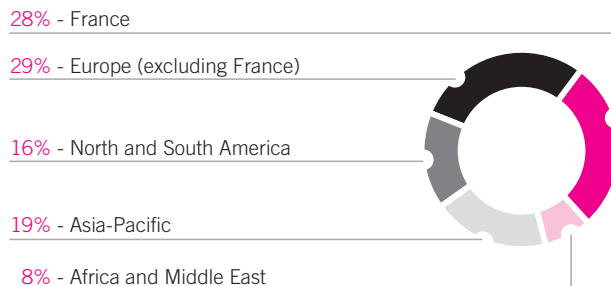
4.9.6.4. Automation business unit

Location	Type of asset	Lease/Full ownership	Existence of encumbrances on the real estate	Surface area	Products manufactured
Pallavaram India	Plant	Lease	No	22,000 m ²	MiCOM relays
Shanghai China	Plant (50% offices / 50% production)	Lease	No	4,000 m ²	MiCOM relays
Stafford United Kingdom	Plant (80% offices / 20% production)	Lease	No	10,200 m ²	MiCOM relays

4.10. | AREVA's customers and suppliers

4.10.1. Customers

2007 consolidated sales revenue by region



Source : AREVA.

The majority of AREVA's customers are large electric utilities, public entities such as publicly-owned electric power supply systems or agencies in charge of the back end of the nuclear fuel cycle, and major industries.

Geographically, the majority of its customers are located in Europe, the United States and Japan. The group is also active in developing markets, particularly in India, Brazil, South Africa, Northern Africa and the Middle East (T&D).

The group is dependant on a key customer, EDF, which represents approximately 20% of its consolidated sales revenue. The group's ten largest customers, including EDF, represented approximately 35% of its consolidated sales revenue in 2007.

Organizationally, the business units have their own sales teams and are responsible for their own commercial commitments. The sales teams are extremely qualified in their respective businesses and ensure rapid responses to changes in their markets.

AREVA has set up a group-level International & Marketing department responsible for recommending a commercial strategy to AREVA's Executive Board. This department is supported by an international sales network, the AREVA group marketing staff, processes for controlling commercial proposals, and key account managers. The key account managers are tasked with fostering long-term relationships with the group's main customers as part of the "customer action plan" approved by the Executive Committee, which covers all of the group's marketing and sales activities. Each key account manager heads up a cross-cutting team consisting of the main customer contacts within the group's business units.

Global offerings involving several of the group's business units are provided by project teams working under the supervision of the marketing and sales departments of the various subsidiaries and the International & Marketing department.

Nuclear

The number of customers in the nuclear businesses is small, with the group's ten largest customers representing 60% of AREVA's sales revenue from nuclear operations. The scope of the transactions is usually large: contracts can amount to several hundred million euros. In addition to EDF, the main customers are major utilities such as Duke Power in the United States, E.On in Europe and Kansai in Japan. Sales are diversified geographically, with the European customer base representing approximately two thirds of the nuclear business.

AREVA generally has firm commitments on its long-term contracts in the nuclear cycle with limited flexibility on quantities and with firm and/or escalated prices pegged to indices that may be general or specific to the nuclear industry. This is true for uranium sales, enrichment services and treatment/recycling services provided to major utilities.

Due to its integrated position in every aspect of the nuclear business, AREVA is able to enter into very large long-term contracts covering reactors as well as front end products and services, such as the nearly 8 billion euro contract with the Chinese utility CGNPC.

In line with market practices, various warranties may be given to customers in areas such as performance, delivery schedules, liability for non-performance, etc. The risks associated with these warranties are described in sections 5.1.2.9.8 and 4.14.3.

Transmission & Distribution

In contrast to the businesses of the nuclear divisions, the customer base for the businesses of the T&D division is very broad – T&D services 25,000 to 30,000 customers – while the size of the contracts can go up to several hundred million euros. The Transmission & Distribution division's ten largest customers represent approximately 15% of its sales revenue.

Marketing and sales for the Transmission & Distribution division are centralized through an international sales organization (ISO) in a hundred countries, ensuring the continuity and coordination of commercial relations across the division's entire offering. The sales force is organized regionally and has more than a thousand employees. It acts in coordination with the group's International & Marketing department.

In addition, the product lines of the Transmission & Distribution business units have their own sales support forces, which coordinate with the ISO. A program was adopted in 2004 to coordinate key account management, enabling the division to develop preferred, long-term relationships with world-class customers that are leaders in their markets.

4.10.2. Suppliers

The group's senior vice president of purchasing is a member of AREVA's Executive Committee. The purchasing directors of the first-tier subsidiaries report to him functionally and are members of the Executive Committees of their subsidiaries. The non-production purchasing department coordinates and globalizes procurement worldwide for all AREVA subsidiaries via framework agreements.

Purchasing programs are based on four key principles:

- Analyze markets and build a worldwide supplier list. This means systematically seeking out the best sources of supply worldwide, both in terms of quality and in terms of cost.
- Integrate the procurement function as far in advance as possible into decision-making mechanisms involving the suppliers.
- Encourage continuous improvement and stimulate supplier creativity via contracts specifying quality, cost and schedule objectives.
- Improve the efficiency of the procurement function by continually monitoring its performance.

The division's main customers are:

- integrated electric utilities, such as PLN in Indonesia or Kahramaa in Qatar;
- transmission companies set up in the wake of deregulation, such as NG in the United Kingdom; and
- large companies that are major consumers of electricity, such as Alcan and Rusal.

AREVA has no particular dependency on any supplier, apart from EDF, which supplies electricity under contract for enrichment (see section 4.4.3.5.). For certain special operations, the group has a small number of suppliers. This subject is covered in the sections concerning the business units (sections 4.4. to 4.7.).

Two highlights of 2007 worth noting are:

- the creation of the Production Procurement department, which handles procurement for major projects in the nuclear businesses; and
- the deployment of a professionalization program with six training modules involving 85 participants in an employee improvement project.

4.1.1. Sustainable Development and Continuous Improvement

Sustainable development means meeting the needs of the present without compromising the ability of future generations to meet their own needs. It is one of the foundations of AREVA's industrial strategy. It is implemented through a continuous improvement initiative aimed at achieving three key objectives: to sustain profitable growth, to be socially responsible and to respect the environment. Sustainable development is one of the group's core values, as specified in the Values Charter, inspired by the principles of the UN Global Compact and OECD guidelines.

These goals translate into ten commitments, implemented throughout the group as part of the AREVA Way continuous improvement process.

- **Financial performance:** ensure the group's sustainability through profitable growth;
- **Innovation:** develop and harness best-in-breed technologies to anticipate customer needs and increase our cost-competitiveness while complying with nuclear safety, occupational safety and environmental protection requirements;
- **Customer satisfaction:** listen to our customers, anticipate their needs, support their growth, and increase and measure their satisfaction;
- **Commitment to employees:** promote our employees' professional development and provide good working conditions;
- **Governance:** manage our operations responsibly in accordance with the group's values, and assess and truthfully report on our performance to shareholders and all stakeholders;
- **Dialogue and consensus building:** establish stakeholder relations based on trust;

- **Community involvement:** participate in the economic and social development of the communities in which the group operates;
- **Environmental protection:** limit our environmental impacts by reducing our consumption of natural resources, controlling our releases and optimizing our waste management;
- **Risk management and prevention:** establish and maintain the highest level of nuclear and occupational safety in all of the group's operations to preserve public and worker health, and to protect the environment;
- **Continuous improvement:** implement a continuous improvement initiative based on practices shared throughout the group.

AREVA Way is an integral part of the group's management processes. It is based on a model that serves as a basis for self-assessments of entity performance with respect to the group's ten sustainable development commitments and is used to define the corresponding performance improvement plans. The results are reported to corporate management during strategy and budget meetings, at which time performance improvement objectives are set and resources allocated through the budget process.

The Sustainable Development and Continuous Improvement department provides leadership for this process within the group. It takes into account the group's policies and actions in risk prevention (see section 4.14.2.3.), labor relations (see Human Resources report, section 5.2.) and environmental protection (see Environmental report, section 5.3.).

Note: A more complete description of sustainable development is provided in the publication "AREVA in 2007", which is available from the group upon request or may be read on the website at www.aveva.com.

4.12. | Capital spending programs

The group's strategy has always been to invest heavily and consistently to ensure long-term growth. Sustainable development requirements, shareholder value and profitability are integral to this strategy. AREVA plans to grow, first through internal growth, but also through a selective approach to acquisitions.

The group launched a major capital spending program in 2005 to develop or replace some of its production capacities and to acquire

strategic technologies and production facilities. The goal of this program is to ensure long-term security of supply for AREVA's customers at a time when the nuclear renewal and the buoyancy of the transmission and distribution market have been established, which will drive growth in all our businesses. With this program, the group expects to reach the market share and profitability objectives set for 2012.

4.12.1. 2007

Gross operating capital expenditure (Capex) rose to 2.928 billion euros (2.889 billion euros net of disposals), compared with 1.325 billion euros in 2006 (1.248 billion euros net of disposals).

The main reasons for this change are:

- Continuing organic investments, following the practice of previous years:
 - Gross operating Capex focused primarily on the nuclear businesses, with construction of the Georges Besse II enrichment plant and the conversion replacement facilities, investment in equipment manufacturing capacity, and continuing certification of the EPR in the United States and the United Kingdom.
 - In transmission and distribution, capital spending strengthened manufacturing capacity in dynamic markets such as China and India.

- Significant acquisitions:
 - Uramin in August 2007 for 1.594 billion euros, whose identified deposits in South Africa, Namibia and Central African Republic are expected to produce 18 million pounds of U_3O_8 by 2012;
 - 51% of Multibrid, a designer and manufacturer of high output offshore wind turbines, for 76 million euros;
 - Passoni & Villa for 19 million euros and VEI Distribution for 12 million euros, both active in the transmission and distribution sector, in pursuit of AREVA T&D's strategy to strengthen its ultra high voltage business.

Net non-operating Capex represented net cash proceeds of around 93 million euros. The group sold shares from its portfolio of assets earmarked for end-of-life-cycle operations to reduce the portfolio's over-coverage of provisions. In addition, the group acquired 10% of the Australian mining company Summit.

4.12.2. 2006

Gross operating Capex rose sharply, from 554 million euros in 2005 to 1.325 billion euros in 2006 (1.248 billion euros net of disposals). In 2006, the group made acquisitions totaling some 600 million euros:

- ETC and the uranium ultracentrifugation enrichment technology, enabling AREVA to start construction of the Georges Besse II enrichment plant;
- Sfarsteel, which specializes in the production of large forgings, to secure future procurement of these critical parts used in the primary cooling systems of reactors; and
- Ritz High Voltage to round out the range of products and technologies offered by the Transmission & Distribution division.

Capital expenditures were stepped up in uranium mining projects and EPR certification programs, particularly in the United States.

Net non-operating Capex represented net cash proceeds of around 295 million euros. In addition to net disposals connected with the portfolio of assets earmarked to cover end-of-life-cycle operations, the group sold its shares of Société Générale for 217 million euros and acquired additional shares of REpower, thus increasing its equity interest in that company from 21.2% at the end of 2005 to 29.9% at the end of 2006.

4.12.3. Outlook

The AREVA group plans to lead the nuclear revival and to continue its profitable growth in transmission and distribution operations. Under these circumstances, the organic investment program should continue to average about 2.2 billion euros per year over the 2008-2012 period.

Selective acquisitions meeting our strategic and financial criteria are also foreseeable.

The Front End division should represent most of the capital spending over the next five years (2008-2012). In the Mining business unit, the objective is to achieve annual production of 12,000 MT to 15,000 MT of uranium by that time. In the Enrichment business unit, the group expects to devote approxi-

mately 2 billion euros to the construction of the Georges Besse II plant over that same period.

In the Reactors and Services division, Capex to secure certification of the EPR from regulatory authorities should continue, particularly in the United States, the United Kingdom and other countries for which EPR projects may be developed. Investment in capacity increases is also slated for the Equipment business unit.

For the Transmission & Distribution division, Capex should accelerate in the coming years to support market growth in China, India, Russia and the Middle East and in fast-growing segments such as high voltage and electricity-intensive industries.

4.13. | Research and Development programs, Intellectual Property and Trademarks

4.13.1. Research and development

4.13.1.1. Key data

<i>(in millions of euros)</i>	2007	2006
Research and development expenses	421	355
• Nuclear share	66%	68%
• T&D share	32%	32%
• Corporate and other operations	2%	-
Number of registered patents	120	111

Research and development expenses represented 3.5% of the group's sales revenue in 2007 and rose by almost 19% in relation to the previous year, when they came to 3.3% of sales. This increase is a reflection of additional resources allocated to key R&D projects consistent with the group's strategic objectives.

Total R&D spending, taking into account all committed costs, was 813 million euros in 2007, i.e. 6.8% of consolidated sales revenue. This compares with 669 million euros in 2006.

The increase in R&D spending is due to stepped-up mineral exploration and pre-mining development expenses as well as to industrial expansion relating to the construction of the first EPR reactor in Finland and to its certification, particularly in the US (see section 5.1.2.6.3. for more information).

4.13.1.2. Overall organization of Research and Development

The AREVA group sets the pace for the global competition in terms of technology, with dynamic programs to harness advanced technologies and integrate them into our products and services. Ever since the first industrial applications of nuclear energy were developed, we have worked continuously to build up major intellectual assets, maintain our strong technological lead and bolster our international positions. AREVA has pooled Research and Innovation functions as a group to tap into the synergies resulting from its establishment and to protect and multiply its technology assets. By functioning in integrated mode, the group is able to share best practices throughout the group and thus boost R&D effectiveness in areas as wide-ranging as technology management, knowledge and know-how management, intellectual asset protec-

tion, innovation, and leadership for a portfolio of research and development projects.

AREVA's Research and Innovation department establishes group-level programs such as research and development action plans, project portfolio management, management of technical expertise and technology excellence, and intellectual property management. The Research and Innovation department also promotes and drives innovation throughout the group.

The program to stimulate innovation launched in 2005 and fully deployed in 2006 translated into some 20 new key projects, most led by the business units, although some – usually cross-cutting or longer term – were launched by the research and innovation function itself. Management and the research and innovation function jointly review these projects periodically.

4.13.1.3. Partnerships

Thirty years of technological achievement and commercial successes have positioned AREVA as a global leader in the nuclear industry. Today, the group has a solid base of operations on three continents. Scientific and technical partnerships reflecting our international dimension will be a cornerstone of our continued growth.

AREVA already has a broad network of partnerships with the world's leading research laboratories:

- France: the CEA at Saclay, Cadarache, Grenoble and Marcoule; EDF's Research and Design Laboratories; the French National Scientific Research Center (CNRS); and major engineering schools and universities such as the École de Chimie of Paris and Montpellier University;
- Germany: the University of Zittau and the Karlsruhe, Rossendorf and Julich research centers;
- United States: Massachusetts Institute of Technology (MIT), the Universities of Florida, Texas and Idaho, and the Sandia and Idaho National Laboratories;
- China: the Tsinghua-Beijing and Xi'an Jiaotong Universities;
- Russia: the Kurchatov, VNIINM and Khlopin research institutes.

AREVA's involvement in the Generation IV initiative is indicative of this commitment. The multilateral agreement pertaining to this international initiative was signed in 2005, providing a framework for collaboration on key technologies for fourth generation nuclear

4.13. Research and Development programs, Intellectual Property and Trademarks

reactors. AREVA is keenly interested in this initiative, alongside its French, European and international partners, especially as concerns fast spectrum reactors, in which it sees even greater sustainable development opportunities.

Agreements and partnerships of note include:

- the tripartite agreement between AREVA, the CEA and EDF, renewed in 2006, which coordinates the three parties' R&D efforts and resources to improve the performance of existing reactors and fuels and plan for long-range development of key technologies for future generations of reactors; and
- the 10-year cooperative agreement between AREVA and the CEA in the nuclear fuel cycle field, with work beginning January 1, 2004, which has the same purpose and objectives as the tripartite agreement.

For partnerships with the CEA, the allocation of ownership and utilization rights (industrial and commercial use, or use exclusively for research) is a function of each party's financial share.

4.13.1.4. Future directions in technology

Nuclear

The AREVA group's research and development programs are anchored in meeting customer requirements. They focus on increasing safety, reducing operating costs, minimizing final waste volumes, conserving natural resources and preparing future generations of nuclear systems.

DEVELOPMENT AND MODERNIZATION OF PRODUCTION TOOLS IN THE FRONT END OF THE FUEL CYCLE

The long-term revival of nuclear programs in several countries around the world will generate increased demand for uranium, especially as highly enriched uranium (HEU) inventories near depletion.

Mineral exploration spending was once again stepped up in 2007. Besides studies on uranium geochemistry or to improve geophysical prospecting methods, efforts concentrated on the exploration of new areas.

In addition, following the acquisition of Uramin, projects are being conducted on the recovery of uranium from ores that may be very different from those mined up to now.

R&D spending incorporates sustainable development criteria, namely the impact on the environment, society and the economy.

In the field of conversion, studies are under way to modernize facilities and increase production capacity in response to growing demand. The studies will serve to validate investment decisions when the time comes.

OPTIMIZING THE ECONOMIC PERFORMANCE OF REACTORS AND FUEL

Boosting nuclear fuel performance

The Front End division is looking beyond the successful performance of its current products by conducting far-reaching research and innovation programs to boost thermo-hydraulic, mechanical and burn-up performance while enhancing fuel reliability.

These programs involve:

- the development of new cladding materials (new alloys for better corrosion resistance and enhanced mechanical properties) and new fuel (advanced microstructures to reduce the release of fission gases at high burn-up fractions); and
- the development of new fuel rod, spacer grid and assembly designs.

Two far-reaching projects are currently in progress to develop the next generations of PWR and BWR fuel assemblies.

Enhancing design tools for fuel and reactors

AREVA puts considerable effort into its modeling tools and codes. Efforts focus on optimizing advanced physical models that take advantage of enhancements in computer modeling capability, expanding their validated domains, implementing modular application architectures, and developing ergonomic graphical interfaces. These developments are helping to improve code forecasting accuracy, reduce design schedules and improve design quality. With them, innovative fuel and reactor designs delivering even better performance are foreseeable.

Understanding and anticipating aging phenomena

AREVA teams are conducting important research and development programs with the CEA and EDF with the goal of gaining a better understanding of and control over materials aging in the reactor environment (radiation, pressure, temperature, mechanical loads). This in turn will help us improve our ability to predict and demonstrate structural and equipment life spans and to offer solutions for extending the service life of reactors and their components. Every year thus gained translates into substantial savings for our utility customers.

Supplying modern digital instrumentation and control systems

Instrumentation and control system products and programs offering a high level of safety are being integrated into the group's new reactors, such as the EPR, as well as into existing reactors to replace older systems. These advanced instrumentation and control systems are helping to improve reactor operations and availability, lower their maintenance costs, and boost their power and their ability to meet variations in demand.

DEVELOPING ENHANCED SOLUTIONS FOR THE BACK END OF THE FUEL CYCLE

The 30 years of industrial research and development at the La Hague plant site have set the standard for used fuel treatment today. The research and operating experience from this plant are helping to guide our main research programs.

Production plant support

This involves optimizing current plant operations over the long term and adapting to market trends so as to be able to treat new fuels (high burn-up UOX fuel, MOX fuel, research reactor fuel, etc.). In addition, programs continue to minimize the La Hague plant's environmental impacts.

Optimizing fuel treatment and reducing final waste volumes

A far-reaching development program is under way to renovate the vitrification facility so as to increase productivity and capacity. The program involves installing the cold crucible technology developed jointly with the CEA, which is capable of processing a wider range of feed solutions, including effluent from the rinsing of facilities scheduled for dismantling. The process will be certified in a full-scale vitrification pilot plant at the CEA Marcoule site. These research programs should also enable AREVA to expand its offering to include the treatment of new products.

Improving used fuel transportation and storage

The Back End division is developing new materials – resins, radiation shielding and impact limiters – for the design of innovative shipping casks and even more efficient integrated storage solutions that accommodate the changing and ever more demanding characteristics of used fuels.

WIDENING THE RANGE OF LIGHT WATER REACTORS AND SUPPORTING THEIR DEPLOYMENT**EPR**

A project team for EPR certification in the United States was formed and an intensive program of topical report submittals and technical meetings with the US Nuclear Regulatory Commission (NRC) culminated in the submission of the EPR design certification request in December 2007.

The R&D teams also actively support the OL3 project in Finland and the FA3 project at the Flamanville site in France, most notably for experimental validation of certain components.

Atmea

Within the framework of Atmea, a joint company established in 2007 by AREVA and Mitsubishi Heavy Industries (MHI), AREVA is developing an 1100+ MWe pressurized water reactor that draws know-how from both partners and is designed for medium capacity electric grids.

PLANNING FOR NEXT-GENERATION REACTORS AND RELATED FUEL CYCLE PLANTS

This involves long-term research – the key to maintaining technological leadership – that looks at the total reactor/fuel cycle system to optimize sustainable development criteria, i.e. an economic system that conserves natural resources and minimizes environmental impacts while addressing societal issues.

A discussion of some of the key areas for research follows.

Developing new gas-cooled reactors

The R&D program continued in 2007, particularly in the areas of fuel development and certification, and intermediate heat exchanger design. AREVA is also coordinating a new European project, Raphael (acronym for “reactor for process heat, hydrogen and electricity generation”), launched in 2005.

Restarting development of sodium-cooled fast neutron reactors

In connection with the international Generation IV reactor initiative, and with sustainable development objectives in mind, AREVA initiated an innovation phase in 2006 designed to overcome the technological hurdles concerning sodium-cooled fast neutron reactors. The innovation phase is scheduled to last until 2010 and will focus initially on core safety issues and in-service inspection and repairs. It is being carried out as part of a cooperative program with the CEA and EDF.

Developing fourth-generation reactor systems

The Reactors and Services division is also conducting long-range studies on other reactor systems. Most of these reactor concepts are based on fast neutron spectra, which ensure the availability of energy resources for several centuries to come and pave the way to even greater reduction of final radioactive waste volumes. These concepts are effective, long-term responses to the energy and environmental challenges of the future and could be deployed in the 2040 time-frame.

Designing new generations of fuel cycle plants

In this field, AREVA worked with the CEA to develop the COEX process for co-extracting uranium and plutonium. The individual steps in the process have been mastered.

Development of a new generation of treatment and recycling plant continues. AREVA will participate in the research component of the Law of June 28, 2006 on radioactive waste management, as it did with the previous law. In this area, the main goals for future programs will be to:

- reduce waste package volumes,
- define packaging solutions for waste from old nuclear facilities under the best possible safety conditions, and
- help ANDRA update waste package assessment documents for waste disposal design.

EMERGING TECHNOLOGIES

Hélión's research into proton exchange membrane fuel cells (PEM) enters into the AREVA group's CO₂-free energy strategy.

By harnessing pure hydrogen/oxygen technology, the division was able to deliver a highly reliable 30 kWe fuel cell system to the CEA in the summer of 2006 for the Saclay emergency management center's power supply. The system has been performing very well since then.

Technology development continues and is focusing on reducing the cost of these systems to make them competitive in the short term.

4.13. Research and Development programs, Intellectual Property and Trademarks

The 2007 acquisition of Multibrind also gave AREVA access to offshore wind turbine technology, which the group intends to develop further.

Transmission & Distribution

With the short cycles typical of this sector compared with the nuclear business, research is crucial to the Transmission & Distribution division's competitive position. The division raised R&D spending by 19% in 2007, and it now represents 3.1% of its sales revenue. The main areas for research are discussed below.

Alternating current power systems and equipment

Today, the market demands transformers with greater overload capacity that can deal with transitional operating conditions caused by short circuits and overvoltage. They must also provide reliable service and represent the best trade-off between technical performance and cost. In the field of current limitation, the key to success lies in using a single interruption technology platform to streamline products. Good progress has already been made on developing products and solutions for new markets.

Commercial expansion in the United States requires compliance with ANSI standards, while in China and other fast-growing markets like India and Russia, compliance with local technical specifications and climatic conditions is required.

Direct current power electronics

This is certainly the most promising technology for the future of transmission and distribution applications. The technology is evolving rapidly in terms of technical performance and economics.

Optimizing existing power supply systems by increasing their capacity and improving power allocation potential are two new applications for FACTS (Flexible Alternating Current Transmission Systems) in many existing configurations.

Interest has grown in recent years in extending high voltage direct current technologies (HVDC) to voltages of ± 800 kV. This is technically necessary to allow transmission of capacities now in the range of 6,400 MW requiring currents of 4,000 amps. Such combinations were initially considered in China and India, and there is a potential for projects in South Africa and Brazil.

In addition, the T&D division is involved in several European research programs on materials to be used in future power electronics applications.

Information systems and digital control

Data processing has become an essential function in the quest to optimize the management and growth of the fast-paced electricity market. SCADA software (Supervisory Control And Data Acquisition) and software for energy assets and market management can process total and available generating and transmission capacities in real time as well as the delivery and pricing of energy transactions on spot markets at times of peak demand. Integrated information and telecommunication systems must be able to

manage these functions as well as new developments down the line.

The considerable changes in electronic technologies over the past 10 years have led to the widespread use of digitalization for intelligent electronic devices (IED) and data exchange. Several pilot facilities incorporating a variety of IEDs already exist and are providing a full-scale demonstration of the complete integration of all automated equipment in a substation and of communications between them via the IEC 61 850 standard.

Significant developments in 2007:

Ultra high voltage

As the world's urban and industrial centers develop, the need for long distance electric power transmission is increasing. One solution is to increase the transmission voltage. Transmission at ultra high voltages of 1,100 kV is a tremendous technological challenge, however.

The T&D division is one of the world's leading manufacturers in the field of very high voltage direct current transmission, with 45 years of experience in this business. The division's current offering covers the main types of high voltage direct current power lines, i.e.:

- overhead transmission lines for up to 500 kV,
- submarine transmission cables for up to 300 kV, and
- back-to-back for up to 250 kV.

However, the world market for power transmission is evolving from 500 kV today to 800 kV in the near future. The division is developing technology to meet the new demand.

Development focuses on several components:

- thyristor valves,
- converter-transformers,
- disconnects and ground switches,
- bushings (transformer and wallbushing),
- direct current measurement systems and voltage indicators, and
- by-pass circuit breakers.

These components will be combined to build an 800 kV direct current converter station enabling our customers to dispatch electricity over long distances economically and very efficiently.

A new range of vacuum interrupters

Vacuum interrupters are widely used in medium voltage power interruption systems. With over one million interrupters in service worldwide, the T&D division is a global leader in vacuum interrupter technology. The division developed a new range of vacuum interrupters, the VG series, which are used to interrupt power safely in a wide range of currents, from a few amps to several thousand amps. A compact design, high reliability, great mechanical and electrical durability, limited maintenance and excellent environmental performance are just a few of their qualities.

Integrating distributed energy sources

For more than a century, electric grids were based on centralized power generation, with the size of the production facilities increasing as the grids expanded. In the past ten years, the development of local energy sources such as wind power or biomass was strongly encouraged to respond to the challenges of climate change and the need for greater energy diversity. However, the proliferation of these distributed energy resources (DER) can be a real challenge to the operator of distribution systems.

The T&D division is developing a number of original solutions to integrate DERs seamlessly. One of these projects involves the conceptual design of a large scale virtual power plant (LSVPP).

This concept requires new power distribution management systems to control the interface between the virtual power plant, the grid and user demand. The system will provide the tools needed to minimize the operating costs of the virtual power plant while offering the necessary interfaces for ancillary services to transmission and distribution grid operators.

4.13.2. Intellectual property and brands

Intellectual property, licenses, patents, trademarks and technical expertise in general play an important part in the group's daily operations and thus in the production and protection of AREVA products, services and technology. Protecting our knowledge and unique know-how requires a comprehensive system for developing and managing AREVA's intellectual assets in each business unit. This is also the key to negotiating successful technology transfer and process license agreements, now standard practice for large-scale international projects.

Building a unified technology culture and asset base also means laying down principles that can be accepted by all group entities. This involves defining, simply and transparently, a set of rules governing the transfer of innovative and mature technologies between group entities, with the goal being to ensure optimum use and valuation while establishing equitable compensation mechanisms.

Aware that adequate protection of intellectual assets is a strategic issue, the AREVA group now has an organization to pool our combined resources and strengthen the intellectual property role of our entities. The AREVA group has a very large portfolio of patents. In 2007, 120 patents were registered.

The group's intellectual property program covers every aspect of its intellectual assets, irrespective of their eligibility for patent protection. To meet the specific needs of each business unit, various methods are used to protect the group's know-how and technology. For example, with regard to the design of major systems such as nuclear reactors, the design and fabrication field should be distinguished from the computational code field.

It is important to constitute a substantial portfolio of patents for design and fabrication, as this procures a competitive advantage and enables us to defend our rights if the occasion should arise. This is particularly true for new developments relating to the high temperature reactor (HTR), as well as for improvements concerning the EPR. Conversely, a significant body of knowledge is integral to the computational codes, which are fully usable only with the experimental databases that validate them. These aspects create barriers to entry for new competitors and minimize the value of protection through numerous patents that provide only a relatively modest increase in the level of protection. The secret nature of these codes is adequate protection in itself.

Engineering know-how is generally contained in process manuals delivered to customers at the same time as the facilities. Naturally, customers are not allowed to divulge the knowledge contained in these process manuals to third parties. However, some key elements of process and equipment may be patented. For example, more than 100 patents protect processes used at the La Hague plant, many of whose numerous technologies have been exported to Japan.

Monitoring and measurement equipment, such as nuclear detection equipment, non-destruction examination equipment, and instrumentation and control systems, use innovative technologies that are generally patented. In nuclear technology, inventions to strengthen radiation protection or to reduce radiation exposure during maintenance and repair operations bolster AREVA's competitive advantage, particularly for cleanup, logistics and dismantling operations.

The AREVA brand has been a world brand name for several years. Since AREVA T&D joined the group, new AREVA brands have been registered to designate AREVA T&D's operations.

The communication program undertaken to support and accompany the group's development is based on deployment of the AREVA brand name and its logo. Actions taken in this regard – advertising, participation in the America's Cup, websites, brochures – help strengthen the group's brand awareness in France and abroad and position AREVA as a leading brand in the energy sector.

AREVA's visual identity consists of two elements: the symbol "A" and the name "AREVA". These two elements may not be separated and should not be revised or reinterpreted under any circumstances.

Third parties may not infringe upon the registered AREVA brands ("A", "AREVA", "A AREVA"). In a dispute related to Greenpeace's communications campaign, which linked the "A" logo of AREVA with symbols of death, the Paris Court of Appeal issued an order on November 17, 2006 recognizing that the principle of freedom of expression is not absolute and is subject to the limits for which article 1382 of the French Civil Code provides the basis. The defendant has filed an appeal of the decision with the Cour de Cassation.

4.14. | Risk and insurance

4.14.1. Overall organization of risk management

4.14.1.1. Organization of Risk and Insurance Department

AREVA's risk and insurance management policy, laid out by the Executive Board based on recommendations of the Risk and Insurance department (DRA) and the Finance department to which it reports, aims to protect the group's operations, earnings and strategic objectives.

The policy is implemented by the Risk and Insurance department in cooperation with the operations departments. The department establishes methodologies to ensure consistent treatment of risk among the subsidiaries and promotes the use and exchange of best practices. It assesses the risk at the consolidated level. Financially, the Risk and Insurance department arbitrates between retaining part of the risk and transferring it to the insurance and reinsurance markets through global policies covering the group's operations worldwide. This point is developed in greater detail in section 4.14.6.

4.14.1.2. Risk mapping

The group initiated risk mapping when it was established in 2001. This map is reevaluated annually.

The goals are:

- to formalize the risk identification process for all operations;
- to characterize and rank these risks; and
- to define and implement a comprehensive risk management program.

To implement this approach, the Risk and Insurance Department:

- establishes a common set of methodological tools and management criteria;
- coordinates a network of close to 120 risk specialists in the operating units and trained by the AREVA group; and
- monitors action plans.

The risk maps are presented every year to the Management Committees of the business units as well as to the Executive Committees of the main subsidiaries, the group's Executive Committee and the Supervisory Board's Audit Committee. This process applies to all AREVA group companies.

The group's annual audit plan builds on risk mapping results, which are updated annually, among other things. The Audit department subsequently deploys this plan by conducting audits.

4.14.1.3. Risk management

The notion of risk applies both to the operations of each of the group's entities, their facilities and their operations (control of normal operating risks affecting performance, based on prior decisions, and of risks affecting specific situations) and to achievement of their goals and implementation of their business strategy (taking a risk from which a profit is expected).

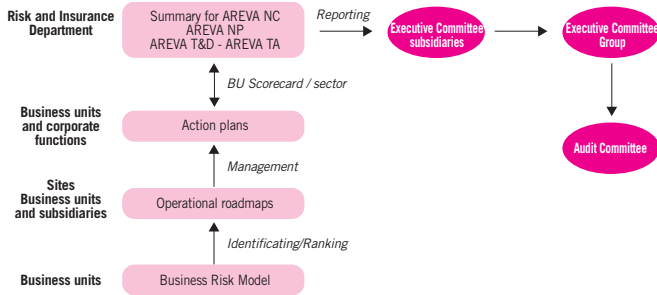
In both cases, risk management arises from a shared methodology within the group, starting with risk analysis. It incorporates a process of industrial safety visits to evaluate facility operating conditions. The objective is to manage the risk from cradle to grave. Consequently, the business units determine operational risk maps which serve as a basis for recommending and carrying out action plans.

Managing normal risk entails:

- an ongoing documented process of risk identification, analysis, ranking, optimization, funding and monitoring;
- a broad program covering all of the group's activities, both operational (manufacturing, sales, projects, services, etc.) and functional (finance, legal, contractual, organizational, human resources, etc.);
- contributing to resource optimization and cost reduction; and
- developing business continuity and crisis management plans.

4.14. Risk and insurance

Risk management process of the AREVA group



The first step in risk management is to identify and formulate the risk, as illustrated in the flowchart above. To this end, the group has drawn up a business risk model (BRM) to be used by its business units. Working from a defined number of typical risks or families of risk (BRM risk), the model indexes all of the foreseeable or unexpected situations or events that could have an impact on employee safety, the financial performance of the business unit, those of the subsidiary or even of the group, and its corporate image.

The BRM is enhanced based on best practices and lessons learned.

Using the BRM as a starting point, each business unit establishes an operational risk map that graphically illustrates the seriousness of its risks and its degree of management at any given period. The risk map defines criteria for implementing appropriate action plans

in order to optimize the management of each risk and render any residual risk acceptable to the group. The business units are thus responsible for analyzing, ranking and managing their risks by implementing action plans using appropriate means.

Each subsidiary's risk management department, each in its area of expertise, provides its management with a business unit-wide picture of risks and how the business unit is managing them. Each subsidiary's Executive Committee and the group's Executive Committee is then informed of the status of action plans and decides which risks affect the group's strategic objectives.

The group's risk management policy is based on principles of transparency, in particular through the publication of environmental monitoring results for all major sites and more generally through the implementation of its Nuclear Safety Charter and sustainable development policy.

The operational units, supported by AREVA's specialized departments, manage risks related to nuclear safety, the environment, and the security and safety of AREVA's facilities, with oversight by national and international authorities. The Risk and Insurance Management Department draws technical expertise from these departments in performing its duties.

4.14.2. Managing risk related to the group's industrial operations

By regulation, industrial facilities operated by AREVA are classified into various categories by level of risk and quantities of nuclear materials or chemicals.

In addition to preventing and countering malicious acts and implementing public safety measures in the event of an accident, ensuring facility safety means:

- protecting workers, members of the public and the environment from the harmful effects of radiation and chemicals; and
- defining and implementing measures to prevent accidents or limit their impacts.

4.14.2.1. Regulations applicable to the group's nuclear facilities in France and abroad

General regulations

Group operations are subject to constantly changing national and international regulations that are becoming increasingly stringent in the areas of nuclear and environmental safety. The licensed nuclear facilities of the AREVA group (INB – see Glossary) are presented in the table in section 4.14.2.2.

The International Atomic Energy Agency (IAEA) and the European Commission have each established their own system for nuclear

materials safeguards. Other international agreements adopted under the umbrella of the IAEA govern nuclear safety in the facilities. These agreements include the Convention on Nuclear Safety (CNS) and the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management.

With respect to the European Union, the provisions of the Euratom Treaty adopted 50 years ago on March 27, 1957 and its implementing regulations have reinforced the aspects relating to nuclear materials safeguards and to the establishment of unified rules for radiation protection of the public and workers and for the transportation of radioactive waste.

In France, the licensed nuclear facilities (INB) operated by the group are regulated under Law no. 2006-686 of June 13, 2006 on transparency and security in the nuclear field. This legal framework strictly regulates the construction, start-up and operation, modifications, safety inspection, shutdown, dismantling and decommissioning of the group's nuclear facilities, and governs in particular rules for nuclear safety, protection of public health and of the environment, and the monitoring of radioactive and non-radioactive releases. Decisions that are the subject of a license decree are granted following a public inquiry and an administrative process requiring the opinion of several organizations. Violations of the Law of June 13, 2006 entail administrative and criminal penalties. Every year, each licensed nuclear facility operator must submit a report on measures taken in respect of nuclear safety and radiation protection.

A number of decrees implementing the law were published in 2007, including Decree no. 2007-830 of May 11, 2007 regarding the list of licensed nuclear facilities and the so-called "procedural decree" of November 2, 2007, which constitutes the new legal framework applicable to licensed nuclear facilities.

Licensed nuclear facilities are monitored closely by the French nuclear safety authority ASN. Restructured under the law of June 13, 2006 on transparency and security in the nuclear field, ASN is now an independent administrative authority managed by five directors. It enforces nuclear safety and radiation protection regulations to protect workers, patients, the general public and the environment from risks related to the use of nuclear technology. ASN also provides information to the public.

Similar provisions govern licensed nuclear defense facilities (INBS) that the group operates in France (article R. 1333-37 *et seq.* of the French Defense Code).

Operations abroad are subject to the same type of stringent inspection procedures (for example, by the Nuclear Regulatory Commission in the United States).

In France, some facilities operated by the group are subject to regulations pertaining to environmentally regulated facilities (ICPE), based on operations performed or materials used. Under the terms of articles L. 511-1 *et seq.* and R. 512-1 *et seq.* of the French Environmental Code, group facilities that may represent a risk or drawbacks for public health, safety and security, or for the protection of nature and the environment, are subject to prior reporting to the Prefecture or to a licensing process. When permit-

ting is required, the operating permit is issued by the Prefect after completion of a public inquiry and consultation of various organizations. The Prefect's order includes all necessary restrictions and specifications.

The group is also subject to regulations pertaining to exposure to radiation protection of employees, subcontractors and the public, which are enforced through a system of exposure limits. In France, radiation protection regulations are governed by the provisions of the Labor Code and the Public Health Code. The maximum exposure allowed by the Public Health Code for members of the general public is 1 mSv per year. The maximum exposure allowed by the Labor Code for workers in nuclear facilities is 20 mSv per year.

Other international and national legislation and regulations govern nuclear materials safeguards and controls, in particular the October 28, 1979 Convention on the Physical Protection of Nuclear Material, articles L. 1333-1 through L. 1333-14 and R. 1333-1 through R. 1333-36 of the French Defense Code; regulations on the transportation of radioactive materials, including ADR, RID, IMDG and ADNR (see Glossary); and Council Directive 92/3/Euratom of February 3, 1992 on the supervision and control of shipments of radioactive waste between member States and into and out of the Community. This directive will be superseded by Council Directive 2006/117/Euratom of November 20, 2006 on the supervision and control of shipments of radioactive waste and spent fuel when the latter comes into force on December 25, 2008 (see also the section on "Regulations governing radioactive waste" below).

Similar regulations provide for strict oversight of facilities and facility operations by the competent authorities in countries in which the group operates nuclear facilities, including Belgium, Germany and the United States.

Regulations governing end-of-life-cycle operations

In this reference document, end-of-life cycle obligations include any obligations connected with the shutdown and dismantling of nuclear facilities and the management of the related nuclear waste (see Glossary).

The accounting treatment of end-of-life cycle obligations is explained in note 13 to the consolidated financial statements.

Regulations governing dismantling

The legal framework governing dismantling operations performed in France is largely the product of the Law no. 2006-686 of June 13, 2006 on transparency and security in the nuclear field. Also, the September 5, 1997 Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management, adopted under the auspices of the IAEA, contains provisions regarding the decommissioning of nuclear facilities.

As the operating license holder, the operator of a nuclear facility is the legal entity in charge of facility operations and, therefore, of dismantling procedures. The operator is in charge of the disman-

ting schedule and process for the facilities it operates, subject to inspection by the French nuclear safety authority ASN, which validates each stage of the dismantling process.

The dismantling permit is granted by a decree specifying its procedures following a public inquiry and a process requiring the opinion of several administrative authorities. The decree authorizing shutdown and dismantling operations specifies, among other things, the features of dismantling, the dismantling schedule, the final conditions to be achieved, and the types of operations to be performed by the operator after completion of dismantling.

The dismantling process may take several decades, depending on the facility, and includes work stages as well as monitoring stages when there are practically no operations. Dismantling involves a series of operations, from the shut-down of the nuclear facility to the administrative decision to release the site, at which time it can generally be put to new industrial use.

The level of dismantling depends, in particular, on how the site will be subsequently used. In the United States, Germany and Belgium, where the group operates four nuclear facilities, dismantling regulations are based on principles that are largely similar to those of France.

Regulations governing radioactive waste

Waste generated by nuclear operations or by the dismantling of licensed nuclear facilities is regulated in France by articles L. 542-1 to L. 542-14 of the Environmental Code in particular (resulting from the Program Law no. 2006-739 of June 28, 2006 on the sustainable management of radioactive materials and waste). At the international level, radioactive waste management falls under the purview of the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management of September 5, 1997.

The producer or holder of waste generated by nuclear power operations or dismantling operations has an obligation to process and dispose of such waste (article L. 541-1, paragraph 3 of the French Environmental Code).

Article L. 542-2-1 of the French Environmental Code allows the treatment in France of foreign used fuel and radioactive waste under certain conditions, in particular the signature of multilateral agreements indicating a specific schedule to receive and treat these substances. Every year, the site operator must submit a report with an inventory of these substances to the Minister of Energy. A decree and an implementing order are under development.

Article 20 of the Law of June 28, 2006 on the sustainable management of radioactive materials and waste provides that operators of licensed nuclear facilities must establish provisions to cover the cost of dismantling the facilities and managing used fuel and radioactive waste, and allocate the necessary assets to cover these provisions exclusively. In this regard, the law specifies

that the operator must account for these assets separately and that they must be sufficiently secure and liquid to meet their purpose. Their realizable value must be at least equal to amount of the provisions. These assets are earmarked for this sole purpose and cannot be taken by creditors, except the State when it enforces compliance with regulations pertaining to nuclear operations. All of these items are verified by several administrative authorities, including the French national commission on evaluation of funding for dismantling expenses. Moreover, article 23 of this law provides for financial penalties in the event of a failure to comply with all of the obligations regarding dismantling expenses. This mechanism was supplemented by Decree no. 2007-243 of February 23, 2007 on securitization of funding for nuclear expenses.

4.14.2.2. Nuclear safety in the group's nuclear facilities

Definition

Nuclear safety encompasses all of the technical provisions and organizational measures pertinent to the design, construction, operation, shut-down and dismantling of licensed nuclear facilities and to the transportation of radioactive materials, and designed to prevent accidents and limit their consequences.

Nuclear safety is based on technical design bases and on organizational procedures for operations and is founded on the defense in depth concept. This concept consists of systematically analyzing potential technical, human or organizational failures and defining and implementing a series of independent lines of defense to protect against the consequences of these failures.

Three lines of defense are designed to:

- prevent accidents and incidents, in particular by means of facility design and configuration;
- monitor facilities so as to detect and correct malfunctions; and
- assume that accidents may happen despite all precautions, and design and implement measures to limit their consequences.

The primary objective of any nuclear facility safety measure is to prevent the dissemination of radioactive substances under all circumstances and to minimize the impacts of radiation on the public and the environment.

Policy

Nuclear safety is an absolute priority for AREVA. The group adopted a Nuclear Safety Charter formalizing its commitment to nuclear safety and radiation protection (the charter may be downloaded from AREVA's website). AREVA is committed to maintaining the highest level of nuclear safety for the entire life of its facilities.

These commitments are built on:

ORGANIZATIONAL PRINCIPLES

The general management of each subsidiary, and particularly each nuclear operating subsidiary holding an operating license (see table), sets up an organization consistent with the laws of the country in which it operates based on the principle of the operator's prime responsibility for nuclear safety. Each site manager is responsible for nuclear safety and radiation protection at that site. He or she sets up an appropriate organization to ensure that all legal and regulatory requirements for every aspect of nuclear safety and radiation protection are applied at every affected unit and facility. He or she delegates authority as regards nuclear safety and has the resources to verify implementation of this delegation independently of operating personnel. A corps of inspectors in the group's Safety, Health and Security department implements the annual nuclear facility inspection program drawn up by the Executive Board (see below).

ACTION PRINCIPLES

Nuclear safety applies to every stage in the plant life cycle, from design to dismantling. It builds on a nuclear safety culture shared by all personnel and maintained by regular training. The group is committed to adhering to the ALARA principle (as low as reasonably achievable), which holds that action will be taken to reduce the radiation exposure of workers and the public. AREVA undertook a program to reduce the maximum dose received by all workers in its facilities or by group employees working at customer sites to 20 mSv per year in countries where regulations are less strict. A similar continuous improvement initiative applies to the reduction of impacts from liquid and gaseous effluents (see section 5.3.).

REPORTING SYSTEM

AREVA endeavors to provide reliable and relevant information enabling an objective assessment of the status of nuclear safety in its facilities. Nuclear events are evaluated according to the International Nuclear Event Scale (INES), including in countries where no such requirement exists (see section 5.3.2.). Level 1 or higher events shall be put on record. As it had committed to do, the group publishes, both in hard copy and on its website, the annual report of the General Inspectorate. This report presents the status of nuclear safety and radiation protection at AREVA group nuclear facilities in France and abroad, as observed through the program of inspections and analyses carried out by the nuclear safety inspectors and specialists.

Organization

In the fields of nuclear safety and radiation protection, the Safety, Health and Security department defines, leads and coordinates nuclear safety and radiation protection policy and programs within the group. It recommends and implements an annual nuclear facility inspection program. It also coordinates regulatory intelligence in the fields of nuclear safety and radiation protection and provides leadership for the network of related experts.

The Senior Vice President of Safety, Health and Security submits an annual inspection program to the Executive Board for approval. This program ensures that the Nuclear Safety Charter is implemented correctly and detects any signs of a potential deterioration in nuclear safety performance, with a view towards recommending necessary improvements to ensure they are completely controlled.

General Inspectorate and Nuclear Safety department

A General Inspectorate and Nuclear Safety department reporting to the Executive Board was created in 2001, headed by a General Inspector. Its mission is twofold:

- Inspection: six inspectors with previous operating responsibilities monitor the facilities independently of the operator. They can ask that a facility be shut down. They report to the Executive Board.
- Technical expertise: eight nuclear safety specialists coordinate a network of on-site experts regarding specific issues such as waste, fire hazards, radiation protection, etc.

Nuclear facilities where an AREVA entity is the licensed operator⁽¹⁾

AREVA's main licensed nuclear facilities in France and elsewhere are:

Location	Business unit	Licensed operator	Description
Front End division			
Tricastin, France	Chemistry	Comurhex	Preparation of UF ₆
Tricastin, France	Chemistry	AREVA NC	Conversion of uranyl nitrate into uranyl sesquioxide
Tricastin, France	Chemistry	AREVA NC	Conversion of uranium-bearing materials (U ₃ O ₈)
Tricastin, France	Enrichment	Eurodif Production	Georges Besse gaseous diffusion enrichment plant
Tricastin, France	Enrichment	SET	Georges Besse II centrifuge enrichment plant(2)
Tricastin, France	Enrichment	Socatri	Plant for uranium decontamination and recovery
Romans, France	Fuel	FBFC SNC	Fuel fabrication for research reactors
Romans, France	Fuel	FBFC SNC	Fuel fabrication for power reactors
Dessel, Belgium	Fuel	FBFC International SA	Fabrication of uranium and MOX fuel
Lingen, Germany	Fuel	FBFC International SA	Fuel fabrication
Richland, United States	Fuel	AREVA NP Inc.	Fuel fabrication
Lynchburg, United States	Fuel	AREVA NP Inc.	Fuel fabrication
Reactors and Services division			
Maubeuge, France	Equipment	Somanu	Nuclear maintenance workshop
Back End division			
Veurey, France	Treatment	SICN	Fuel fabrication plant (undergoing dismantling)
La Hague, France	Treatment	AREVA NC	Used fuel treatment plants and liquid effluent/solid waste treatment facilities (7 licensed nuclear facilities)
Marcoule, France	Recycling	AREVA NC	Melox MOX fuel fabrication plant

(1) The depleted uranium storage facility at Miramas was the subject of a decommissioning decision by ASN, the French nuclear safety authority, under an order of August 1, 2007.

(2) License Decree of April 27, 2007.

4.14.2.3. Nuclear risk management and prevention

Several types of nuclear safety-related risks are distinguished and their consequences are systematically analyzed and evaluated as part of the licensing procedure for facility operations, based in particular on the items presented below.

Nuclear risk

Nuclear risk corresponds to events that are characteristic of radioactive materials.

RADIOACTIVE MATERIALS DISPERSION THAT CAN RESULT IN CONTAMINATION

Uncontained radioactive materials can disperse and lead to human and environmental contamination.

To control this risk, the first priority is to prevent the dispersion of radioactive materials in any form (solid, liquid, gaseous) and under all operating conditions (normal or accidental).

Facilities are designed with containment systems that prevent the dispersion of radioactive materials. For example, the radioactive materials are surrounded by a series of barriers at varying levels of negative pressure which channel air from the outside towards the secondary containment system and then the primary containment system. The air is cleaned in each containment system. Contaminating elements are filtered from the air before it is released from the facilities.

The efficacy of these containment systems is verified before facility startup and they are periodically checked to keep them in working order.

Considerable effort went into the design so that maintenance operations could be performed while maintaining the integrity of the containment system using appropriate air exchange devices.

IONIZING RADIATION

When a person is in the path of ionizing radiation emitted by radioactive materials, there is a risk of external exposure.

The effect of radiation on the human body is expressed in millisieverts (mSv). The maximum allowed doses are as follows: in the European Union, the maximum annual dose authorized by regulations is 1 mSv per year for the general public and 100 mSv per year over five consecutive years for nuclear workers, with a maximum of 50 mSv in any one year. In the United States, the limit is 1 mSv per year for the general public and 50 mSv per year for nuclear workers.

The group's objective is to follow the French standard in all its facilities, including those outside France. This is the most stringent standard, at 20 mSv per year for all workers, including subcontractors.

The main protection measures are:

- For fixed radiation sources, standard workstations are defined with corresponding maximum exposures. The maximum acceptable exposure decreases in inverse proportion to the estimated duration of the work performed. Shielding is installed to limit radiation and to comply with authorized dose limits.
- For mobile sources, workstations are designed to minimize the time spent by personnel or the presence of the source and include shielding. In the case of waste packages that may be transported over public roadways, shielding is defined by transportation regulations.

The group also follows the ALARA principle (as low as reasonably achievable), which holds that any reasonable technical, financial, social or organizational action will be taken to reduce exposure to radiation. The radiation protection departments continually verify compliance with this principle.

Every nuclear worker and operator is monitored closely, both medically and radiologically. Their knowledge is maintained at the requisite level through regular training programs.

The results recorded (see section 5.2.2.) demonstrate that the group practices mentioned above promote excellence in radiation protection.

CRITICALITY

The risk of a criticality accident means the risk of an uncontrolled chain reaction with a brief and intense emission of neutrons, accompanied by radiation. This risk, should it materialize, would result in irradiation of workers or individuals located near the event, causing lesions proportional in seriousness to the intensity of the radiation received.

This risk is addressed in any facility likely to receive fissile materials.

Prevention of this risk is based on limiting the factors leading to uncontrolled chain reactions or "criticality control modes".

The control mode most suited to the process is used: limitation of mass or volume, or geometry of equipment containing the materials.

In the facility's most radioactive areas, shielding is installed for normal operations and drastically reduces the impacts of a potential criticality accident on workers. Preventive measures are sometimes supplemented by the installation of a network and alarm system for detection and measurement of criticality accidents.

For transportation, nuclear safety and criticality are monitored under both normal and accidental operating conditions.

Regulations set forth rules for storage during transit, particularly in terms of the criticality risk.

RADIOLYSIS

Radiolysis is to the radiation-induced decomposition of a chemical compound into hydrogen.

Measures are taken to prevent a potential explosion of the hydrogen that could result in the dispersion of radioactive materials.

In normal operating mode, facilities are designed to limit hydrogen concentrations to half of the lower limit of flammability by flushing the equipment with air. A backup system is added if a loss of normal flushing capacity can cause concentrations to rise to the limit value in a few hours or tens of hours.

THERMAL RELEASES

Matter absorbs the energy produced by intense radiation, which can lead to a temperature increase. The energy is removed to control the temperature rise and prevent the dispersion of radioactive materials. Cooling is provided by redundant cooling systems with heat exchangers and ventilation systems.

Non-nuclear risks of internal origin

Events associated with facility operations and the presence of personnel give rise to non-nuclear risk. These events are common to any industrial operation.

Since such incidents could affect equipment important for managing nuclear risk, strong prevention measures are taken in the nuclear industry. The causes of these events can thus be controlled and their consequences minimized.

HANDLING

Handling equipment consists of lifting, transportation and positioning equipment.

The main failures include the breakdown of lifting equipment, poorly secured loads, collision with an obstacle and derailment of a shipping container.

The consequences may be direct, such as the loss of load integrity, or indirect, and cause the destruction of equipment containing radioactive materials or a containment failure.

4.14. Risk and insurance

Risk management involves analyzing failure modes for process equipment used to transfer loads containing radioactive materials and for handling equipment used in maintenance. It also means establishing stringent rules to prevent risk (equipment design, preventive maintenance, inspections, operator certification, etc.).

Limiting the consequences of a handling failure involves limiting transport height, designing objects that withstand a fall, strengthening loads and dissipating energy.

FIRE

Fire can cause the loss of certain process or shielding functions, with potential radiological consequences. The potential consequences include contamination due to failure of the containment barriers, irradiation due to destruction of radiation shielding, and a criticality accident.

Risk prevention consists of preventing the presence of flammable materials, fuel and a source of ignition in the same location. In the event of a fire, safety functions are protected, for example, by compartmentalizing work areas to limit fire propagation, using fire-retardant materials, insulating ventilation systems, and installing a remotely-operable fire extinction system. In addition, firefighters must be able to intervene within a short interval of time to prevent radiological impacts outside the buildings.

INTERNAL EXPLOSION

The risk of explosion is due either to the use of reagents or to the occurrence of chemical reactions. An explosion could result in the deterioration of the primary containment system, causing the dispersion of radioactive products. The secondary containment system is designed to collect any products that may have been released.

Prevention is based on measures to prevent conditions conducive to an explosive reaction, which include limiting the temperature of flammable products used in the process, limiting the concentration of products that may cause an explosive reaction by using proper ventilation, eliminating traces of reagents before any new processing step is undertaken, and controlling the quantity of reagents present in each facility.

USE OF CHEMICAL REAGENTS

To take into account potential impacts on plant personnel and the environment, prevention and monitoring are based on principles already applied to other types of risk (e.g. explosion and fire), combined with principles relating to external explosion and radioactive materials dispersion.

The use of reagents in a process can create additional risk by bringing incompatible products into contact with each other. A chemical product can be hazardous, either through direct contact or by inhaling its fumes. These characteristics must be taken into account in the packaging, storage and use of reagents and in worker protection.

CHARACTERISTICS OF UF₆

Uranium may be handled in the chemical form of UF₆, which is a solid at normal temperatures and pressures, and gaseous when heated. UF₆ can react when it comes into contact with water vapor in the air, forming uranium oxide and hydrofluoric acid, a highly toxic element for humans and animals.

In consideration of the quantities handled at the production sites, the risks inherent in UF₆ were factored into the design of the facilities (double containment barrier, automated monitoring of high-risk areas, etc.).

USE OF ELECTRICITY

Risk prevention related to the use of electricity is based on facility compliance with prescribed industry standards, compliance with current maintenance instructions and procedures, and periodic facility inspections.

USE OF PRESSURE VESSELS

The prevention of pressure spikes is based on compliance with industry regulations for accessible equipment and by imposing additional requirements for inaccessible equipment. The impacts are minimized through leak detection, feed interruption and personnel evacuation.

INTERNAL FLOODING

The internal flooding risk derives from the presence of fluids inside the facilities. Leak rates are limited by design. The deterioration of seals, corrosion and overflows are potential sources of leaks.

The main radiological risk associated with internal flooding is criticality. For areas in which this can occur, this risk is factored into the design and operation of the facilities, and in particular the design of firefighting systems.

Non-nuclear risks of external origin

Non-nuclear risks of external origin derive from the facility's environment. Unlike risks of internal origin, it is not always possible to act on the causes of these events; safety is based primarily on controlling the consequences.

A non-nuclear event of external origin may have direct or indirect radiological consequences.

EARTHQUAKE

Earthquakes can cause damage that could disable nuclear safety systems.

The risk of an earthquake affecting facilities that handle nuclear materials is incorporated into the design of the equipment, systems and facilities based on the "design basis earthquake". The analysis consists of demonstrating that damage affecting the nuclear safety of the facility is unlikely to occur. The design basis and analyses are included in the safety analysis report for the facility, which is approved by the competent safety authorities.

An assessment of the impacts of an earthquake is performed for all of AREVA's nuclear facilities, in accordance with applicable standards and regulations.

AIRPLANE CRASH

This risk concerns the crash of an airplane, or part of an airplane, on a facility. It is a function of the type and number of aircraft that could reach the site without being detected and of the surface of sensitive areas in each facility.

The key features of the sites are as follows:

- they are located away from controlled airspace,
- they are located away from airspace used by military aircraft, and
- there is no nearby airport.

Safety studies factoring in airspace use, type of flights, known crash statistics, and even deliberate attack, are carried out to prevent this risk and limit its consequences.

Special measures are taken to protect the nuclear facilities from terrorism; these measures have been strengthened under the French national security plan known as "Vigipirate".

For security reasons, these measures may not be disclosed to the public.

ADVERSE METEOROLOGICAL CONDITIONS

This risk is taken into consideration in the design of the facilities based on local weather conditions. The methodology is similar to that used for earthquakes.

Advance warning is given for any threatening weather conditions, and there are instructions for each facility concerning additional measures to be taken, such as increased monitoring or specific action.

EXTERNAL FLOODING

The possible causes of external flooding e.g. rain, breach of levies or floods are taken into consideration in the design of the facilities. The risk of a thousand year river flood risk is taken into account, in particular by locating facilities above the thousand year flood plain.

Other aspects of nuclear safety

In addition to the various types of risk identified above, nuclear safety also applies to nuclear materials transportation and to the non-proliferation of these materials.

NUCLEAR MATERIALS TRANSPORTATION

Radioactive materials are transported on public thoroughfares. Like other nuclear operations, these shipments are subject to the "defense in depth" concept to protect the general public and the environment from radiation hazards during transportation. This concept consists of setting up a series of barriers, including safety systems, procedures, and technical and administrative controls, to prevent accidents and limit their consequences (see definition in section 4.14.2.2.). The design of the transport cask is the main component of this safety system. As with any nuclear process, these operations are governed by stringent international regulations.

According to the regulations, the cask must ensure materials containment, criticality safety in the case of fissile materials, radiation protection, and protection from the heat released by the materials transported under both normal and accidental operating conditions. The regulatory requirements for casks cover design, manufacturing and inspections during operations and maintenance. The larger the amount of radioactivity it contains, the stronger the cask must be.

AREVA's objective is to ensure the highest levels of nuclear and industrial safety during transportation. We cover our civil liability through insurance, as described in section 4.14.6.1.

NON-PROLIFERATION AND PROTECTION OF NUCLEAR MATERIALS

Proliferation is the diversion of nuclear materials by third parties for non-peaceful purposes.

Non-proliferation is a shared objective of all of the signatory countries of international agreements in this area, in particular the Treaty on the Non-Proliferation of Nuclear Weapons of July 1, 1968. Non-proliferation requirements relate to the physical protection of nuclear materials per the Convention on the Physical Protection of Nuclear Material; to safeguards controls per the Euratom Treaty, which established a nuclear materials accounting system; and to inspection by the IAEA and Euratom. Compliance with these requirements is regularly verified, primarily by inspectors from the IAEA and Euratom.

In this regard, AREVA has taken measures designed to know, at all times, the amount, type, use and location of the materials held at any given time by the group's entities.

AREVA prepares reports requested by the European Commission and/or the IAEA, whose purpose is to verify the origin and quantity of nuclear materials in the nuclear operator's possession. The record shows that these reports have always been approved by the competent national and international organizations with which they are filed.

4.14.2.4 Prevention and management of chemical hazards

Seveso regulations

The group operates nine sites subject to Seveso regulations, which implement European Directive 96/82/EC of December 9, 1996 on the control of major accident hazards involving dangerous substances, as amended. The regulations apply to facilities that may present a significant risk to public health and safety or to the environment. All of these facilities are located in France. Four of them are considered “high threshold” sites: AREVA NC’s W plant at Pierrelatte, Comurhex’s Malvési and Pierrelatte sites, and Cezus’s Jarrie site.

Site	Description of regulated operation	Class/regulatory threshold
AREVA NC Pierrelatte	Storage of 320 MT of HF	1111.2.a / 20 MT
Comurhex Malvési	Storage of 180 MT of HF	1111.2.a / 20 MT
Comurhex Pierrelatte	Storage of 310 MT of potassium bifluoride	1111.2.a / 20 MT
	Storage of 101 MT of HF	1111.2.a / 20 MT
Cezus Jarrie	Storage of 2,950 MT of substances hazardous to the environment	1173.1 / 500 MT

In accordance with regulatory requirements, these four sites have set up a plan to prevent major accidents of this type and limit their impacts on individuals and the environment. A safety management system governing the organization, procedures, products and other resources was set up to improve risk management.

Similarly, hazards studies are updated on a regular basis. They are the foundation of processes to minimize risk from the outset, control urban development, establish emergency management plans and inform the public. Hazards studies must include an analysis of facility related risks in the event of deviation from operating parameters and must demonstrate measures to reduce the probability and impacts of an accident to the lowest achievable level based on current knowledge and practices, taking into account the vulnerability of the facility’s environment. The administration generally requests clarifications and additional information concerning these studies, and reputable independent experts can be asked to give an opinion on all or part of a document.

As part of a continuous improvement process, the relevance, reliability and “stand-alone” quality of safety barriers are reviewed on a regular basis. This review applies to prevention barriers (intended to reduce the probability of an unscheduled event) and to protection barriers (intended to limit the consequences of an unscheduled event). Performance improvement indicators are regularly monitored to prevent deviations. In addition, AREVA kicked off a program at the end of 2004 to harmonize procedures throughout the group, capitalize on lessons learned and improve the dissemination of best practices.

Moreover, in 2007, the Environment department was expanded by recruiting two more specialists in the “Seveso risks” field.

With respect to insurance, AREVA NC, Comurhex and Cezus are covered by the civil liability program taken out by the AREVA group (see section 4.14.6.). The level of coverage is based on quantification of reasonably expected risk and guarantees available in the insurance market.

Implementation of REACH regulations

On December 18, 2006, the European Parliament adopted the REACH regulation (Registration, Evaluation, Authorization and Restriction of Chemicals), EC no. 1907/2006. REACH establishes a new policy for managing chemical substances in the European Union, whether separate, in formulations or contained in products. The long-term objective is to find substitutes for substances that are most hazardous to health and the environment.

The regulation will help improve knowledge on the properties of chemical substances and the risks associated with their use.

For example, the regulation requires an evaluation and recording of all chemical substances produced or imported in quantities of more than one metric ton per year. These evaluations will be used to acquire the knowledge necessary for suitable management of the risks associated with the use of each substance. The costs of the evaluations will be borne by the producers and importers. In addition, each user of a substance must ensure that its use is supported and that recommended risk management procedures are applied.

An approach to replacing the most hazardous substances must be documented and submitted to the European Chemicals Agency for approval.

The REACH regulation came into force on June 1, 2007. It includes a detailed schedule for procedure implementation, including pre-registration, registration, authorization, etc.

AREVA is affected by this regulation as a producer and importer of substances used in certain operations, in particular in the Chemistry and Fuel business units, and more generally as a downstream user of substances and mixtures. It should be noted that the radioactive substances covered in the Euratom no. 96/29 directive are excluded from the scope of the REACH regulations.

Several steps are being taken to limit the legal, financial and technical consequences of the REACH regulation and to ensure that all AREVA group entities are in compliance. In October 2006, an awareness program targeting the affected functions was deployed throughout the group and was continued in 2007 to support implementation of the regulation by each entity and to assess its impact. A corporate level organization was set up, including a REACH steering committee with representatives from the Safety, Health and Security, Environment – which bolstered its resources by adding a specialist devoted to the REACH program – Procurement, Legal and R&D departments; technical champions on the various issues raised by REACH, and a network of REACH coordinators in the business units and at the sites. This organization will implement and monitor the program in each legal entity.

4.14.3. Risk factors

The group may be exposed to risks other than those described below. Unidentified risks or risks that the group considers to be insignificant could also affect its business. The advent of one or more of these risks or the occurrence of one or more of the events described in this section could have a significant detrimental impact on the group's operations and/or financial position.

All risks are monitored within the framework of the business risk model (BRM) and in the ordinary course of the group's business. Numerous procedures are used to assess, manage and control these risks. However, the group cannot guarantee that these monitoring and control measures will be sufficient in all circumstances.

4.14.3.1. Risks related to the international dimension of the group's operations and to the competitive environment

Some of the group's operations are sensitive to policy decisions in certain countries, especially as regards energy

The risk of energy policy changes cannot be ruled out in certain countries, influenced in particular by pressure groups or as an aftermath to events that give the nuclear industry a negative public image (incidents or accidents, violations of non-proliferation rules, diplomatic tensions), and could have a significant negative impact on the group's financial position. For example, laws to phase out nuclear power were adopted in Germany in 2002 and in Belgium in 2003. The Belgian law contemplates the end of nuclear power generation in the country by 2025. In Germany, nuclear power production would cease by 2020, based on an average reactor life of 32 years. Other countries are discussing the future of their nuclear power programs. Although recent developments have been positive, if other countries were to adopt legislation similar to that of Germany and Belgium, that could have a significant negative impact on the group's operations over the long term.

The group also operates in countries, such as France, where a policy decision could delay or at least have a negative impact on the completion of certain projects, particularly those for defense programs.

Political risk specific to certain countries in which the group does business could affect its operations and their financial equilibrium

AREVA is an international group with energy operations around the globe, including countries with varying degrees of political instability. In a large number of countries some of the group's mining operations, for example, are located in countries where political change could affect those operations. Political instability

can lead to civil unrest, expropriation, nationalization, changes in the legal or tax system, monetary restrictions, and renegotiation or cancellation of contracts, leases, mining permits and other agreements.

The group conducts operations on international markets subject to strong competitive pressures that could lead to a consequential drop in demand for the group's products and services

The group's products and services are sold on international markets characterized by intense competition on price, financial terms, product/service quality and the capacity for innovation. In some of its businesses, the group has powerful competitors that are larger than the group or have access to more resources. Moreover, these competitors may sometimes make decisions that are influenced by extraneous considerations other than profitability or have access to financing at advantageous terms.

Moreover, competitive pressures increased as a result of the deregulation of the electricity market, which opened the door to new competitors for the group's main customers and in particular resulted in increased price volatility. Deregulation may lead to changes in prices for electricity and for products and services related to the generation, transmission and distribution of electricity and/or to lower investment in the nuclear power sector.

Additionally, nuclear power is competing with other energy sources, whether fossil fuels – particularly oil, natural gas, and coal – or renewable energies such as hydropower, biomass, solar and wind power. These other energy sources could become more attractive and cause demand for nuclear generated electricity to drop.

4.14.3.2. Risks related to the nuclear divisions

Due to its nuclear operations, the group is exposed to substantial liability risk and to potentially significant cost overruns

The group's nuclear operations cover every stage of the nuclear cycle, including (i) uranium supply and processing, (ii) uranium enrichment, (iii) fuel fabrication, (iv) reactor design, construction, maintenance and performance improvement, (v) treatment and recycling of used fuel and reusable materials, (vi) waste packaging and storage, and (vii) logistics and transportation associated with these operations.

Although the group has put in place strategies and procedures to control risk commensurate with the high standards for nuclear operations, the very nature of those operations involves risk. As

a result, the group may have substantial liability as the result of, in particular, incidents and accidents, security breaches, acts of malice or terrorism, airplane crashes, natural disasters such as floods or earthquakes, equipment malfunctions, and malfunctions in the storage, handling, treatment or packaging of nuclear materials and substances (see section 4.14.2.3.). Such events could have serious consequences, particularly in the event of radioactive contamination and/or irradiation of the environment, of individuals working for the group or of the general public, as well as a significant negative impact on the group's operations and financial position.

The group's operations also involve processes that use various toxic chemical compounds in significant quantities and radioactive materials such as uranium hexafluoride (UF₆). The transportation of nuclear materials by sea, train, road and air, which is handled by the group's Logistics business unit, also entails specific risks, including potential environmental contamination resulting from transportation accidents. Moreover, some of the plants of the Chemistry and Enrichment business units are located in areas subject to flooding, particularly the Rhone Valley. The unusual flooding of the fall of 2002 in the Rhone Valley had a limited impact on the group's facilities. Nonetheless, an action plan was implemented to reduce residual risk even further.

The group does not always have control over the factors influencing the severity of potential accidents that may affect a group plant or the transportation of materials. These factors include the type of radioactive materials released in the environment, weather conditions, and the speed of implementation of remedial actions.

Comurhex committed close to 20 million euros to a remediation program at its Malvési site in France that was completed at the end of 2007. After a partial breach in the dike of one of the site's lagoons in March 2004, the exceptionally heavy rains of late 2005/early 2006 forced the site to interrupt operations for almost two months. An important project was launched in 2006 to strengthen the area against weather conditions. The main goal is to buttress the lagoon area, where the company processes effluents in decantation and evaporation ponds. Other studies were carried out to reclaim a pond at an old open pit mine, which will no longer be used after the end of 2007.

The "Comhurex 2" project to modernize all Comurhex facilities at Pierrelatte and Malvési has been given the go-ahead. Some of the goals of this project are to limit the quantities of chemicals used in the process, to reduce releases, and to strengthen plant safety and security so as to ensure the sustainability of operations at both sites, under satisfactory conditions. However, the group cannot guarantee that this project will be implemented within the proposed budget or according to a schedule consistent with the sites' operating requirements.

The construction of a new reactor model involves risks, as for any new project, relating to technical implementation and to start-up schedule compliance

The construction of a new reactor presents risks associated with the difficulties encountered in technical implementation of a new process and the fabrication of new components. Such risks could have a short-term negative impact on the group's operations and financial position. In addition, it cannot be ruled out that the contractually binding schedule for start-up of a new reactor model might not be met and that a potential delay might cause negative financial consequences for the group.

CONTRACT TO BUILD THE OLKILUOTO 3 EPR

The construction of the reactor made progress in 2007.

However, performance of the OL3 project remains difficult, mainly due to the following:

- the management of the process for approving all technical documentation by the customer and the safety authorities prior to manufacturing; and
- modifications required to satisfy specific requests by the customer and the authorities.

The AREVA/Siemens consortium is engaged in discussions with the customer to define measures to strengthen and extend their cooperation.

In December 2007, the consortium also exercised its right to indemnification by submitting a significant claim for payment of cost overruns it deems attributable to TVO. This claim supplements a similar claim submitted in 2006.

TVO made its position known at the end of the first half of 2007. First, TVO objected to the claim presented by the consortium in 2006. Secondly, TVO filed a counterclaim, against the consortium.

The consortium and its counsel consider the allegations made in the counterclaim to be unfounded and without merit under the contract terms and Finnish law.

The December 2007 claim served by the AREVA/Siemens consortium also requested that the contract deadlines be extended.

The provision for losses to completion recognized by the group was supplemented to take into account the result of new cost estimates and a revised assessment of risk resulting from the contract performance conditions.

Remaining uncertainties regarding the cost to completion relate chiefly to contractual risks, claims and the technical difficulties inherent in the construction of the first EPR.

The necessary measures were taken in terms of risk coverage, particularly for potential losses to completion, using financial tools and hedges available on the market corresponding to actual, identified risks.

Uranium reserves indicated by the group are estimates and there is no guarantee that mining operations will produce the same results

The group's uranium reserves and resources are based on estimates developed by the group using geological and economic assumptions. The group could modify these estimates to reflect a change in evaluation methods or geological assumptions, and/or a change in economic conditions (see section 4.4.1.5.).

It is impossible to guarantee that the projected quantities of uranium will be produced or that AREVA will receive the expected price for these minerals in accordance with contract terms agreed upon with the customers.

There is no assurance that other resources will be available. Moreover, uranium price fluctuations, production cost increases and declining mining and milling recovery rates can affect the profitability of reserves and require their adjustment.

The group committed to a significant investment to build its new uranium centrifuge enrichment plant, but the expected return on this investment cannot be guaranteed, especially if its implementation is delayed

The total amount of the investment for the construction of the Georges Besse II plant is expected to be approximately 3 billion euros. The plant will have a production capacity of 7.5 million SWU and is expected to be fully operational around 2017-2018. The group cannot be certain that revenue from the new plant's operations will be sufficient to cover operating expenses and depreciation, or that the anticipated rate of return will be achieved, particularly if the competitive environment of the enrichment market changes, in particular because of changes in the implementation of the Corfu Declaration by the Euratom Supply Agency (see section 4.4.3.4.).

While the group would gain access to already operational technology, the investment contemplated is subject to contingencies and it cannot be guaranteed that the Georges Besse II plant will be operational on the scheduled date, which could have a significant negative impact on the group's financial position.

The volatility of uranium, uranium conversion and uranium enrichment prices could have a significant negative impact on the financial position of the group's mining operations

Although the group operates mostly as a provider of conversion services for uranium, of which the customers are generally "owners", it remains exposed to price risk for uranium in its mining operations and to price risk for uranium conversion and enrichment services. Natural uranium and conversion and enrichment prices have fluctuated in the past. Price levels depend on factors that are beyond the group's control, including demand for nuclear power; economic and political conditions in countries that produce

or consume uranium, including Canada, some African countries, the United States, Russia and other CIS republics, and Australia; nuclear materials and used fuel treatment; and sales of surplus civilian and defense inventories (including materials from surplus nuclear weapons).

A decrease in the price of various materials and services, including natural uranium and conversion and enrichment services, with price levels remaining below production costs for a prolonged period, could have a negative impact on the group's mining operations and uranium transformation operations, including conversion and enrichment.

A serious nuclear accident could have a significant negative impact on the group's operations and financial position

The risk of a serious accident cannot be ruled out, despite safety features included in plant design and operating procedures. Such an accident could provoke a rejection of nuclear power by the public, causing regulatory authorities to strengthen plant operating conditions appreciably or to consider terminating nuclear power generation. Such a decision or the occurrence of a serious accident would have a significant negative impact on the group's economic model, strategy, operations, income, financial performance and outlook.

4.14.3.3. Other risks related to the group's operations

The group supplies complex and standardized products and services that sometimes require special guarantees and additional work that could lead to unexpected costs

The group provides services; designs, manufactures and markets a broad range of products with a high unit value used in major projects, including design and construction of nuclear reactors and heavy equipment; maintains reactors and extends their service life; and designs and manufactures electricity transmission and distribution equipment, particularly transformers. Occasionally, final adjustments may be required, products may need to be modified after manufacturing has begun or after customers have placed them in service, or services to be provided may have to be adapted. These adjustments, modifications and additional services could trigger unexpected costs for the group. Though the group has set up a rigorous management control system and a system to control product and service quality and standards, these unanticipated expenses could have a significant negative impact on the group's business or financial position. When the group sells certain products, such as nuclear steam supply systems, or concludes service contracts, customers sometimes demand schedule or performance guarantees, or penalties for not meeting them. Pursuant to such commitments, the group may have to repair products delivered or correct services provided in the event of faulty design or perfor-

mance. The risk is significantly increased if the repairs or services concern a standardized series of products.

In accordance with the group's practices and policies, the guarantees provided in the group's contracts or financing are limited in duration and capped in value, and expressly exclude consequential or indirect damages. However, the group could under certain circumstances give guarantees exceeding those limits, particularly in competitive markets. The group's contracts sometimes include clauses allowing a customer to terminate a contract or reject the equipment if contract clauses concerning schedule or performance have not been met. Difficulties concerning products or services delivered by the group and covered under such clauses could thus trigger unanticipated expenses.

Contract performance difficulties, and the financial consequences outlined above, could also have a negative impact on the group's reputation with existing or potential customers, particularly in the nuclear business.

An industrial breakdown, work stoppage or interruption of the supply chain in the group's manufacturing plants could delay or stop the flow of the group's products or services

As a plant operator, the group is exposed to the risk of an industrial breakdown that could cause a delay or interrupt the flow of supplies or services. In each business, the group's plants are highly interdependent and interconnected. A breakdown or production stoppage in one plant, or an interruption in certain shipments, could affect the entire nuclear fuel production cycle and stop the flow of supplies or services. Contracts between the group and its customers include a certain number of warranties that can trigger penalties for delays. These warranties could enter into play as a result of an industrial breakdown, work stoppage, or an interruption of the supply chain. Although the group has implemented measures to limit the impact of a potential breakdown and has covered its exposure through business interruption insurance, as described in section 4.14.6.1., it is nonetheless still possible that a major event could have a significant negative impact on the group's financial position.

A decrease in the supply of certain strategic components or an increase in the cost of electricity could have a negative impact on the group's production costs

The group's operations require large supplies of specific commodities and semi-finished products, including base products, zircon ore and others. Some operations also use large quantities of electricity.

For instance, electricity represents approximately 60% of the cost of enrichment by gaseous diffusion. That electricity is supplied in

large part by the group's largest customer, EDF, either to cover its own requirements for the enrichment services the group provides to that customer (see section 4.4.3.3.), or in connection with the electricity supply contract for enrichment services that the group exports.

The group's large requirement for commodities and semi-finished products are such that the group could experience procurement difficulties, given the limited number of suppliers.

For all of these operations, a shortage of commodities or semi-finished products could translate into a production slowdown or even, in certain circumstances, in shutdown.

Sales revenue and income may fluctuate significantly from one period to the next due to the nature of the group's businesses

The nature of the group's operations, particularly due to the irregularity of orders, can cause uneven distribution of sales revenue and income through the year and from one year to the next. While the group has a backlog of several years for several of its businesses, the specific nature of the group's operations can complicate, or render moot, comparisons between periods.

The group might not be able to find the necessary expertise to carry out its projects

For its proposals, the group turns to outside experts when it does not have expertise in-house for the successful completion of its nuclear power plant construction projects. In view of developments on the nuclear power market, especially over the past ten years, the group cannot guarantee that it will find the necessary skills for the successful completion of turnkey projects. Such an event would have a significant negative impact on those activities and on the group's financial position.

The group will also have to adapt to cope with the growth in demand for nuclear generated electricity. The group has initiated a program to strengthen and renew its skills base, and has undertaken massive recruitment of new employees. These employees must be trained, particularly by transferring experience and skills from more experienced employees.

The group cannot guarantee the success of this groundwork, nor that it will be able to hire the human resources necessary for its development in a timely or cost-effective manner.

4.14.3.4. Contractual and commercial risks

The group's loss of one its main customers, or a reduction in their purchases, or an erosion of contract terms or conditions could have a significant negative impact on the group's operations and financial position

EDF is a very important customer, as it represented approximately 20% of the group's consolidated sales revenue in 2007. The group's ten largest customers, including EDF, represent some 35% of its consolidated sales revenue in 2007. The group is the leading supplier to EDF in the nuclear sector, providing products and services provided at every stage in the nuclear fuel cycle as well as new nuclear plant construction, equipment and maintenance of EDF's nuclear reactor fleet. In this respect, AREVA and EDF are in a mutually dependent situation. In the fuel cycle, the relationship between EDF and the group is governed by multi-year contracts.

The contract concluded between the Back End division and EDF expired at the end of 2007. Though it has been established in principle that the contract will be renewed through 2015 and an interim agreement on the transportation and treatment business was concluded in July 2007 to ensure continuing services in 2008, commercial terms for renewal of the contract are still under negotiation and could be less favorable than the currently applicable terms. Other contracts to be negotiated in the years to come could be less favorable than contracts currently in place. Since 2002, EDF has gradually opened its procurement program to other suppliers, with which contracts have already been signed, particularly in the nuclear fuel business. This trend could force the group to adjust its production resources, considering EDF's prominence as a customer.

The group enters into long-term contracts that could limit its opportunity to take advantage of improving conditions in certain markets, or result in lower profitability than anticipated

The group sometimes concludes long-term contracts in which prices are adjusted based on general indices rather than current market prices for certain raw materials or services. This type of contract could prevent the group from taking advantage of price increases for those products or services; this is the case for certain natural uranium sales contracts, in particular, or for conversion or enrichment services.

In addition, the profitability of certain long-term contracts in which the group commits to providing deliverables at a fixed price, adjusted based only on general indices, could be affected by certain factors that cannot be charged to customers, including unanticipated increases for certain types of costs, technical difficulties, subcontractor default or systemic failures within the group. The performance of this type of contract could, therefore, reduce

the group's anticipated profitability, or even cause an operating loss.

The group is exposed to a payment collection risk for products and services

The group is exposed to a risk of default by customers for the payment of its products and services. Except when customers deposit funds to cover the group's expenses during the contract implementation phase, the group is exposed to the risk of a customer's inability to accept delivery or to the risk of default on payments during delivery. In such instances, the group may not be able to recover expenses incurred for the project or attain the operating margins contemplated when the contract was concluded.

The group controls this risk by verifying customer solvency and requesting a prepayment or other forms of secured payment from customers presenting a certain level of credit risk. Though the group endeavors to control credit risk, it is impossible to guarantee that all non-payment risk has been eliminated.

4.14.3.5. Environmental and health risks

Natural disasters prevalent in certain regions where the group does business could affect its operations and financial position

The location of some of the group's production sites in areas exposed to natural disasters, such as earthquakes or flooding, could weaken the group's production capacity.

For instance, some of the Transmission & Distribution division's sites are located in areas of Turkey where earthquakes cannot be ruled out.

The group must bear the full or partial costs related to end-of-life-cycle obligations for its nuclear facilities, mine site reclamation and remediation of plant sites after operations. Provisions have been recorded to cover the estimated costs, but actual costs could be significantly different

As an operator of nuclear and industrial facilities covered by legislation on environmentally regulated sites, the group is legally obligated to secure, dismantle or remediate its facilities after shutdown, in whole or in part, and to manage waste resulting from these operations (see section 4.14.2.1.). As a mine operator, it must also provide for closure, remediation or reclamation after operations.

Article 20 of the Program Law of June 28, 2006 on the sustainable management of radioactive materials and waste and Decree no. 2007-243 of February 23, 2007 regarding the protection of the funding of nuclear expenses provide a mechanism to ensure that operators of licensed nuclear facilities have the necessary

4.14. Risk and insurance

assets to finance long-term costs to dismantle the facilities and/or manage used fuel and radioactive waste.

Future expenses relating to end-of-life-cycle obligations for its nuclear facilities and for reclamation of regulated industrial facilities and mines have been identified and special provisions have been established to cover them. Rules regarding provisions for end-of-life-cycle operations, which represent 5.075 billion euros on a discounted basis, including 2.584 billion euros for the group's share, are presented in note 13 to the consolidated financial statements (see chapter 5).

As part of this program, the group considers that it has recorded reasonable provisions for all expenses relating to end-of-life-cycle operations at its nuclear facilities and for reclamation of its industrial sites as could reasonably be estimated as of December 31, 2007.

These provisions are based on estimates of future costs developed by the group taking into account, by definition, a series of assumptions (see note 13 to the consolidated financial statements, section 5.5.). However, it is not possible to affirm with certainty that the provisions currently recorded will be sufficient to cover the group's obligations, since these are estimates of future costs. The actual costs borne by the group could be higher than initially estimated, especially considering changing legislation and regulations applicable to nuclear operations and environmental protection, their interpretation by the courts, and the growing body of scientific and technical knowledge. These costs also depend on regulatory decisions, in particular concerning dismantling methods, and on the choice and cost of solutions for the final disposal of certain types of radioactive waste (see note 13 to the consolidated financial statements, section 5.5.). It is therefore possible that these future obligations and potential expenses or potential additional future liability of a nuclear or environmental nature could have a significant negative impact on the group's financial position (see section 4.14.2.1. on changes in regulations applicable to nuclear operations).

Also, any reduction of the discount rate, i.e. 5% at year-end 2007, including 2% for inflation, or any acceleration of end-of-life-cycle operations would require the group to record additional provisions.

In addition, third parties are responsible for a portion of the end-of-life-cycle costs. AREVA NC and EDF are currently negotiating to define the legal and financial terms of transfer to the group of EDF's share of the dismantling of facilities already shut down, such as the UP2 400 plant at La Hague, or in operation, such as the UP2 800 and UP3 plants.

Items concerning updates to the base estimate for dismantling costs and the share of those costs to be borne by each party were documented in a joint position statement accepted by EDF and AREVA NC at the end of July 2003. These negotiations could conclude with a lump sum payment settling all of EDF's obligations. The negotiations also concern the retrieval and packaging of waste at the La Hague and Saint-Laurent-des-Eaux sites. Discussions continued in 2005 and 2006, but the terms of an overall agreement had not been finalized by the date this reference document was filed.

It is difficult to predict the outcome of these negotiations. Though the group does not anticipate a significant impact on its financial statements or financial position, the cost ultimately to be borne by the group could exceed the amount currently contemplated in the provisions.

Used fuel treatment contracts call for the waste and residues from those operations to be allocated to and retrieved by the original waste and residue generator. However, as the temporary holder of the nuclear waste and residue generated by its customers, the group could remain liable if a customer defaults or files for bankruptcy. For waste from the treatment of foreign used fuel stored at La Hague, article L. 542-2-1 of the French Environmental Code stipulates that the import into France of foreign used fuel for purposes of its treatment shall be authorized by a bilateral agreement between France and the country of origin, governing in particular the periods forecast for the receiving and treatment of used fuel as well as the conditions for the return of waste generated by the used fuel's treatment.

The group is exposed to a risk of insufficient value of assets held to fund its end-of-life-cycle obligations

To meet its future end-of-life-cycle obligations, for which AREVA's share is valued at 2.584 billion euros as of December 31, 2007 (see above), the group had financial assets totaling 2.873 billion euros.

At the end of 2007, the portfolio of financial assets consisted of 35% bonds and 65% equities. Considering the intrinsic volatility of financial markets, the value of the portfolio could decrease and/or provide an insufficient return to fund the group's end-of-life-cycle obligations. The group would have to use other financial resources to fund these obligations, which would result in a significant negative impact on its net income and financial position.

The sensitivity of the value of the group's portfolio to variations in the equity markets and/or interest rates is as follows:

Impact of changes in equity markets and interest rates on portfolio value

(in millions of euros)

Unfavorable scenario	
-10% on equities	(179)
+100 basis points on rates	(14)
Total	(193)
Base case (December 31, 2007)	
	2,873
Favorable scenario	
+10% on equities	+179
-100 basis points on rates	+14
Total	+193

Occupational disease, in particular from exposure to asbestos or radiation, cannot be ruled out

The group believes that it fundamentally complies with legal and regulatory provisions pertaining to health and safety in every country in which it operates and considers that it has taken measures designed to ensure the health and safety of its own personnel and subcontractor personnel (see Human Resources report in section 5.2. and Information on nuclear risk prevention and management in section 4.14.2.3.). However, by definition, the risk of occupational disease cannot be eliminated. Yet the occurrence of disease could result in legal action against the group or in claims for compensation, either from employees or former employees, or from buyers of the group's businesses, in the event that occupational disease as the result of exposure should arise in employees prior to their transferal with the business. These actions could result in the payment of damages.

A limited number of claims for occupational disease due to asbestos exposure have been made against the group in France to date. In addition, 10 claims have been filed against the group in France for gross negligence on the part of an employer in connection with such exposure. Three claims have also been filed against the group in France for gross negligence on the part of an employer in connection with radiation exposure.

4.14.3.6. Legal and regulatory risks

The group is exposed to a risk of claims or investigations for anticompetitive practices based on its position on certain markets or its links with French government-owned entities

The group is exposed to a risk of claims or investigations for anticompetitive practices based on its position on certain markets or its links with French government-owned entities. Such claims or investigations could have an impact on the group's business development methods.

Changes in existing or future regulations, particularly environmental, health or nuclear safety regulations, and amendments to the group's permits and licenses could result in new compliance obligations or operating conditions for the group, with a potential increase in costs or expenses

The group conducts its operations in accordance with local laws under operating licenses and permits.

These operations require licenses relating in particular to production capacities and to releases from the facilities to the environment. The group must operate within the limits set in the operating permits and in applicable legislation and regulations, especially with respect to environmental protection, worker protection, health and nuclear safety. The group may be subject to sanctions, mainly administrative sanctions, in the event of an incident requiring an investigation, or of excessive deviation in actual facility conditions in relation to regulatory requirements or operating permits and licenses. Such sanctions include in particular the temporary suspension of an operating permit or license, or orders to comply with regulations or to restore normal operating conditions. In addition, damage to the environment, to public health or to occupational safety, or nonconformities in operating conditions at group facilities could result in liabilities with regard to third parties and government agencies.

Moreover, new national or international standards, or a strengthening of or change in legislation or regulations, particularly in areas such as environmental protection, health and industrial safety or nuclear safety, as described notably in section 4.14.2.1., could in particular require that group facilities be brought into compliance, which could have a significant negative impact on the group's operations or financial position. In France in particular, the TSN law on nuclear accountability and safety requires a periodic reassessment of safety conditions. This could translate into considerable expense to bring the facilities into compliance, but this would bolster their safety and ensure their sustainability.

In addition, the group may not receive permits or licenses to modify or expand its industrial operations on a timely basis, for which it has applied or may apply to French or foreign regulators, thus limiting its growth capabilities.

The group is exposed to the risk of non-renewal or termination of its mining concessions

The group's mining operations involve concessions received or partnerships formed under legal systems specific to each country. For instance, the average term of a concession is approximately 20 years in Niger and Canada. Despite the relatively long terms of these contracts or concessions, the group is exposed to the risk of non-renewal or termination of its mining concessions.

Legal restrictions specific to certain group operations could have a significant negative impact on its financial position

Some of the group's operations are subject to specific confidentiality restrictions or may be classified, such as defense programs involving the AREVA TA business unit or defense research programs. Those restrictions could limit or prevent the transfer of information to recipients not subject to the same restrictions. Furthermore, the restrictions could limit or even prevent the growth of those operations. In addition, some operations, particularly those of Eurodif, are subject to special tax provisions whose modification could have a negative impact on the group's financial position.

4.14.3.7. Risks related to the group's structure

The group cannot ensure that its strategic alliances, restructuring, mergers and acquisitions, asset disposals and consolidation will be performed as initially planned or that these operations will generate the anticipated synergies and cost reductions

The group is involved in a variety of acquisitions, strategic alliances and joint ventures. Although the group believes that its acquisitions, strategic alliances and joint ventures strengthen or will strengthen its position, a certain level of risk is inherent in these transactions, particularly the risk of overvalued acquisitions; insufficient vendor warranties; underestimated operating costs and other costs; disagreements with partners (particularly in joint ventures); potential integration difficulties with personnel, operations, technologies or products; lack of performance on initial objectives; or third-party challenges to these strategic alliances or mergers and acquisitions, based on their impact on those parties' competitive positions.

In addition, minority shareholders in certain AREVA subsidiaries, such as AREVA NP, Eurodif or AREVA TA (see section 3.7.2.), could restrict the group's decision-making ability.

The French State holds the majority of AREVA's share capital and voting rights, directly or indirectly. Like any majority shareholder, it has the power to control AREVA's strategy and to make most of the decisions in Annual General Meetings of Shareholders

The French State holds, directly or indirectly, around 94% of AREVA's issued shares and 98% of its voting rights. Like any majority shareholder, the French State thus has the power to make most of the decisions falling under the purview of the General Meetings of Shareholders, including decisions regarding elections of members of the Supervisory Board and decisions regarding dividend distributions (see section 3.1.2. on the decree establishing AREVA). In addition, the legal requirement that the French State retain a majority interest could limit AREVA's access to capital markets or its ability to undertake transactions for external growth.

4.14.4. Market risks

The group has an organization dedicated to implementing market risk management policies approved by the Executive Committee for centralized management of exposure to foreign exchange, commodity, rate and liquidity risks.

In the Finance Department, the Department of Financial Operations and Treasury Management makes transactions on financial markets and acts as a central desk that provides services and manages the group's financial exposure. This department is organized with a front, middle and back office, ensuring the separation of functions, and has access to all the human, technical, and information system resources necessary to accomplish its mission. Proprietary software is used to manage all treasury operations, including transactions initiated by the trading desk, transaction records, confirmations and accounting. Transactions cover foreign exchange and commodities trading, interest rates, centralized cash management, inter-company financing, borrowings and investments, and asset management.

To report on financial risk and exposure limits, the Department of Financial Operations and Treasury Management prepares a monthly report presenting the group's positions and the performance of its financial transactions. This report is submitted once a month to the Treasury Management Committee, which is composed of the group's CFO, representatives of the main subsidiaries, and the Department of Treasury Management. The reporting system also includes weekly reports to the group's CFO.

Currency risk: The depreciation of the US dollar against the euro may affect the group's income in the medium term

In view of the geographic diversity of its locations and operations, the group is exposed to fluctuations in exchange rates, particularly the dollar-euro exchange rate. The volatility of exchange rates may impact the group's currency translation adjustments, equity and income.

Currency translation risk: The group is exposed to the risk of translation into euros of financial statements of subsidiaries using a local currency.

The value of the euro vs. the US dollar increased by an average of 9% in 2007 compared with 2006. In 2007, the impact of foreign exchange variations on the group's operating income was a loss of 5 million euros, compared with a loss of 3 million euros in 2006, or 0.7% and 1% of operating income respectively for those two years.

Balance sheet risk: The group finances its subsidiaries in their accounting currencies to minimize the balance sheet foreign exchange risk from financial assets and liabilities. Loans and advances granted to subsidiaries by the Department of Treasury Management, which centralizes financing, are then systematically converted into euros through currency swaps.

To limit the currency risk for long-term investments generating future cash flows in foreign currencies, the group uses a liability in the same currency to offset the asset. Thus, the 2.5 billion US dollar loan subscribed in 2007 to acquire Uramin Inc. was qualified as a net investment hedge according to IFRS criteria.

Trade exposure: The principal foreign exchange exposure concerns fluctuations in the euro/US dollar exchange rate. As a uranium producer in Canada, the group is also exposed to fluctuations in the Canadian dollar against the US dollar, in which uranium prices are denominated. Exposure to other currencies (pound sterling, Swiss franc, Japanese yen and Southeast Asian and Middle Eastern currencies), mainly connected with the Transmission & Distribution business, is not material.

The group's policy, which was approved by the Executive Committee, is to hedge all foreign exchange risks generated by sales transactions, whether confirmed or potential (during proposals), in order to minimize the impact of exchange rate fluctuations on consolidated net income (see note 31 for a sensitivity analysis as of December 31, 2007 and December 31, 2006).

The group acquires derivative instruments (mostly currency futures) or insurance contracts to hedge its foreign exchange exposure from trade, including accounts receivable and payable, confirmed off balance sheet commitments (orders received from customers or placed with suppliers), highly probable future cash flows (budgeted sales or purchases, anticipated margins on contracts) and proposals submitted in foreign currencies (see note 31 to the consolidated financial statements). These hedges are backed by underlying transactions for identical amounts and maturities and, generally, are documented and eligible for hedge accounting (see note 31 to the consolidated financial statements).

As provided by group policies, each operating entity responsible for identifying foreign exchange risk must hedge exposure to currencies other than its own accounting currency by initiating a transaction exclusively with the group's trading desk, except as otherwise required by specific circumstances or regulations. The Department of Financial Operations and Treasury Management centralizes the exposure of all entities and hedges the net position directly with banking counterparties. A rigorous system limits the foreign exchange positions that may be taken by the trading desk. The results are marked to market on a daily basis by specialized teams responsible for the valuation of the transactions. In addition, analyses of sensitivity to changes in exchange rates are periodically performed.

The main factors that may influence the group's exposure to currency risk are discussed below.

- **Front End division:** This division's facilities are located around the globe and its operations are denominated primarily in US dollars, which is the world reference currency for the price of natural uranium and for conversion and enrichment services. As a result, the division has significant exposure to the risk of the US dollar's depreciation against the euro and, to a lesser extent,

against the Canadian dollar. This exposure, consisting mainly of multi-year contracts, is hedged globally to take advantage of the automatic hedges resulting from the purchase of materials. As medium to long term exposure is involved, the amount of the hedge is set up according to a gradual scale for a duration based on the likelihood of the risk, generally not to exceed three years.

- Reactors and Services division: Specific insurance coverage is usually acquired or forward currency transactions are concluded to hedge the risk associated with sales of heavy components (steam generators, reactor vessel heads) that may be invoiced in US dollars while production costs are incurred in euros.
- Back End division: This division's exposure to foreign exchange risk is minimal. Most sales outside the euro zone are denominated in euros.
- Transmission & Distribution division: This division is exposed to several currency combinations, which are hedged by each operating unit against its functional currency, project by project, with the objective of hedging 100% of the currency risk.

Considering the various factors described above, a further decrease in the US dollar's value could have a negative impact on the group's operating income and consolidated net income over the medium term.

Commodity risk: The group is primarily exposed to fluctuations in the prices of commodities used in its manufacturing processes

The group is exposed to long term and short term changes in the prices of commodities used in its production processes, either as a result of the procurement of finished products or, more directly, when buying commodities pegged to the trading price on a commodity market.

Aside from energy, commodities that may have a significant impact on the group's production costs primarily include copper and nickel; aluminum and silver play a lesser role. Most of the group's exposure is concentrated in the Transmission & Distribution and Reactors and Services divisions.

Each division implements policies to manage exposure to commodity risks which aim to limit the impact of price changes on consolidated net income by identifying and neutralizing the risk as soon as possible, in some instances as early as the proposal phase.

Hedges may be initiated based on a global budget (T&D division) with graduated coverage reflecting the highly probable nature of the exposure, or based on long-term sales contracts after a specific analysis of the commodities risk (Reactor and Services division).

As for currency exposure, commodity risk management is initiated by the operating entities and centralized with the group's Department of Treasury Management using derivatives, including options and firm contracts (forwards and swaps). The Department of Treasury Management hedges the subsidiaries' position with market counterparties without taking any speculative position (see note 31 to the consolidated financial statements).

Rate risk: The group is exposed to the fluctuations of interest rates on its external floating rate borrowings and, to a lesser extent, on its financial investments

Rate risk management is entirely centralized in the Department of Financial Operations and Treasury Management, which consolidates the subsidiaries' current or stable cash surpluses or requirements and arranges external financing as appropriate, except as otherwise required by regulations or specific circumstances.

The group uses several types of derivative instruments, as required by market conditions, to allocate its borrowings between fixed rates and floating rates and to manage its investment portfolio, with the goal being mainly to reduce its borrowing costs while optimizing the management of its cash surpluses.

The group primarily uses swaps for active management of its debt and short term cash surpluses. Rate futures are used to manage medium term investments of advances received on contracts (see note 31 to the consolidated financial statements).

The group's borrowings, primarily in US dollars indexed to a floating interest rate, are its main source of rate risk exposure. In 2007, the group contracted for interest rate swaps in US dollars – borrower to convert part of its floating rate borrowings into fixed rates, in the amount of 500 million US dollars (see note 31 to the consolidated financial statements). As a result, 81% of the group's borrowings after hedging (excluding Siemens' put) were at floating rates at year-end 2007, and 19% at fixed rates.

The group's rate management policy, approved by the Executive Committee, is supplemented by a system of specific limits for asset management and the management of rate risk on borrowings. The system is customized based on the type of instrument (debt or assets). In particular, it defines authorized limits in terms of portfolio sensitivity, authorized derivatives for managing financial risk, and the subsequent positions that may be taken. Performance objectives indexed to benchmarks are regularly monitored and verified, and the data is documented in the monthly report prepared by the Department of Treasury Management.

The following table summarizes the group's net rate risk exposure before and after hedging transactions. Based on the breakdown of fixed and floating rates at year-end 2007, the group is mainly exposed to the risk of a change in future cash flows related to floating rate borrowings.

Based on the group's exposure at year-end 2007, we estimate that a 1% increase in interest rates would have a negative impact of 23 million euros on borrowing costs on a full-year basis and, therefore, on the group's consolidated income.

Maturities of financial assets and borrowings as of December 31, 2007 ⁽¹⁾

	<1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	>5 years	Total
Financial assets ^(II)	913	0	0	0	0	0	913
including fixed rate assets	1	0	0	0	0	0	1
including floating rate assets ^(III)	733	0	0	0	0	0	733
including non interest-bearing assets	180	0	0	0	0	0	180
(Borrowings)	(613)	(634)	(1,299)	(244)	(2,054)	(71)	(4,915)
including fixed rate borrowings	(96)	(23)	(7)	(7)	(4)	(65)	(202)
including floating rate borrowings	(514)	(611)	(1,291)	(237)	(1)	(6)	(2,661)
including non interest-bearing borrowings	(3)	0	0	0	(2,049)	0	(2,052)
Net exposure before hedging	300	(634)	(1,299)	(244)	(2,054)	(71)	(4,002)
share exposed to fixed rates	(95)	(23)	(7)	(7)	(4)	(65)	(201)
share exposed to floating rates	218	(611)	(1,291)	(237)	(1)	(6)	(1,928)
Interest free share	177	0	0	0	(2,049)	0	(1,872)
Off-balance sheet hedging	276	0	0	0	0	0	276
on borrowings: fixed rate swaps	68		272				340
on borrowings: floating rate swaps	(68)		(272)				(340)
on borrowings: futures on fixed rate exp.	276						276
Exposure after hedging	576	(634)	(1,299)	(244)	(2,054)	(71)	(3,726)
share exposed to fixed rates	(27)	(23)	265	(7)	(4)	(65)	139
share exposed to floating rates	150	(611)	(1,563)	(237)	(1)	(6)	(2,268)
Interest free share	453	0	0	0	(2,049)	0	(1,596)

(I) Nominal amounts converted into euros.

(II) Cash and other current financial assets.

(III) Maturities <3 months are considered floating rate.

Risk on equities: the group has substantial investments in publicly traded shares and is exposed to financial market fluctuations

The AREVA group holds publicly traded shares that are exposed to the volatility inherent in equity markets.

These holdings are of three types:

- Investments in associates: these are currently primarily STMicroelectronics, Eramet and REpower (see note 14 to the consolidated financial statements);
- Equities held in the portfolio of financial assets earmarked for future end-of-life-cycle operations (see note 13 to the consolidated financial statements); and

- Other long-term investments: this concerns the 7.38% equity interest in Safran, a 2.11% equity interest in Suez, and equity interests in other publicly traded companies, including Total and Alcatel (see note 15 to the consolidated financial statements).

<i>(in millions of euros)</i>	Market value December 31, 2007	Impact +/-10%
Investments in associates		
STMicroelectronics	973	+/-97
Eramet	2,365	+/-237
REpower	336	+/-34
Long-term portfolio of securities earmarked for end-of-life-cycle operations	1,792	+/-179
Other available-for-sale securities	2,192	+/-219

The risk of a decrease in the price of shares of equity associates and other non-current financial assets is not hedged.

The risk on shares held in the portfolio of assets earmarked to fund end-of-life-cycle operations is an integral component of the group's asset management program, which includes equities to increase long-term returns as part of a program to allocate assets between bonds and equities (see note 13 to the consolidated financial statements). Exposure to European equities is managed both through a mandate given to an investment firm and through dedicated mutual funds, with management guidelines limiting the tracking error compared with an index.

Liquidity risk

The group's Department of Treasury Management is in charge of liquidity risk management and provides the subsidiaries with appropriate long term and short term financing resources.

Cash management optimization is based on a centralized system to provide liquidity and manage the cash surpluses of the subsidiaries, regardless of AREVA's equity stake. Management is provided by the group's Department of Treasury Management, chiefly through cash pooling agreements and inter-company loans, subject to local regulations. The group's consolidated cash surpluses are managed to optimize financial returns while ensuring that the financial instruments used are liquid.

Borrowings are centralized by the Department of Treasury Management to optimize borrowing costs and facilitate access to the banking system.

The group set up two confirmed syndicated lines of credit in 2007:

- a 7-year syndicated credit facility for a total amount of 2 billion euros, which had not been used as of December 31, 2007 and constitutes a significant liquidity reserve; and
- a 3-year syndicated loan for a total of 2.5 billion US dollars, including 600 million US dollars repayable in one year, which was used to finance the acquisition of Uramin and was fully drawn as of the end of December 2007.

These two lines of credit are not subject to any financial covenant.

There were no significant financial commitments with financial covenants as of December 31, 2007.

Other covenants:

The French State's majority shareholding in AREVA does not, in general, impact the loan terms and conditions granted to the group. However, certain loan agreements include change of control clauses stipulating that the group should maintain control over the subsidiary that concluded the agreement, or that the French State should maintain control over AREVA. The concept of control is understood either under the meaning of article L. 233-3 of the French Commercial Code or in relation to the percentage of share capital ownership, which should remain higher than 51%. Under certain circumstances, the debt may become due immediately if AREVA ceases to control the subsidiary, or if the French State ceases to control AREVA.

The group is exposed to the credit risk of counterparties linked to its use of financial derivatives to cover its risks

The group uses different types of financial instruments to manage its exposure to foreign exchange and interest rate risks, and its exposure to risks on commodities and publicly traded equities. The group primarily uses forward buy/sell currency and commodity contracts and rate derivative products such as futures or options to cover these types of risk. These transactions involve exposure to counterparty risk when the contracts are concluded over the counter.

To minimize this risk, the group's trading desk deals only with diversified, top quality counterparties rated A1/P1 or higher in the Standard & Poor's and Moody's rating systems for short term maturities or A/A2 for long term maturities.

The limits allowed for each counterparty are determined based on its rating and the type and maturity of the instruments traded. The limits are reviewed at least once a year and approved by the Chief Financial Officer. The limits are verified in a specific report produced by the internal control team of the Department of Treasury Management.

4.14.5. Disputes and legal proceedings

The group is involved in a number of disputes with a potentially significant negative impact on its business and financial position (see note 34 to the consolidated financial statements).

Appropriate provisions are recorded to cover expenses that could result from these disputes, based on case-by-case analysis. As of December 31, 2007, the provisions for litigation, excluding other provisions for contingencies, totaled 41 million euros. Some disputes discussed in this section are not subject to formal litigation per se and the corresponding provisions are recognized in provisions for contract performance (see note 24 to the consolidated financial statements).

In addition, some disputes concerning damages or injury are covered under group insurance policies or other forms of guarantee.

The group is not aware of any dispute, arbitration or exceptional event that had or may have a significant negative impact on its financial position and operations in the recent past, except as disclosed below.

USEC (dispute involving AREVA NC)

Following complaints filed in December 2000 against the group's subsidiary Eurodif by USEC, a competitor of the group in the uranium enrichment sector, the US Department of Commerce (DOC) ordered that countervailing duties (CVD) be temporarily levied for alleged dumping (AD) and illegal subsidies on uranium enriched in France and exported to the United States, beginning in mid-2001. To guarantee payment of these countervailing duties, Eurodif had deposited a total of 213 million US dollars with the US customs administration as of December 31, 2007.

To defend the case, Eurodif filed an administrative appeal before the US Department of Commerce and judicial proceedings in the US Court of International Trade (CIT), with a subsequent appeal to the Court of Appeals for the Federal Circuit (CAFC).

The CAFC ruled in favor of Eurodif in March and September, 2005. In January 2006, the CIT ordered the DOC to comply with the CAFC decision, which it did.

USEC appealed the decisions on subsidies by the Court and by the DOC, which led the CAFC to confirm its position on February 9, 2007.

As required by the courts, the CVD order (subsidy) was finally rescinded on May 25, 2007. Eurodif requested the reimbursement of security deposits related to the provisional countervailing duties. The reimbursement proceeding is ongoing.

USEC also appealed the anti-dumping (AD) ruling. The CAFC denied USEC's appeal on September 21, 2007.

In February 2008, USEC and the US government appealed this decision with the United States Supreme Court.

Administrative proceedings continue regarding the security deposits, the request for reconsideration and the establishment of revised countervailing duties pending completion of the judicial process.

Eurodif's deposits may be recovered only after all appeals have been adjudicated.

AREVA NC / Environmental association (Transportation)

An environmental association asked to be provided a copy of contracts between AREVA NC and its customers, covering in particular several shipments of used fuel from abroad for treatment at La Hague.

Concerning the shipment from the Netherlands

On March 3, 2006, the President of the Tribunal de grande instance (Civil Court) of Cherbourg ordered AREVA NC to provide the association with certified copies of the fuel reprocessing agreements between AREVA NC and its customer, together with a detailed schedule for the return of the waste separated during fuel treatment. The Court of Appeals of Caen confirmed this order on September 4, 2007.

At the same time, the association continued the proceeding on the merits by pleading that the used fuel should be qualified as waste under the meaning of the Law of December 30, 1991 related to research on radioactive waste management and is seeking 200,000 euros as compensation for alleged non-material damage. The case is still pending before the judge in charge of preparing the case for trial.

Concerning the shipment from Germany

On April 24, 2007, the President of the Regional Court of Cherbourg (Tribunal de grande instance) denied the motion of the association requesting a copy of the contracts, ruling that the Law of December 30, 1991 does not apply to contracts signed before the Law came into effect.

The association lodged an appeal against this decision with the Court of Appeals of Caen.

Challenges to licenses and permits

Third parties have filed appeals with administrative courts to challenge the licenses and permits issued to the group. These challenges are routine and reflect the specific nature of the group's businesses. Three permits authorizing changes to facilities are

currently under review by the administrative judge. All three appeals are still in the preparatory stage. If the permits are canceled, prior operating licenses would once again apply and would enable the facilities to operate.

Disputes involving AREVA T&D

In January 2004, under the acquisition contract for the T&D division, Alstom gave AREVA a vendor warranty comprising specific warranties, in particular for disputes listed in the acquisition contract and for environmental aspects. Subsequently, and based on this vendor warranty, AREVA served a number of claims against Alstom.

The main event since the contract signature is the European Commission investigation into anti-competition practices in the gas insulated switchgears (GIS) market. On January 24, 2007, the Commission ordered 11 companies to pay fines of more than 750 million euros for anti-competitive practices. Alstom and AREVA were fined jointly 54 million euros. Both companies appealed the decision before the European Commission. This investigation triggered other enquiries from competition authorities in Hungary, Brazil, New Zealand, the Czech Republic, Slovakia and South Africa. The two companies were also held jointly liable in the Czech Republic: various group subsidiaries were ordered to pay fines totaling 5,588,000 euros. AREVA appealed this decision.

In April 2007, Alstom and AREVA entered into an agreement related to warranty obligations and in particular to the assumption by Alstom of the financial consequences of the investigations into anti-competitive practices, at the level of 90%. This agreement also puts an end to certain warranty commitments and to a series of claims brought by AREVA against Alstom. At this stage, this agreement does not have a significant financial impact on the group. However, the warranties of the acquisition contract continue to apply in matters of the environment (for a period of 10 years from the date of the acquisition, with a cap of 250 million euros, a 12 million euros deductible and expenses split 80/20 between Alstom and AREVA), occupational disease (for a period of 20 years from the date of the acquisition, with no cap concerning asbestos-related diseases), and taxation.

In addition, AREVA T&D SA de CV received an administrative penalty for alleged practices originating in a contract signed by Alstom before AREVA acquired the Transmission & Distribution division. This subsidiary of AREVA T&D in Mexico had been prohibited from participating in government contracts in Mexico for a two-year period. The Mexican courts ruled that the decision could not be enforced against the company under the statute of limitations. Nonetheless, AREVA T&D SA de CV was served with a second identical sanction notice, prompting it to file suit under the statute prohibiting double jeopardy. The Mexican courts have denied this motion, but an ultimate appeal is still pending. AREVA T&D's subsidiary in Mexico has taken measures to minimize the impact of such a decision, which is expected to have negative consequences on the business in any event.

4.14.6. Risk coverage and insurance

Coverage concerning ongoing disputes is described in section 4.14.5.

No provisions have been recorded to cover other risk factors. They are subject to thorough review as provided by group risk management procedures and are examined during the "risk mapping" process carried out each year (see section 4.14.1.2.). Some of these risk factors, if they were to materialize, could be covered by one or several of the insurance policies taken out by the group as part of its insurance programs.

To mitigate the consequences of potential events on its operations and financial position, AREVA transfers risk to reputable insurance and reinsurance companies worldwide. For example, AREVA has acquired insurance coverage relating to operating risk, civil liability and other risks and liabilities concerning its nuclear and non-nuclear operations, with coverage limits varying according to the type of risk.

AREVA's Risk and Insurance department is in charge of insurance for the entire group. The department:

- submits solutions to the Executive Board either to retain the risk and finance it internally or to transfer it to the insurance market;
- negotiates, sets up and manages global insurance programs for the group worldwide and reports to the Executive Board on actions carried out and costs incurred; and
- settles claims for the subsidiaries involved.

4.14.6.1. Special coverage relating to nuclear facility operations

Nuclear liability insurance

LEGAL FRAMEWORK

International nuclear liability law is based on a series of principles that override general liability law. The operator of the nuclear facility that caused the damage is solely responsible. This is known as the liability channeling principle. Its liability is objective, i.e. no-fault, for which there are few exemptions. The operator of a nuclear facility is therefore required to compensate the victims for the bodily harm and property damage they have suffered. The operator is required to maintain a financial guarantee, which is generally insurance, on its liability. This principle of channeling liability to the operator includes, as a counterpart, a limitation of liability. It also provides for rapid payment of compensation to the victims, who do not have to prove that the operator is at fault.

This system is defined by international treaties, such as the Paris Convention on Third Party Liability in the Field of Nuclear Energy of July 29, 1960, as amended, and the Brussels Supplementary Convention of January 31, 1963, as amended. These conventions are transposed into the national law of the signatory countries (in

France, Law no. 68-943 of October 30, 1968, as amended; in Germany, the law of December 23, 1959, as amended). In the United States, the Price Anderson Act establishes a similar rule of exception.

Every country in which the AREVA group operates nuclear facilities is subject to one of these legal constructions.

The principles of the conventions, which apply in the countries in which AREVA operates nuclear facilities, are described hereunder.

The Paris and Brussels Conventions

The fundamental principles established by the Paris Convention may be summarized as follows:

- **Nature of liability:** Strict and exclusive liability lies solely with the operator of the nuclear facility from which the substances causing the damage come or where they are held.
- **Responsible party:** The nuclear facility operator is the person designated or recognized as the facility operator by the public authority with jurisdiction. If the accident occurs during transport, the party responsible is the shipping operator and not the carrier, up to the point where the receiving operator assumes liability under the terms of a contract.
- **Exemptions:** The operator is not liable for damages caused by a nuclear accident if the accident is directly due to acts of armed conflict, hostilities, civil war, insurrection or a natural disaster of exceptional proportions.
- **Limitation of liability:** The operator's liability is limited both as to the total amount and the duration.

For purposes of information, France has set a maximum liability amount of 91.5 million euros per nuclear accident in a facility and 22.9 million euros per accident during transport. The statute of limitations to submit a claim is three years from the time the victim became aware of the damage; however, a claim may not be submitted more than ten years after the date of the accident. The statute of limitations for claims is 10 years as of the date of the accident.

- **Financial guarantee:** Funds must be available to indemnify the victims. The operator must maintain an insurance policy or other financial guarantee approved by the State having jurisdiction over the facility, in the maximum amount of the liability. Insurance is the most commonly used form of financial guarantee.
- The oligopolistic position of insurers offering nuclear risk coverage translates into the relative stability of the premiums.

The Brussels Supplementary Convention

This convention determines the contribution of the Signatory States when damages exceed the operator's limitation of liability. The additional compensation from public funds must first come from the country in which the facility is located, and then from all the countries that ratified the Supplementary Convention.

For example, should an accident occur in a licensed nuclear facility in France, the French government would assume liability above 91.5 million euros and up to a limit of 228.6 million euros. Thereafter, the Signatory states to the Brussels Supplementary Convention would assume collective liability for the amount above 228.6 million euros, up to a limit of 381.1 million euros.

Revisions to the Paris and Brussels Conventions

The protocols to amend the Paris Convention and the Brussels Supplementary Convention drafted in 2002 were signed on February 12, 2004 by representatives of the Signatory States. Nonetheless, the amended conventions are not yet in force, as the protocols must first be ratified by the different contracting parties (France, Great Britain, Belgium, Germany, etc.) and then transposed into national law in each Signatory State. In France, the Law of July 5, 2006 approves the ratification of the protocols of February 12, 2004. The Law of June 13, 2006 on transparency and security in the nuclear field includes provisions modifying the Law no. 68-943 of October 30, 1968.

The main amendments increase all three tiers of indemnity. Thus, the nuclear operator's liability would increase from 91.5 million euros to 700 million euros per nuclear accident in any given facility (70 million euros in a reduced-risk facility). The limit of liability during transport would increase from 22.9 million euros to 80 million euros per accident.

The State in which the nuclear facility responsible for the damage is located would cover the 700 million euros to 1.2 billion euros tier. The other Signatory States would cover the 1.2 billion euros to 1.5 billion euros tier. A mechanism to increase these limits would apply as new States ratify the Conventions.

When these protocols enter into effect, the statute of limitations for claims will increase to 30 years as of the date of the accident for physical damages, and 10 years for other damages. In all instances, the victim must submit a claim within 3 years of the date he or she became aware of the damage.

To prepare for these new requirements, the group partnered with other European operators to establish Elini (European Liability Insurance for the Nuclear Industry), a mutual insurance company that provides additional capacity in the insurance market.

Price Anderson Act

In the United States, the Price Anderson Act (PAA) channels claims for indemnification towards the nuclear operators. Only facilities located in the United States regulated by the Nuclear Regulatory Commission (NRC) and facilities owned by the Department of Energy (DOE) are covered by the PAA. All other facilities are subject to ordinary law.

The nuclear operator bears financial responsibility for indemnifying the victims under the Price Anderson Act (liability channeling principle). Accordingly, two different types of situations may arise, depending on whether the party (1) operates a facility regulated by the NRC or (2) operates as a DOE contractor.

1. Facility regulated by the NRC: Only nuclear power plants with a nominal capacity of 100 MWe or more and certain research and test reactors are required to have financial protection. The PAA indemnification process provides access to up to 9.7 billion US dollars in protection under a two-tier system:
 - the first tier corresponds to insurance (or similar financial protection) acquired by the nuclear power plant operator on the private nuclear insurance market for 300 million US dollars in coverage;
 - the second tier corresponds to a guarantee fund managed by the NRC, which provides 95.8 million US dollars in coverage to each reactor on the operator's site if the first tier (300 million US dollars) is insufficient.

If the first two lines were to prove insufficient to cover third party damages, the US Congress would have to provide for additional indemnification.

Fuel fabrication plants and used fuel treatment facilities are not subject to the PAA system and have no legal obligation to acquire insurance. However, these facilities procure insurance on the market for the maximum amount allowed by the market at the time of the subscription.

2. DOE contractors: When DOE contractors are responsible for a nuclear accident, DOE indemnifies the victims up to the maximum legal limit per civilian nuclear power plant accident in the United States, i.e. 9.7 billion US dollars, without calling on the private insurance market. If a nuclear accident occurs outside the United States, in particular during transportation, indemnification is limited to 100 million US dollars and only covers accidents involving materials belonging to the US government.

DESCRIPTION OF INSURANCE ACQUIRED BY THE GROUP

The group has acquired several insurance policies in France, Germany, Belgium and the United States to cover its licensed nuclear facilities in France and abroad, and its nuclear transportation operations. These special insurance policies comply with the Conventions, including their liability limits. The insurance policies are reinsured by the nuclear insurance pools of various countries, including Assuratome in France, DKV in Germany, Syban in Belgium and ANI in the United States.

Property and business interruption insurance for nuclear operations

Due to the nature of the potential damage to the facilities, this type of insurance is available only through the pools mentioned above or through specialized mutual insurance companies capable of providing the necessary coverage. The limits of coverage for this type of insurance are based on the estimated replacement value or on an estimate of the maximum possible loss (MPL). The coverage for some complex facilities can exceed 1 billion euros.

Mining operations and AREVA's US and Belgian sites are not covered by property and business interruption guarantees for the nuclear process and are covered by specific programs set up locally in agreement with AREVA's Risk and Insurance department.

4.14.6.2. Other worldwide group insurance programs

Directors and Officers liability

The purpose of D&O coverage is threefold: it provides liability coverage for financial risk incurred by group directors and officers due to damage suffered by third parties as a result of professional errors or misconduct in the course of business. Secondly, it reimburses group companies that are legally allowed to bear the cost of settling claims against directors and officers. Thirdly, it covers civil or criminal defense expenses incurred by directors and officers as a result of claims based on professional errors or misconduct.

The policies usually exclude coverage of claims based on intentional misconduct by a director or an officer, or on personal gain (financial or otherwise) to which a director or officer was not entitled. Fines and penalties levied against directors and officers are also excluded, as well as claims for losses due to pollution, asbestos or toxic mold.

Civil liability

The group is covered by a “worldwide” civil liability plan with limits appropriate to its size and operations. The plan covers:

- operator liability, covering company operations and services performed at customer sites;
- product liability, covering the post-delivery period; and
- professional liability (“Errors and Omissions”), covering financial consequences resulting from damages associated with intellectual services performed by the group for its own account or on behalf of a third party.

Liability insurance is also procured for environmental damage, damage to property held on behalf of third parties, and for product recall expenses.

This insurance covers the monetary consequences of any liability incurred by the operating entities as a result of their operations, including bodily harm, property damage and consequential damages suffered by third parties, excluding nuclear operator liability. Certain events not usually covered by insurance, such as landslides, damage from asbestos, or damage caused by computer viruses, are also excluded. Liability insurance limits vary based on a reasonable assessment of the risks to which the group is exposed, as identified by the business units and the Risk and Insurance department, in particular during the risk mapping process, and also based on capacities available on the insurance market.

AREVA Multiline

In 2007, the group maintained the comprehensive AREVA multiline policy acquired in 2005, combining “property and business interruption coverage” and “all-risk installation and testing” coverage. The policy covers all of the group’s facilities worldwide, except for mines and nuclear sites.

The policy covers damage to production assets and business interruption, as well as risk associated with equipment installation and testing activities at customer sites. The policy limits vary from 50 million euros to 300 million euros, based on replacement values and the maximum possible loss. Business interruption coverage varies from 12 to 24 months.

This policy automatically applies to projects of less than 50 million euros, with coverage limited to 50 million euros per event. Direct damages and business interruption are covered under two lines representing a total of 300 million euros per event.

Losses to completion on EPR contracts

In 2006, the group bought an insurance policy to cover the risk of losses to completion under sales contracts for five EPRs (including OL3 in Finland), beyond a certain deductible and within the limits of coverage.

4.14.6.3. Other insurance

The group is eligible for Coface type coverage for some large export contracts from France, such as the construction of a nuclear power plant. In addition, the group has insurance policies covering auto liability and work accidents that comply with the legal requirements of each of the countries where AREVA subsidiaries are located.

4.14.6.4. Outlook and trends in 2008

The policies will be renewed in April 2008. AREVA anticipates stable premiums based on current market conditions. The cost of coverage for all non-nuclear operations should remain stable.

05

ASSETS FINANCIAL POSITION FINANCIAL PERFORMANCE

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5.1. | Analysis of and comments on the group's financial position and performance

5.1.1. Overview

The following comments are based on financial information for fiscal years 2007 and 2006 and must be read in conjunction with AREVA's consolidated financial statements for the years ended December 31, 2007 and 2006. These comments were drafted based on the group's consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union on December 31, 2007.

5.1.1.1. Business trends

The AREVA group is a global leader in solutions for carbon-free power generation and electricity transmission and distribution. It is ranked first worldwide in nuclear power generation solutions and third worldwide for the supply of equipment and services for electricity transmission and distribution. It is the only group to be active in every stage of the nuclear cycle. The group's customers include some of the world's largest utilities, with which AREVA does a large share of its business under medium- and long-term contracts. As of year-end 2007, the group employs 65,583 people and has industrial operations in 43 countries.

The group reported 2007 sales revenue of €11.923 billion, up from €10.863 billion in 2006, representing 9.8% growth in terms of reported data. Like-for-like growth was 10.4% (comparable consolidation scope and foreign exchange rates). Nuclear operations accounted for 64% of sales revenue in 2007, with 26% coming from the Front End division, 23% from the Reactors and Services division, and 15% from the Back End division. The Transmission & Distribution division represented 36% of sales revenue in 2007.

The group is present in every region offering attractive growth prospects, both for the development of nuclear power and for electricity transmission and distribution. In 2007, 54.6% of the group's sales revenue came from outside the euro zone, with 13.2% coming from North America, where the group is present in every aspect of the energy business.

Group contracts, particularly in the nuclear sector, produced a large backlog totaling more than €39 billion at the end of 2007. Of this backlog, 88% came from the Nuclear businesses, with contracts averaging about four years. The magnitude of the backlog demonstrates the repeat nature of business and the visibility the group enjoys across these businesses.

Operating income for 2007, at €751 million, was sharply up from that of 2006. It was marked in particular by:

- growth of operating income in the Front End division;
- net improvement in the operating income of the Reactors and Services division, which nonetheless remains negative following the recording of an addition to the provision connected with the OL3 contract in the first half of 2007;
- a decrease in operating income in the Back End division due to the lack of coverage of the La Hague plant's fixed expenses as the result of production postponements; and
- a sharp increase in operating income in the Transmission & Distribution division, due to buoyant markets and the favorable impact of restructuring.

Net income attributable to equity holders of the parent totaled €743 million in 2007, up 14.4% from that of 2006.

Pre-tax free operating cash flow generated by the group in 2007 was negative €1.985 billion, compared with negative €358 million in 2006. This change primarily reflects the very strong growth in capital expenditure (Capex) and, to a lesser extent, the expected downturn in operating working capital requirement, only partly offset by the increase in EBITDA.

Net Capex in the Nuclear businesses rose from €1.167 billion in 2006 to €2.663 billion in 2007, with continuing major investments, especially in the Front End division (Mining and Enrichment business units, particularly with the acquisition of Uramin and the continuing construction of the Georges Besse II enrichment plant) and in the Reactors and Services division (where the Renewable Energies business unit acquired 51% of Multibrid).

Net Capex in the Transmission & Distribution division rose sharply from €95 million in 2006 to €193 million in 2007. This change is attributable to the acquisitions of Passoni & Villa and of VEI Distribution as well as by the continued capacity expansion program in countries with strong development potential, such as China and India.

The group has a solid financial structure, with more than €7.464 billion in equity, including minority interests, and a net debt position of €4.003 billion at year-end 2007, giving a debt-equity ratio of 53.6%, compared with 12.3% as of December 31, 2006. Debt reported under IFRS includes the value of Siemens' put option for its 34% equity interest in AREVA NP, representing €2.049 billion. Disregarding this put option, the group had a net cash position of €1.954 billion, i.e. a debt to equity ratio of 26%.

5.1. Analysis of and comments on the group's financial position and performance

As an operator of nuclear facilities, the group has a legal obligation to decommission its facilities when they are shut down permanently. These end-of-life-cycle operations will generate annual expenditures through 2060, depending on facility shut-down dates, for which provisions are recorded in AREVA's balance sheet.

The group has earmarked a financial portfolio to cover these operations. Assets contained in this portfolio are sold each year based on expenditures associated with the group's end-of-life-cycle operations. The portfolio balance continues to produce a financial return. The hedging policy and changes in end-of-life-cycle operations are presented in section 5.1.2.8.6.

5.1.1.2. Key characteristics of AREVA's business model

AREVA's business model is characterized by the specific features of the different business units making up each stage of the nuclear cycle as well as those relating to the electricity transmission and distribution business.

The group's Nuclear operations are carried out by three divisions: Front End, Reactors and Services, and Back End. The electricity transmission and distribution businesses are consolidated in the Transmission & Distribution division. Each of the four divisions consists of several business units.

The Front End division operates under long-term contracts equivalent to an average backlog of more than three years and sometimes more than fifteen years in the case of the Mining business unit. These contracts contain standard price escalation clauses. Consequently, the business is only now beginning to benefit from upward pressures on natural uranium prices, given the structure of uranium supplies and a backlog still dominated by firm prices set prior to price increases that began in 2003.

In addition, the Front End division's businesses have substantial capital requirements due to heavy investment which support operations over very long periods of time. Investment in uranium exploration and development and in production plant replacement or upgrades is scheduled for the 2008-2015 period.

The Reactors and Services division typically has recurring business (services and engineering) carried out under long-term or regularly renewed contracts. In these businesses, the division conducts a significant share of its operations in North America and, as such, is sensitive to fluctuations in the euro / US dollar exchange rate. This is particularly true for the Equipment business unit, as its manufacturing plants are located in France and its costs are denominated in European currencies.

In addition, the division has attractive prospects with regard to non-recurring business, linked in particular to nuclear power plant upgrades and construction, with independent organizations such as the International Atomic Energy Agency (IAEA) and the World Nuclear Association (WNA) forecasting increases in installed capacity by 2030. The group gives significant warranties due to

the types of goods and services sold by the main business units of the Reactors and Services division.

The Back End division operates under long-term contracts with a limited number of customers. The Back End division had negative working capital requirements (WCR), and thus a level of capital employed similar to that of a services business, due to customer advances received under old contracts to fund capital expenditures. The use of these customer advances impacts operating cash flows (in particular via changes in working capital requirements) as and when the corresponding sales revenue is recognized.

The term of the Transmission & Distribution division's contracts averages from a few months to 18 months, and the division operates in more cyclical markets. Its business model is that of a manufacturing business with global geographic exposure and growth areas in developing countries (primarily China and India).

5.1.1.3. Highlights of the period

Information provided in this section concerns the AREVA group as a whole. Highlights concerning specific operations are presented in the review of the business divisions in section 5.1.2.6.

- On May 24, 2007, following AREVA's decision not to outbid Suzlon for the takeover of REpower, the two groups entered into a cooperative agreement under which AREVA will maintain its shareholding in REpower and continue to support the company, will become Suzlon's preferred supplier for electricity transmission and distribution equipment and systems, and will have a guaranteed share price in the event that it decides to withdraw from REpower.
- On June 19, 2007, the T&D division signed an agreement creating a 50/50 joint venture with United Company Rusal of Russia. The joint venture will become Rusal's preferred supplier of turnkey projects for electrical equipment and services on the Russian market.
- On June 25, 2007, AREVA launched a friendly takeover bid for Uramin, a uranium mining company traded in Canada. The public offer was completed successfully on July 30 with 92.93% of all shares outstanding tendered to AREVA. As of the end of September, following a simplified takeover, the group held 100% of Uramin.
- On September 17, 2007, AREVA acquired 51% of Multibrid, a wind turbine designer and manufacturer based in Germany which specializes in high capacity offshore equipment.
- On November 26, 2007, AREVA and China Guangdong Nuclear Power Corporation signed a contract with a total value of €8 billion (€1 billion of which is for the local share) providing for the construction of two EPR nuclear islands and the supply of materials and services needed for their operation. In addition, the two groups signed a series of agreements: one by which CGNPC agrees to buy 35% of Uramin's production, the others relating to the creation of two joint ventures for engineering and zirconium fabrication. China and France also signed an agreement that paves the way to industrial cooperation in the back end of the cycle.

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- On December 7, 2007, AREVA and MHI announced the establishment of the Atmea joint venture to develop a medium capacity reactor.
- On December 11, 2007, the group filed an application for certification of its EPR with the US Nuclear Regulatory Commission.

This marks a decisive step forward in the schedule for the startup of the first EPR in the United States beginning in 2015.

- In Qatar, the Qatar General Electricity & Water Corporation awarded a contract valued at around €500 million to the T&D division for the turnkey supply of 14 gas insulated substations.

5.1.2 Key data

All amounts are expressed in millions euros unless otherwise indicated. Due to rounding adjustments, some totals may not be strictly accurate.

5.1.2.1. Summary data

<i>(in millions of euros, except workforce)</i>	2007	2006	2007/2006 change
Income data			
Sales revenue	11,923	10,863	9.8%
Gross margin	2,762	2,220	24.4%
<i>% of reported sales revenue</i>	23.2%	20.4%	+2.8pts
EBITDA ⁽¹⁾	1,335	1,292	3.3%
<i>% of reported sales revenue</i>	11.2%	11.9%	-0.7pt
Operating income	751	407	84.5%
<i>% of reported sales revenue</i>	6.3%	3.7%	+2.6pts
Net financial income (expense)	64	97	-34.0%
Share in net income of equity associates	148	220	-32.7%
Net income from discontinued operations (after tax)	0	0	
Net income attributable to equity holders of the parent	743	649	14.4%
<i>% of reported sales revenue</i>	6.2%	6.0%	+0.2pt
Cash flow data⁽²⁾			
Net cash from operating activities	723	797	-9.4%
Net cash used in investing activities	(2,796)	(953)	x2.9
Net cash from (used in) financing activities	1,522	(364)	x-4.2
• including dividends paid	(345)	(429)	-19.6%
Net cash flow from discontinued operations	0	0	-
Increase (decrease) in net cash	(381)	(518)	-26.4%
Miscellaneous			
Backlog	39,834	25,627	55.4%
Net cash (debt), excluding Siemens' put option	(1,954)	251	x-7.8
Equity attributable to equity holders of the parent	6,994	6,722	4.0%
Capital employed ⁽³⁾	5,826	2,701	115.7%
Workforce at year end	65,583	61,111	7.7%

(1) EBITDA excluding impact of cash flow relating to end-of-life-cycle operations, presented separately from operating cash flow.

(2) The components of cash flow are defined in section 5.1.2.8.

(3) Capital employed is defined in section 5.1.2.9.9.

5.1.2.2. Summary data by division

2007

<i>(in millions of euros, except workforce)</i>	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate & other eliminations	Total
Contribution to consolidated sales⁽¹⁾	3,140	2,717	1,738	4,327	1	11,923
Operating income	496	(179)	203	397	(166)	751
% of contribution to consolidated sales	15.8%	-6.6%	11.7%	9.2%	immaterial	6.3%
Cash flow data⁽³⁾						
EBITDA ⁽²⁾	731	(125)	440	426	(137)	1,335
% of contribution to consolidated sales	23.3%	-4.6%	25.3%	9.8%	immaterial	11.2%
Change in operating WCR	(140)	(81)	(186)	(5)	(20)	(432)
Net Capex	(2,260)	(322)	(81)	(193)	(33)	(2,889)
Free operating cash flow before tax	(1,673)	(528)	172	233	(190)	(1,985)
Miscellaneous						
PP&E and intangible assets (including goodwill)	4,894	1,141	1,897	1,053	2,325	11,310
Capital employed ⁽⁴⁾	5,135	178	(644)	816	345	5,826
Workforce at year end	12,577	16,500	10,638	25,248	620	65,583

2006

<i>(in millions of euros, except workforce)</i>	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate & other eliminations	Total
Contribution to consolidated sales⁽¹⁾	2,919	2,312	1,908	3,724	0	10,863
Operating income	456	(420)	273	191	(94)	407
% of contribution to consolidated sales	15.6%	-18.2%	14.3%	5.1%	immaterial	3.7%
Cash flow data⁽³⁾						
EBITDA ⁽²⁾	630	7	443	258	(46)	1,293
% of contribution to consolidated sales	21.6%	0.3%	23.2%	6.9%	immaterial	11.9%
Change in operating WCR	(28)	(21)	(205)	(67)	(29)	(351)
Net Capex	(750)	(341)	(77)	(95)	14	(1,248)
Free operating cash flow before tax	(186)	(350)	156	94	(72)	(358)
Miscellaneous						
PP&E and intangible assets (including goodwill)	2,321	918	1,954	961	1,341	7,502
Capital employed ⁽⁴⁾	2,464	(67)	(719)	705	318	2,701
Workforce at year end	11,995	14,936	10,697	22,988	495	61,111

(1) The contribution to the group's consolidated sales is equal to gross sales net of inter-company sales.

(2) EBITDA excluding impact of cash flow relating to end-of-life-cycle operations, presented separately from operating cash flow.

(3) The components of cash flow are defined in section 5.1.2.8.

(4) Capital employed is defined in section 5.1.2.9.9.

Sales by region and business division

<i>(in millions of euros)</i>	2007	2006	2007/2006 change
France	3,313	3,530	-6.1%
Front End division	1,018	1,203	-15.4%
Reactors and Services division	946	886	6.8%
Back End division	1,000	1,125	-11.1%
Transmission & Distribution division	348	316	10.1%
Corporate and other operations	1	0	-
Europe (excluding France)	3,407	3,164	7.7%
Front End division	779	708	10.0%
Reactors and Services division	814	687	18.5%
Back End division	341	489	-30.3%
Transmission & Distribution division	1,473	1,279	15.2%
Corporate and other operations	0	1	-
North & South America	1,972	1,846	6.8%
Front End division	678	643	5.4%
Reactors and Services division	638	522	22.2%
Back End division	86	78	10.3%
Transmission & Distribution division	570	603	-5.5%
Corporate and other operations	0	0	-
Asia-Pacific	2,231	1,545	44.4%
Front End division	631	330	91.2%
Reactors and Services division	238	183	30.1%
Back End division	310	215	44.2%
Transmission & Distribution division	1,052	816	28.9%
Corporate and other operations	0	0	-
Africa and Middle East	1,000	778	28.5%
Front End division	34	35	-2.9%
Reactors and Services division	81	34	138.2%
Back End division	1	1	-
Transmission & Distribution division	884	708	24.9%
Corporate and other operations	0	0	-
Other countries	0	0	-
Total	11,923	10,863	9.8%

The breakdown of the group's workforce by geographical area is given in the 2007 Human Resources report, section 5.2.

5.1. Analysis of and comments on the group's financial position and performance

5.1.2.3. Definitions of financial indicators

- **Backlog:** The backlog is valued based on economic conditions at the end of the period. It includes firm orders and excludes unconfirmed options. Orders in hedged foreign currencies are valued at the rate hedged. Non-hedged orders are valued at the rate in effect on the last day of the period. The backlog reported for long-term contracts recorded under the percentage of completion method and partially performed as of the reporting date is equal to the difference between (a) the projected sales revenue from the contract at completion and (b) the sales revenue already booked for this particular contract. Accordingly, the backlog takes into account escalation and price revision assumptions used by the group to determine the projected revenue at completion.
- **Earnings before interest, taxes, depreciation and amortization (EBITDA):** EBITDA is equal to operating income plus net amortization, depreciation and operating provisions (except for provisions for impairment of working capital items). EBITDA is adjusted so as to exclude the cost of end-of-life-cycle operations for nuclear facilities (dismantling, retrieval and packaging of waste) for the period, as well as the full and final payments made or to be made to third parties for facility dismantling. It should be noted that the cash flows linked to end-of-life-cycle operations are presented separately.
- **Cash flows from end-of-life-cycle operations:** this indicator encompasses all of the cash flows linked to end-of-life-cycle operations and to assets earmarked to cover those operations. It is equal to the sum of the following items:
 - income from the portfolio of earmarked assets;
 - cash from the sale of earmarked assets;
 - minus acquisitions of earmarked assets;
 - minus cash spent during the year on end-of-life-cycle operations;
 - full and final payments received for facility dismantling;
 - minus full and final payments made for facility dismantling.
- **Free operating cash flow:** this represents the cash flow generated by operating activities before income tax. It is equal to the sum of the following items:
 - EBITDA, excluding end-of-life-cycle operations;
 - plus losses or minus gains included in operating income on sales of property, plant and equipment (PP&E) and intangible assets;
 - plus the decrease or minus the increase in operating working capital requirement between the beginning and the end of the period (excluding reclassifications, currency translation adjustments and changes in consolidation scope);
 - minus acquisitions of PP&E and intangible assets, net of changes in accounts payable related to fixed assets;
 - plus sales of PP&E and intangible assets included in operating income, net of changes in receivables on the sale of fixed assets;
 - plus prepayments received from customers during the period on non-current assets;
 - plus acquisitions (or disposals) of consolidated companies (excluding equity associates).

- **Operating working capital requirement (OWCR):** OWCR represents all of the current assets and liabilities related directly to operations:
 - inventories and work-in-process;
 - trade accounts receivable and related accounts;
 - non interest-bearing advances;
 - other accounts receivable, accrued income and prepaid expenses;
 - less Trade accounts payable and related accounts, trade advances and prepayments received (excluding interest-bearing advances), other operating liabilities, accrued expenses, and deferred income;
 - note: OWCR does not include non-operating receivables and payables such as income tax liabilities, amounts receivable on the sale of non-current assets, and liabilities in respect of the purchase of non-current assets.
- **Net debt:** this heading includes short- and long-term borrowings, including interest-bearing advances received from customers and put options by minority shareholders, less cash balances, non-trade current accounts, marketable securities and other current financial assets. Shares classified as “available-for-sale securities” are now excluded from the calculation of the net debt or cash position.

5.1.2.4. Comparability of financial statements

5.1.2.4.1. Comparable accounting data

GENERAL PRINCIPLES

In addition to the discussion and analysis of results reported in the consolidated financial statements, the group also presents sales information on a comparable basis over consecutive periods, excluding the impact of changes in:

- consolidation scope,
- exchange rates, and
- accounting standards and methods.

The group provides this additional information to assess changes in the organic growth of its operations. However, this information does not constitute a method of assessing operations per IAS/IFRS. Excluding exceptions (e.g. material inability to reconstitute figures), changes in comparable sales figures are calculated as follows: the consolidation scope, exchange rates and accounting methods and standards of the prior year are adjusted to reflect the consolidation scope, exchange rates and accounting methods and standards of the current year.

For example,

- to compare 2007 and 2006 sales, the group calculates what 2006 sales of the different businesses would have been when average exchange rates for 2007 are applied;
- the resulting sales figures are also adjusted for the consolidation effect. The group calculates what 2006 sales of the different businesses would have been based on the applicable consolidation scope at fiscal year-end 2007.

ESTIMATED IMPACT OF CHANGES IN CONSOLIDATION SCOPE, EXCHANGE RATE AND ACCOUNTING METHODS AND STANDARDS ON SALES REVENUE FOR FISCAL YEARS 2007 AND 2006

The table below presents the estimated impact of changes in exchange rate, the group's consolidation scope, and valuation methods for 2007 compared with 2006.

The main impacts are discussed in section 5.1.2.4.2 below.

Comparison of the year ended December 31, 2007 with the year ended December 31, 2006

<i>(in millions of euros)</i>	2006 reported sales revenue	Exchange rate impact	Consolidation scope impact	Changes in valuation method	Adjusted 2006 sales	2007 reported sales revenue
Front End division	2,919	(78)	(32)	29	2,838	3,140
Reactors and Services division	2,312	(39)	86	0	2,359	2,717
Back End division	1,908	(6)	0	(5)	1,896	1,739
Nuclear	7,138	(124)	55	24	7,093	7,596
Transmission & Distribution division	3,724	(41)	25	0	3,708	4,327
Corporate and other operations	1	0	0	0	0	1
Group total	10,863	(164)	79	24	10,801	11,923

5.1.2.4.2. Factors potentially impacting the comparability of the financial statements**CHANGES IN THE CONSOLIDATION SCOPE**

The group's consolidated financial statements for the years ended December 31, 2007 and December 31, 2006 were materially impacted by the acquisitions and divestments described below.

In particular, €79 million of the €1.060 billion change in reported sales revenue from 2006 to 2007 is a result of changes in consolidation scope.

Front End division2007

On July 31, 2007, AREVA announced that it had taken control of the mining company Uramin pursuant to a friendly takeover bid made on June 25, 2007. Uramin holds uranium mining permits in South Africa, Namibia and the Central African Republic. Following a simplified takeover bid made in September, AREVA now holds 100% of Uramin's share capital. Uramin was fully consolidated as of July 31, 2007. The acquisition of Uramin has an impact on the group's balance sheet but not on sales revenue.

Some operations in the Fuel business unit were transferred to the Plants business unit. The impact on the division's sales revenue was negative €83 million.

2006

On July 3, 2006, AREVA acquired a 50% interest in the Enrichment Technology Company (ETC). The remaining 50% are held by Urenco. ETC designs, develops and manufactures uranium enrichment equipment. Through this acquisition, AREVA secured access to centrifuge equipment needed to build the new Georges

Besse II uranium enrichment plant. ETC was consolidated on July 1, 2006. The impact on sales revenue was €59 million.

Reactors and Services division2007

On September 17, 2007, AREVA announced the acquisition of 51% of Multibrid, a wind turbine designer and manufacturer based in Germany which specializes in high capacity (5 MW) offshore equipment. The company was consolidated in September 2007 and contributed €12.3 million to consolidated sales revenue.

The disposals of Jeumont Machines Elec and Sarelem had a negative impact of €54 million on sales revenue.

Operations in the Fuel business unit were transferred to the Plants business unit. The impact on the division's sales revenue was €83 million.

2006

On February 8, 2006, AREVA NP and France Essor signed an agreement finalizing AREVA NP's acquisition of Sfarsteel, one of the world's largest producers of very large forgings. Sfarsteel is located in the Creusot area of Burgundy, France. Sfarsteel was integrated into the Equipment business unit. This acquisition strengthens AREVA's offering on the market for new-generation reactors by allowing the group to secure delivery dates and ensure forging quality. The consolidation had a positive impact of €33.8 million in 2006.

Transmission & Distribution division2007

On February 16, 2007, the Transmission & Distribution division signed an agreement with the Italian company Passoni & Villa that

5.1. Analysis of and comments on the group's financial position and performance

finalized the legal and financial terms for the acquisition of this business. Passoni & Villa, one of the world's leading manufacturers of high voltage bushings, contributed €20 million to 2007 consolidated sales revenue.

On August 1, 2007, the Transmission & Distribution division concluded an agreement with VEI Power Distribution to acquire its operations in Italy and Malaysia. This acquisition bolsters the division's presence on the world distribution market and in medium voltage equipment. VEI became fully consolidated on December 31, 2007 and therefore had no impact on 2007 sales revenue.

The early 2007 sale of the operations of the FSV unit had a negative impact of €11 million. The sale of Pro RMS Medford in late 2006 had a negative impact of €18.3 million on sales revenue.

2006

AREVA T&D acquired the high voltage business of the German group Ritz on June 30, 2006. This new business line was consolidated on July 31, 2006. The impact on sales revenue was €38 million.

Corporate and other2006*REpower*

AREVA increased its equity interest in REpower by subscribing to a share capital increase for that company and by acquiring shares

on the market. These transactions brought AREVA's holding to 29.99%.

This acquisition had no impact on AREVA's sales revenue, but did affect net income as this equity interest was consolidated under the equity method.

CHANGES IN FOREIGN EXCHANGE RATES

The group's foreign exchange policy is presented in chapter 4 of the Reference Document.

In 2007, 54.6% of the group's sales revenue originated outside the euro zone, including a significant share in the United States and in countries whose currency is pegged to the US dollar. From 2006 to 2007, the average value of the euro increased by 9.09% compared with the US dollar.

Changes in exchange rates had a negative impact on the group's sales revenue of €164 million in 2007, compared with a positive impact of €6 million in 2006.

Exposure to other currencies (primarily the Swiss franc, pound sterling, Japanese yen and Southeast Asian and Middle Eastern currencies), mainly connected with the Transmission & Distribution business, is secondary in nature.

5.1.2.5. Backlog

<i>(in millions of euros)</i>	2007	2006	2007/2006 change
Backlog	39,834	25,627	55.4%
Front End division	21,085	11,335	86.0%
Reactors and Services division	7,640	4,413	73.1%
Back End division	6,202	6,375	-2.7%
Nuclear	34,927	22,123	57.9%
Transmission & Distribution division	4,906	3,504	40.0%

The group's backlog as of December 31, 2007 was €39.834 billion, up by 55.4% from the backlog of €25.627 billion as of December 31, 2006.

In Nuclear operations, the backlog as of December 31, 2007, was €34.927 billion, compared with €22.123 billion as of December 31, 2006, representing an increase of 57.9% for the period. New orders in Nuclear operations represented close to €10 billion in 2007.

In the Transmission & Distribution division, the backlog as of December 31, 2007, was €4.906 billion, compared with

€3.514 billion as of December 31, 2006, representing an increase of 40%. This represents more than 13 months of sales at 2007 levels. Orders booked for the year came to €5.816 billion, up 34% like-for-like compared with 2006. In 2007, several major contracts were signed, as were contracts valued at several tens of million euros, most notably in Russia, the United Kingdom, Saudi Arabia and the United Arab Emirates.

5.1.2.6. Income statement

5.1.2.6.1. Sales revenue

The AREVA group's sales revenue came to €11.923 billion in 2007, up from €10.863 billion in 2006, representing growth of 9.8% in reported data. Organic growth was 10.4% in 2007.

Exchange rate movements had a negative impact of €164 million for the group. Changes in consolidation scope had a positive impact of €79 million between the two accounting periods.

<i>(in millions of euros)</i>	2007	2006	2007/2006 change
Sales revenue	11,923	10,863	9.8%
Front End division	3,140	2,919	7.6%
Reactors and Services division	2,717	2,312	17.5%
Back End division	1,738	1,908	-8.9%
Nuclear	7,595	7,138	6.4%
Transmission & Distribution division	4,327	3,724	16.2%
Corporate and other operations	1	1	-

The Nuclear divisions posted organic growth of 7.1%, marked by:

- 10.6% growth in the Front End division linked to the favorable price effect for uranium sales and large volumes in enrichment services;
- 15.2% growth in the Reactors and Services division, reflecting strong growth in Services following lackluster demand in 2006, progress on OL3 construction, and the launch of Flamanville 3, the second EPR; and

- the 8.3% decrease in the Back End division due to production postponements in the Treatment business.

Sales were up 16.7% and grew organically in the Transmission & Distribution division, with continued strong growth in Products and Systems over several quarters, particularly in the Middle East, Asia and Europe.

5.1.2.6.2. Gross margin

<i>(in millions of euros)</i>	2007	2006	2007/2006 change
Gross margin	2,762	2,220	23.4%
<i>% contribution to consolidated sales revenue</i>	<i>23.2%</i>	<i>20.4%</i>	<i>2.8 points</i>

The group's gross margin for 2007 was €2.762 billion, or 23.2% of sales revenue, compared with €2.22 billion for 2006, or 20.4% of sales revenue. This represents an increase of 24.7%, compared with 9.8% growth in sales revenue for the period.

In Nuclear operations, gross margin, which includes Corporate operations, was €1.66 billion in 2007 (21.9% of sales), against €1.329 billion in 2006 (18.6% of sales), representing an increase

of 24.8% or 3.3 points. This increase is the net result of two opposing developments:

- a sharp increase in the gross margin of the Front End and Reactors and Services divisions, due in particular to the increase in the price of uranium, improved performance in the Nuclear Services and Equipment business units, and a reduction in new provisions recognized for OL3 construction compared with the previous year; and

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- deterioration of the gross margin in the Back End division, which was affected by lagging production in shearing operations at La Hague.

Gross margin for the Transmission & Distribution division rose from €883 million in 2006 (23.7% of sales) to €1.103 billion in 2007 (25.5% of sales), up 25.0% or 1.8 points. The majority of this increase is due to the strong performance of the Products and Systems business units, for which the significant increase in volumes and the successful implementation of the optimization plan, including booking more profitable orders, generated considerably improved income.

5.1.2.6.3. Research and development

Research and development expenses are capitalized if they meet criteria established by IAS 38 and expensed if they do not. Research and development expenses not eligible for capitalization are reported below gross margin in the income statement if solely funded by the group. Expenses for programs that are partially or fully funded by customers or for joint projects in which AREVA has the commercial rights to the results are recorded in the cost of sales. All research and development costs, whether capitalized or expensed during the period, are combined to determine the group's R&D expenditure.

<i>(in millions of euros)</i>	2007	In % of sales	2006	In % of sales
Nuclear	276	3.6%	237	3.3%
Transmission & Distribution	136	3.1%	114	3.1%
Corporate and other operations	9	immaterial	3	immaterial
Total research and development expenses	421	3.5%	355	3.3%
R&D expenditure⁽²⁾	813	6.8%	669	6.2%
• including costs capitalized in the balance sheet ⁽¹⁾	272	2.3%	198	1.8%
Number of patents registered	120	-	111	-

(1) Unlike French accounting standards, under which capitalization is optional when the costs meet the capitalization criteria, IAS 38 requires capitalization of research and development costs as soon as the criteria are met. In 2007, €264 million in R&D expenses were capitalized for the Mining and Plants businesses alone.

(2) Excluding acquisition of ultracentrifugation technology, which is included in net Capex.

The group's research and development expenses came to €421 million in 2007, representing 3.5% of the consolidated revenue for the period. This figure indicates 18.6% growth in research and development expenses compared with 2006, when spending was €355 million and the ratio to sales was 3.3%.

Taking into account all costs incurred for research and development, the group's total research and development expenditure was €813 million in 2007, representing 6.8% of sales revenue for the period, up by 21.5% on 2006.

Research and development expenses for Nuclear operations totaled €276 million in 2007, representing 3.6% of sales revenue, and €237 million in 2006, representing 3.3% of sales revenue. The total research and development expenditure in Nuclear was €645 million in 2007, representing 5.4% of sales revenue. The change in R&D expenditure between the two periods reflects the continued long-term increase in mineral exploration expenses and continued long-term projects, including:

- development and modernization of production capabilities in the front end of the cycle;
- fuel performance improvement;
- support for the deployment of the EPR reactor, including certification in the United States;

- additions to the light water reactor line, specifically the Atmea reactor; and
- preliminary studies for a Generation III treatment-recycling plant for the international market.

In the Transmission & Distribution division, research and development expenses rose by 19% in 2007 compared with 2006, coming to €136 million or 3.1% of sales revenue. The majority of spending was directed at improving the performance of electric power systems and equipment, developing digital controls and information systems to monitor power systems, and ultra high voltage.

5.1.2.6.4. General and administrative, marketing and sales expenses

Group marketing, sales, general and administrative expenses totaled €1.411 billion in 2007, compared with €1.271 billion in 2006, representing an increase of 11.0% for the period. In relation to sales revenue for the year, these expenses were stable in comparison with those of 2006. This is indicative of efforts to control costs while boosting marketing and sales activities, leading to the significant increase in the backlog described above.

- Marketing and sales expenses totaled €529 million in 2007, compared with €493 million in 2006, representing an increase of 7.3% over the period. These expenses represented 4.4% of sales revenue in 2007, compared with 4.5% in 2006. The increase in the amount of the group's marketing and sales expenses in absolute terms reflects marketing and sales activities in China and the United States.
- General and administrative expenses totaled €881 million in 2007, compared with €778 million in 2006, representing an increase of 13.2% over the period. These expenses came to 7.4% of 2007 sales revenue, compared with 7.2% in 2006. This change is attributable to the need to strengthen the organization as the result of the strong growth in business.

5.1.2.6.5. Operating income before restructuring expenses

Operating income before restructuring expenses was €808 million in 2007, compared with €538 million in 2006. This 50% increase reflects for the most part the particularly sharp increase in gross margin in the Reactors and Services division, where recurring business was buoyant and new provisions recognized during the year for OL3 construction were down.

5.1.2.6.6. Restructuring and early retirement costs

Restructuring and early retirement costs came to €57 million in 2007, compared with €131 million in 2006. This change is the result of lower restructuring expenses, both in the Nuclear businesses and in the Transmission & Distribution division.

5.1.2.6.7. Other operating income and expenses

Other operating income and expenses represent a net expense of €123 million compared with a net expense of €56 million in 2006. This increase is the combined result of:

- recognition of additional provisions for end-of-life-cycle operations pursuant to revised estimates; and
- non-recurring expenses relating to items valued in connection with the acquisition of the Transmission & Distribution business.

5.1.2.6.8. Operating income

Operating income totaled €751 million in 2007, or 6.3% of sales revenue, compared with €407 million in 2006, or 3.7% of sales revenue, representing an increase of 84.6% or 2.6 points.

- The Nuclear divisions contributed €520 million, compared with €309 million in 2006, representing an increase of 68.4%. Operating margin for Nuclear was thus 6.8% in 2007, compared with 4.3% in 2006. This increase is due to the improved profitability of the Front End and Reactors and Services divisions, the latter of which had been significantly impacted by losses to completion recognized for the OL3 project in 2006.
- The Transmission & Distribution division reported operating income of €397 million in 2007, more than double the €191 million in operating income recognized in 2006. The division's operating margin grew from 5.1% of sales in 2006 to 9.2% of sales in 2007. The division's profitability still had to bear major restructuring expenses under the three-year plan launched in 2004 representing €31 million in 2007, down from €61 million in 2006. The Products business unit, which represents almost half of the division's sales, recorded the biggest improvement, with cost reductions in purchasing and the redefinition of the industrial footprint producing the expected results.
- Corporate and other operations contributed a total charge of €166 million to operating income in 2007, compared with a total charge of €94 million in 2006. The change is due primarily to:
 - the cost of key broad-based, innovative research projects in accordance with the group's strategic goals, particularly in the development of fast neutron reactors (FNR), in massive hydrogen production, etc.;
 - strategic studies concerning the group's evolution and adaptation to an environment experiencing strong growth; and
 - ongoing programs to pool and bolster personnel and new programs and projects to optimize processes and tools.

5.1.2.6.9. Net financial income

<i>(in millions of euros)</i>	2007	2006
Net borrowing costs [(expense) / income]	(73)	(29)
Other financial income and expenses	138	126
End-of-life-cycle operations	107	17
Income from the financial portfolio earmarked for end-of-life-cycle operations	181	132
Discounting reversals of provisions for end-of-life cycle operations	(74)	(115)
Other financial income	31	109
Foreign exchange gain (loss)	(4)	10
Income from disposals of securities and change in value of securities held for trading	3	118
Dividends received	63	73
Impairment of financial assets	(45)	8
Interest on prepayments	(50)	(41)
Pensions and other employee benefits	(55)	(56)
Other	118	(4)
Net financial income	64	97

Net financial income for 2007 totaled €64 million, down from €97 million in 2006.

- Net borrowing costs grew from €29 million in 2006 to €73 million in 2007. This change is mainly due to increased borrowings and the rise in interest rates during the period.
- Financial income linked to end-of-life-cycle operations stood at €107 million in 2007, compared with income of €17 million in 2006. This increase was due to:
 - the decrease in net expenses related to the reversal of discounting of provisions for end-of-life-cycle operations, which came to €74 million in 2007 compared with €115 million in 2006, with €38 million attributable to the revision of the schedules; and
 - income from the portfolio of assets earmarked for end-of-life-cycle operations, which rose to €181 million in 2007, compared with €132 million in 2006, with the group disposing of assets to reduce the portfolio's excess coverage and recognizing substantial gains as a result.
- Financial income not linked to end-of-life-cycle operations was down in 2007, at €31 million, compared with income of €109 million in 2006. The change is due primarily to:
 - the non-recurrence of €112 million in gains on disposals of Société Générale shares in 2006;
 - impairment of the group's interest in Summit, a publicly traded Australian mining company that experienced a sharp drop in share price in 2007; and
 - other financial income, primarily attributable to the net gain from the recognition of the option to sell REpower shares, valued at €121 million, in accordance with the agreement signed with the Suzlon group.

5.1.2.6.10. Income tax

The group's effective tax rate in 2007 is 9.94%, compared with 10.12% in 2006. The group recognized €81 million in tax expense for 2007 on net income before tax of €815 million.

The reconciliation between the theoretical tax expense (€281 million) and the tax expense effectively recognized (€81 million) includes €108 million in tax gains related to the termination of the global consolidated tax system, including the use of foreign tax credits not previously recognized (€61 million) and the reversal of deferred tax liabilities (€50 million). The group also benefited from reduced tax rates applicable to certain businesses (€83 million).

5.1.2.6.11. Share in net income of equity associates

<i>(in millions of euros)</i>	2007	2006
STMicroelectronics	(25)	98
Eramet group	153	106
REpower	7	2
Other	14	13
Total	148	220

STMicroelectronics, Eramet and REpower are the three main equity-accounted interests in the consolidated financial statements. The other equity-accounted interests are described in note 14 to the consolidated financial statements.

The share in net income of equity associates dropped by almost 33% to €148 million in 2007, compared with €220 million in 2006. The sharp drop in net income from STMicroelectronics is due to the recognition of provisions for impairment of assets in the amount of \$1.11 billion (i.e. €754 million) in 2007. The semi-conductor manufacturer had to recognize the impairment of its flash memory assets following the creation of a joint venture with Intel, a transaction that should be completed in the first half of 2008.

The group may record net income from STMicroelectronics and Eramet that differs from the income reported by those companies:

- STMicroelectronics' financial statements are prepared according to US GAAP and are in US dollars. The group converts them into euros and adjusts them for IFRS. STMicroelectronics' IFRS

financial statements are made available after AREVA publishes its own financial statements. The IFRS adjustments included in AREVA's 2007 consolidated financial statements are therefore not yet audited;

- with regard to Eramet, income is calculated based on preliminary results. Any differences between Eramet's preliminary and final financial statements are recorded in the financial statements for the following period.

5.1.2.6.12. Minority interests

Minority interests in the group's net income for 2007 are €139 million, compared with €24 million for 2006. The change is due primarily to:

- the improvement in net income from AREVA NP, with recognition of provisions for losses to completion having less of an impact than in 2006; and
- the sharp increase in net income from Eurodif, due to large volumes in enrichment.

Minority interests are as follows:

<i>(in millions of euros)</i>	2007	2006
Siemens' 34% interest in AREVA NP	(17)	(57)
Minority shareholders' 40% interest in Eurodif	105	59
Other	51	22
Total	139	24

5.1.2.6.13. Net income attributable to equity holders of the parent

Taking into consideration the items described above, net income attributable to equity holders of the parent for 2007 totaled €743 million, representing an increase of 14.4% compared with 2006.

Net earnings per share were €20.96 in 2007, compared with €18.31 in 2006.

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5.1.2.7. Review by division

5.1.2.7.1. Front End division

<i>(in millions of euros)</i>	2007	2006	2007/2006 change	2007/2006 change like-for-like*
Backlog	21,085	11,335	86.0%	-
Contribution to consolidated sales revenue	3,140	2,919	7.6%	10.6%
Mining	728	582	25.1%	27.7%
Chemistry	229	246	-7.0%	-6.9%
Enrichment	1,059	844	25.5%	20.1%
Fuel	1,124	1,248	-9.9%	-1.5%
Operating income	496	456	8.8%	-
<i>In % of contribution to consolidated sales revenue</i>	<i>15.8%</i>	<i>15.6%</i>	-	-

* At constant exchange rate and consolidation scope.

HIGHLIGHTS OF THE YEAR

- Major events in the Mining business included the acquisition of the Canadian mining company Uramin, the continued climb of uranium prices, and the renegotiation of mining contracts with the government of Niger:
 - following a takeover bid made on June 25, 2007 and the subsequent simplified takeover bid in September 2007, AREVA acquired all of the share capital of the mining company Uramin, which holds mining permits in Namibia, South Africa and the Central African Republic. This acquisition should give the Mining business unit additional annual production capacity of more than 5,000 metric tons by 2012 and offset the delayed production startup of the Cigar Lake mine, in which AREVA is a 37% shareholder and which is still flooded;
 - the uranium spot price continued to climb throughout the year, reaching \$90 / pound at the end of 2007, compared with \$72 / pound the previous year. The increase of almost 25% reflects strong global demand over the 2008-2012 period, while available resources remain limited (nuclear revival, production delays at the world's two leading deposits, Cigar Lake and Olympic Dam, changes in utility behavior regarding anticipated purchases, speculation by investment funds, etc.). Given the inertia of contracts included in the backlog, the favorable price trend will have a significant impact on the group's financial statements only gradually over the coming years;
 - AREVA and the government of Niger signed an agreement renewing their historical partnership for the coming years. The agreement strengthens AREVA's position as the uranium mining leader in Niger and responds to the country's legitimate desire to benefit from the wealth of its mining assets. The agreement covers terms and conditions for the purchase of uranium produced by the Cominak and Somair mines in 2008 and 2009 and provides for a price increase to reflect the recent increase in long-term prices. It also allows AREVA to launch its project to mine the Imouraren deposit. Negotiations leading to the

agreement began in August 2007 and resulted in an increase in prices retroactive to January 1, 2007;

- the Mining business unit produced 6,046 metric tons of uranium in 2007, an increase of 724 metric tons compared with 2006 production levels. The increase is due to ramp-up of the Katco mine in Kazakhstan and the strong performance of mine production in Niger and Canada (excluding Cigar Lake);
- consistent with the goals for the uranium sector and pursuant to announcements, the operating Capex program continued to ramp up in 2007, particularly at the McLean and Cigar Lake sites in Canada (where surface work continued despite the flooding) and by Katco in Kazakhstan.
- In Chemistry, the launch of a €610 million capital investment program was the key event of the year. The program, called Comurhex II, involves replacing conversion capabilities at the Tricastin and Malvési sites and is in line with the group's objective of maintaining its world leadership position.
- In the Enrichment field, the Georges Besse II construction project initiated in 2006 with the acquisition of the ultracentrifugation technology and the creation of the ETC joint venture is proceeding according to plan.

BACKLOG

In the Front End division, the backlog as of December 31, 2007 was €21.085 billion, compared with €11.335 billion as of December 31, 2006, representing an increase of 86%.

This increase reflects strong marketing and sales activity, particularly in the field of uranium supply as well as in enrichment and fuel, where important contract wins brought new orders of close to €6 billion.

- The major contract signed with Chinese utility China Guangdong Nuclear Power Company provides in particular for the supply of all materials and services needed for the operation of the two EPR nuclear islands ordered by the utility and the sale of 35% of Uramin's production.

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- Several very large long-term contracts (more than 10 years) were signed in enrichment, most notably with KHNP of South Korea and Kansai of Japan.
- A MOX fuel supply contract was signed with EDF for the 2008 to 2012 period.

SALES REVENUE

Sales revenue from the Front End division totaled €3.14 billion in 2007, compared with €2.919 billion euros in 2006, representing a 7.6% increase in reported data and 10.6% like-for-like.

In Mining, the favorable uranium price effect boosted sales revenue (+27.7% organic growth). Volumes sold came to 13,437 metric tons, down from those of 2006 due to less trading activity.

Sales revenue was down over the period in the Chemistry business (-7.0% organic growth) due to timing differences in deliveries, causing the business unit to increase its inventory levels temporarily. More than 13,500 metric tons of UF₆ were produced, an increase from 2006 production.

The Enrichment business unit reported sales revenue growth of 25.5% over the period (+20.1% like-for-like), reflecting strong growth in fourth quarter deliveries linked to a one-time export contract.

In Fuel, sales were slightly down in value (-1.5% like-for-like), despite rising volumes, due to an unfavorable product mix and geographic mix. Geographically, 72% of 2007 sales were made to customers in Europe, 21% in the United States and 7% in the Rest of World.

OPERATING INCOME

The Front End division reported operating income for 2007 of €496 million, representing 15.8% of sales revenue, compared with €456 million in 2006, representing 15.6% of sales revenue. This increase in profitability primarily reflects:

- a slight decrease in operating income in Mining due to rising exploration expenses, Uramin's consolidation, and an increase in the workforce;
- the Enrichment business unit's strong performance, which reflects a sharp rise in business and a favorable price mix;
- deterioration of the Chemistry business unit's profitability due to the lag in production mentioned earlier; and
- a drop in operating income in Fuel due to a less favorable geographic mix than in 2006, with more sales in the United States and fewer in Europe and the disappearance of non-recurring items noted in 2006.

5.1.2.7.2. Reactors and Services division

<i>(in millions of euros)</i>	2007	2006	2007/2006 change	2007/2006 change like-for-like*
Backlog	7,640	4,413	73.1%	-
Contribution to consolidated sales revenue	2,717	2,312	17.5%	15.2%
Plants	1,053	741	42.0%	28.7%
Nuclear services	791	644	22.7%	24.6%
Equipment	215	251	-14.2%	-6.1%
AREVA TA	308	314	-2.0%	-2.0%
Nuclear Measurement	159	175	-9.1%	-3.0%
Consulting and Information Systems	157	156	1.1%	1.1%
Renewable Energies	35	32	11.7%	-20.5%
Operating income	(179)	(420)	-57.4%	
<i>In % of contribution to consolidated sales revenue</i>	<i>-6.6%</i>	<i>-18.2%</i>	-	-

* At constant exchange rate and consolidation scope.

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HIGHLIGHTS OF THE YEAR

- In the Plants business unit, 2007 was marked by the signature of several significant strategic agreements:
 - AREVA and Mitsubishi Heavy Industries, which have been working since October 2006 to define the design concepts of an 1100+ MWe Generation III+ pressurized water reactor, officially created the Atmea joint venture at the end of 2007, in which they are equal partners. The purpose of the joint venture is to develop, certify and sell the Atmea reactor on the global market. The request for certification of the Atmea design is slated for the end of 2009;
 - Constellation, AREVA's partner in the United States, and EDF announced the creation of a joint venture called UniStar Nuclear Energy to finance and build at least four EPRs in the US. The agreement between EDF and Constellation confirms the interest in the EPR in the US market;
 - like Constellation, AmerenUE, Alternate Energy Holdings and Amarillo Power, US utility PPL announced that it planned to apply to the US Nuclear Regulatory Commission (NRC) for a combined construction and operating license (COL) for an EPR. PPL signed a contract with UniStar Nuclear Energy in this regard;
 - building on the growing interest in its reactor, AREVA filed an application for certification of the EPR with the NRC. This marks a decisive step forward in the schedule for the startup of the first EPR in the United States in 2015;
 - at the OL3 site, progress was made on construction in 2007. However, the conditions for project performance remain difficult, mainly due to the following:
 - management of the technical documentation approval process by the customer and the safety authorities prior to manufacturing, and
 - modifications required to satisfy specific requests by the customer and the authorities.
 The AREVA / Siemens consortium is engaged in discussions with the customer to define measures to strengthen and extend their cooperation. In December 2007, the consortium also exercised its right to indemnification by submitting a significant claim for payment of cost overruns it deems attributable to TVO. This claim supplements a similar claim submitted in 2006. TVO made its position known by filing its own claim at the end of the first half of 2007. Since the claim is very poorly substantiated, the AREVA / Siemens consortium deemed that it was inadmissible. The provision for losses to completion recognized by the group was supplemented to take into account the result of new cost estimates and a revised assessment of risk resulting from the contract performance conditions. Remaining uncertainties regarding the cost to completion relate in particular to contractual risks, claims and technical difficulties inherent in the construction of a "first-of-a-kind" reactor. In 2008, the OL3 project will enter the electrical and mechanical installation phase, which will run parallel with civil works.
- In the Equipment business unit, the demand for forgings remains very strong and prices are on an upward trend due to lagging worldwide capacity. The recurring market is also very active, with a favorable trend in prices.

- AREVA strengthened its Renewable Energies business unit with the acquisition of 51% of Multibrud, a wind turbine designer and manufacturer based in Germany which specializes in high capacity offshore equipment. In doing so, AREVA becomes an associate of Prokon Nord, a German company that develops wind farms and biomass projects.

BACKLOG

In the Reactors and Services division, the backlog as of December 31, 2007 stood at €7.64 billion, compared with €4.413 billion as of December 31, 2006, representing an increase of 73%. Some of the most significant contracts signed during the year include:

- the contract won from the utility China Guangdong Nuclear Power Corporation, which provides among other things for the construction of two nuclear islands for EPR reactors in Taishan, Guangdong Province;
- the contract concluded between AREVA and EDF to supply the nuclear steam supply system of the third unit at the Flamanville power plant, which marks the 100th reactor order received by AREVA;
- the two contracts awarded to AREVA in Sweden, valued at a combined total of €400 million, for upgrades to the Oskarshamn power plant and life extension of the Ringhals power plant;
- AREVA Dongfang, the joint subsidiary between AREVA and Dongfang Electric Corporation (DEC), received a letter of intent to supply 18 reactor coolant pumps for the duplication of Generation II reactors for Chinese utility CNPEC. The contract value exceeds €100 million.
- in addition, AREVA TA won the contract for scheduled inspections of the Charles de Gaulle aircraft carrier and the government firmed up the first installment of the Barracuda contract.

SALES REVENUE

Sales revenue for the Reactors and Services division rose to €2.717 billion in 2007, an increase of 15.2% like-for-like (+17.5% in reported data) from 2006, mainly due to the following:

- sales revenue had an organic increase of 29% in the Plants business unit, with strong recurring business, progress on OL3 construction in relation to the reference period, the advancement of the US EPR, and progress on other ongoing projects, including Flamanville in France and Ling Ao and Dalian in China;
- sales revenue dropped 6.1% like-for-like (-14.2% in reported data) in the Equipment business, reflecting the group's strategy of reserving a growing share of its production capacity for its internal requirements;
- sales were up 24.6% like-for-like and 22.7% in reported data in the Nuclear Services business unit compared with 2006. This strong growth is due to a very fruitful component replacement campaign (three steam generators and three reactor vessel heads), a chemical cleaning operation of a reactor vessel, and a rising number of reactor outages worldwide.

OPERATING INCOME

The Reactors and Services division reported an operating loss of €179 million in 2007, representing 6.6% of sales revenue, compared with a loss of €419 million in 2006, representing 18.2% of sales revenue. This improvement reflects:

- the sharp rise in income from the Equipment and Nuclear Services business units due to higher volumes and successful restructuring efforts, such as those undertaken at the Saint-Marcel site in recent months; and

- the reduction in new provisions for losses to completion recognized during the year (first half of 2007) for the OL3 contract.

5.1.2.7.3. Back End division

<i>(in millions of euros)</i>	2007	2006	2007/2006 change	2007/2006 change like-for-like*
Backlog	6,202	6,375	-2.7%	-
Contribution to consolidated sales revenue	1,738	1,908	-8.9%	-8.3%
Treatment and Recycling	1,363	1,552	-12.2%	-12.2%
Logistics	218	180	21.1%	27.5%
Engineering	59	69	-14.5%	-10.6%
Cleanup	98	107	-8.4%	-8.5%
Operating income	203	273	-25.6%	-
<i>In % of contribution to consolidated sales revenue</i>	<i>11.7%</i>	<i>14.3%</i>	-	

* At constant exchange rate and consolidation scope.

HIGHLIGHTS OF THE YEAR

- In the back end of the cycle, 2007 was marked by the signature of a contract between the International Nuclear Recycling Alliance (led by AREVA and Mitsubishi Heavy Industries and including Japan Nuclear Fuel, Washington Group, BWX Technologies and Battelle) and the US Department of Energy (DOE). The purpose of the contract is to study the development of a used nuclear fuel treatment plant and an advanced generation reactor to recycle used fuel in the United States. The contract falls within the scope of the Global Nuclear Energy Partnership (GNEP), which includes closure of the nuclear fuel cycle in the United States and recycling of the materials.
- Similarly, the contract signed between AREVA and the Chinese utility CGNPC concerning the Front End and Reactors and Services divisions was accompanied by the signature of a bilateral agreement between the French and Chinese governments which opens the door to industrial cooperation in the back end of the cycle. In connection with these agreements, AREVA and China National Nuclear Corporation have agreed to perform feasibility studies for the construction of a used fuel treatment and recycling plant in China.
- The government authorized the Melox plant to raise its annual production level from 145 to 195 metric tons of heavy metal.
- On the industrial level, the production of the La Hague unloading and shearing facilities and MOX production at Melox were impacted by EDF's decision to shift its fuel removals to 2008.

An interim agreement covering continuing operations in 2008 was reached with EDF.

BACKLOG

In the Back End division, the backlog as of December 31, 2007 was €6.202 billion, compared with €6.375 billion as of December 31, 2006, representing a slight decrease of 2.7%. From a marketing point of view, highlights of 2007 were as follows:

- AREVA signed a global contract valued at more than €250 million with Sogin (nuclear facility management company based in Italy) to treat 235 metric tons of used nuclear fuel. The contract, which runs from 2007 to 2025, covers the transportation, treatment and packaging at La Hague of used fuel from the Corso, Trino and Garigliano facilities;
- an interim agreement was concluded with EDF in the amount of nearly €500 million for the treatment of 850 metric tons of used fuel in 2008;
- in Recycling, the group won a contract from the Federation of Electric Power Companies of Japan (FEPC) to provide fuel storage services and several contracts from E.On and RWE for the supply of MOX fuel;
- the Logistics business unit concluded several significant contracts in transportation with Sogin and Synatom, in casks with BNFL, and in the supply of storage systems with US utilities Exelon and Progress Energy. In the United States, where more than 34,000 used fuel assemblies are stored at reactor sites

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and DOE sites in 947 casks, the group is still the market leader with 469 Nuhoms and TN casks, ahead of Holtec International, which has 199 casks.

SALES REVENUE

Sales revenue for the Back End division was down 8.3% like-for-like (down 8.9% in reported data) compared with 2006:

- business was down 12% in 2007 compared with 2006 in Treatment and Recycling, which represent more than three-fourths of the division's sales, due to production schedule shifts in unloading, shearing and vitrification operations at the La Hague plant;

- logistics posted a 27.5% increase for the year, like-for-like, which was evenly distributed throughout the year. This is mainly due to the shipment of very low-level waste from front end operations and transportation risk management in the back end, particularly for the shipment of MOX fuel to Japan, as well as to the growth in storage solutions.

OPERATING INCOME

Operating income for the Back End division was €203 million in 2007, compared with €272 million in 2006. This decrease is due mainly to a reduction in volumes produced in the Treatment business, offset only partially by the increased volumes transported by the Logistics business unit.

5.1.2.7.4. Transmission & Distribution division

<i>(in millions of euros)</i>	2007	2006	2007/2006 change	2007/2006 change like-for-like*
Backlog	4,906	3,503	40.1%	-
Contribution to consolidated sales revenue	4,327	3,724	16.2%	16.7%
Products	2,581	2,161	16.2%	18.8%
Systems	1,389	1,210	19.4%	8.5%
Service	441	493	-10.5%	10.5%
Automation	570	530	7.5%	9.3%
Eliminations of inter-business unit sales	(653)	(670)	-2.6%	-1.7%
Operating income	397	191	X 2.1	-
<i>In % of contribution to consolidated sales revenue</i>	<i>9.2%</i>	<i>5.1%</i>	-	-

* At constant exchange rate and consolidation scope.

HIGHLIGHTS OF THE YEAR

In 2007, the Transmission & Distribution division continued to pursue its strategy of targeted acquisitions, including the acquisition of three companies:

- the Italian firm Passoni & Villa, one of the world's leading manufacturers of high voltage bushings, which had 2006 sales revenue of approximately €26 million;
- VEI Power Distribution, an acquisition that bolsters the division's presence on the world distribution market and in medium voltage equipment; and
- Nokian Capacitors, a Finnish company with 50 years of experience in the design and manufacturing of components for power grids, particularly capacitors, components used in high voltage direct current facilities (HVDC), and flexible alternating current transmission systems (FACTS).

On the industrial level, the group continues to expand:

- by increasing its production capacities in its strategic businesses, like the expansion of its Aix les Bains site in France, where it manufactures high voltage gas-insulated stations, or in high-growth areas such as China, where a gas-insulated electrical equipment manufacturing plant was inaugurated in Suzhou, Jiangsu Province; and

- via joint ventures, such as those formed in China with Wuxi Aluminium Technology Co. Ltd., designed to secure the supply of strategic components provided by this aluminum foundry parts specialist, and with Sunten Electric Co. Ltd., a builder of power transformers.

BACKLOG

Orders booked for the year in the Transmission & Distribution division were up by 34% to €5.816 billion. The year-end backlog stood at €4.906 billion, compared with €3.503 billion at the end of 2006. This represents more than 13 months of sales, compared with 11 months in 2006.

From a marketing point of view, several major contract wins were scored in 2007:

- Saudi Electricity Company awarded a contract of more than €100 million to AREVA for the construction of a high-voltage gas-insulated substation and the renovation of 15 substations in the Jubail region;
- Rusal, the Russian firm that is the world leader in aluminum, formed a joint venture with AREVA's Transmission & Distribution division and awarded it several turnkey projects for electrical equipment and services. Of the \$500 million in orders expected

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over the next five years, several projects were already turned over in 2007;

- Alcan asked AREVA to supply a turnkey electrical supply system for its Jonquière production site in Quebec, for total value of more than €100 million;
- in Libya, AREVA is to deliver twelve 220 kV and 400 kV high-voltage gas-insulated substations as well as 69 power transformers to the Libyan public utility Gecol, for a total amount of €300 million;
- in Qatar, the Qatar General Electricity & Water Corporation (Kahramaa) awarded a contract valued at around €500 million to the T&D division for the turnkey supply of 14 gas-insulated substations.

In addition to these major contracts, there was a significant increase in medium-sized contracts in Transmission & Distribution: from 2006 to 2007, the average value of the 10 largest contracts rose from €60 million to €125 million.

SALES REVENUE

Sales for the Transmission & Distribution division were up considerably in all business units and all regions in 2007. The division reported sales revenue of €4.327 billion, a 16.2% increase compared with €3.724 billion reported in 2006. Sales rose 16.7% like-for-like, with all businesses making a positive contribution:

- sales in Products were up by 18.8%, led mainly by the high voltage business;
- systems sales were up by 8.5%, primarily from contracts won in 2006 in Libya and Saudi Arabia as well as in Spain, Russia and the United Kingdom;
- automation sales were up by 9.3%, with growth recorded in all product lines; and
- services sales were up by 10.5%, with Brazil, India, Australia, Mexico and the United States making a strong contribution.

5.1.2.7.5. Corporate and other operations

<i>(in millions of euros)</i>	2007	2006	2007/2006 change	2007/2006 change like-for-like*
Contribution to consolidated sales revenue	1	1	immaterial	immaterial
Operating income	(166)	(94)	-76.6%	-

* At constant exchange rate and consolidation scope.

Corporate and other operations contributed a total charge of €166 million to operating income in 2007, compared with a total charge of €94 million in 2006. The change is due primarily to:

- the cost of key broad-based, innovative research projects in accordance with the group's strategic goals, particularly in the development of fast neutron reactors (FNR), in massive hydrogen production, etc.;

OPERATING INCOME AND RESTRUCTURING EXPENSES

Operating income for the Transmission & Distribution division came to €397 million in 2007, representing 9.2% of sales revenue and more than double the operating income of €191 million for 2006.

Operating income before restructuring expenses rose from €252 million in 2006, representing 6.7% of sales revenue, to €428 million in 2007, representing 9.9% of sales revenue.

All business units now report substantially positive operating income. Higher commodity prices, negative price effects and rising personnel expenses, estimated together at €166 million in 2007, were more than offset by volume increases, pass-throughs to customers of a share of the price increases, and the impact of the three-year plan (3YP) and second three-year plan (3YP²) (adjustment of production capacities, increased productivity, cost reductions and procurement efficiencies).

- In Products, operating margin before restructuring expenses rose by nearly three points, becoming very positive due to improved gross margin and reduced operating expenses against a background of sharply rising volumes. The increase in commodity prices, representing a large share of the cost structure, was partially passed through to customers.
- In Systems, profitability remained low in 2007; nevertheless, operating margin rose by 2.4 points compared with the previous year. This improvement is due to increased volumes, the positive impact of the restructuring plans, and better contract performance. In 2007, the gross margin achieved was consistent with the margin anticipated when the contracts were booked, whereas there was a difference of more than 5 points in 2004.
- Operating margin was up by 1.9 point in Automation in 2007, reflecting a favorable product mix, the positive impact of specific restructuring measures, and stable prices.
- Services recorded operating margin growth of 2.8 points compared with 2006, due largely to cost reduction and restructuring efforts.

- strategic studies concerning the group's evolution and adaptation to an environment experiencing strong growth; and
- ongoing programs to pool and bolster personnel, and new programs and projects to optimize processes and tools.

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5.1.2.8. Cash flow

5.1.2.8.1. Comparative table of operating cash flows and consolidated cash flows

The group analyzes cash flows from operating activities separately from flows relating to end-of-life-cycle operations and other cash flows.

RECONCILIATION OF OPERATING CASH FLOWS AND OTHER CASH FLOWS

The following table distinguishes operating cash flows from the other cash flows presented in the consolidated cash flow statement.

<i>(in millions of euros)</i>	Operating	End-of-life-cycle operations ⁽¹⁾	Other ⁽²⁾	Total
EBITDA (I)	1,335	-	-	-
Net gain on the sale of non-current operating assets (II)	1	-	-	-
Cash flow from operations after interest and taxes (I+II)	1,336	(55)	(145)	1,138
Change in working capital requirement (III)	(432)	0	19	(413)
Net cash flow from operating activities (I+II+III)	904	(54)	(128)	723
Cash from (used in) investing activities, net of disposals (IV)	(2,889)	224	(131)	(2,796)
Net cash from (used in) financing activities (V)	0	0	1,522	1,522
Impact of changes in consolidation scope (VI)	0	0	170	170
Cash flow (I+II+III+IV+V)	(1,985)	171	1,433	(381)

(1) Includes expenses for end-of-life-cycle operations incurred on-site and for final waste disposal, flows relating to the financial asset portfolio earmarked for end-of-life-cycle operations, and flows resulting from the signature of agreements with third parties, most notably the CEA, for the funding by such parties of a share of end-of-life-cycle operations.

(2) That is, non-operating flows not relating to end-of-life-cycle operations and primarily corresponding to financing flows (including exceptional flows relating to external growth operations), dividends paid, and tax flows.

5.1.2.8.2. Operating cash flow

<i>(in millions of euros)</i>	EBITDA		Change in operating WCR		Net operating Capex		Free operating cash flow before tax	
	2007	2006	2007	2006	2007	2006	2007	2006
Front End	731	630	(140)	(28)	(2,260)	(750)	(1,672)	(186)
Reactors and Services	(125)	7	(81)	(21)	(322)	(341)	(528)	(350)
Back End	440	443	(186)	(205)	(81)	(77)	172	156
Nuclear	1,046	1,080	(407)	(255)	(2,663)	(1,167)	(2,028)	(379)
Transmission & Distribution	426	258	(5)	(67)	(193)	(95)	233	95
Other	(137)	(46)	(20)	(29)	(33)	14	(190)	(71)
Group total	1,335	1,292	(432)	(352)	(2,889)	(1,248)	(1,985)	(358)

EARNINGS BEFORE INCOME TAX, DEPRECIATION AND AMORTIZATION (EBITDA)

The group's EBITDA totaled €1.335 billion in 2007, up 3.3% compared with 2006. The Front End and Transmission & Distribution divisions were the main contributors to this increase:

- in the Front End division, EBITDA rose 16% to €731 million in 2007. This improvement is primarily due to favorable one-time additional volumes in the Enrichment business unit;
- in the Reactors and Services division, EBITDA was negative €125 million, compared with positive €7 million in 2006. This change is the result of the cash spending of provisions recorded in the past, most notably for the OL3 project;

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- EBITDA for the Back End division was essentially stable in 2007 at €440 million compared with €443 million reported in 2006. This situation reflects the drop in volumes treated in the Treatment and Recycling businesses;
- EBITDA for the Transmission & Distribution division totaled €426 million in 2007, compared with €258 million in 2006. This change is the reflection of improved operations, as described above in the review of performance by division.

CHANGE IN OPERATING WORKING CAPITAL REQUIREMENT (OPERATING WCR)

For the fourth year in a row, the change in operating WCR corresponds to a cash outflow (€432 million in 2007).

This was due to:

- a €140 million cash outflow relating to operating activities in the Front End division, up from 2006, with most of the cash used by the Enrichment business unit, which built up large SWU inventories in light of ongoing power supply negotiations;
- an unfavorable change in operating WCR of €81 million in the Reactors and Services division due to the use of customer advances, particularly on contracts in Finland and China;
- a €186 million cash outflow for the Back End division, primarily due to the use of customer advances; and
- practically stable operating WCR in the Transmission & Distribution division, despite strong business growth, with actions taken to speed up customer payments and reduce in-process inventories responsible for this good performance.

NET OPERATING CAPEX

The group's net operating Capex was up very sharply, from €1.641 billion in 2006 to €2.889 billion in 2007. This is primarily the result of:

- the sharp increase in Capex in the Front End division, which increased from €750 million in 2006 to €2.261 billion in 2007, reflecting the acquisition of the uranium mining company Uramin, major development projects in the Mining business unit (Cigar Lake in Canada and Katco in Kazakhstan), and ongoing construction of the Georges Besse II uranium enrichment plant;
- the decrease in Capex, net of disposals, in the Reactors and Services division, which totaled €322 million in 2007 against €341 million in 2006, corresponding mainly to the capitalization of EPR development and certification costs in the United States and to the acquisition of 51% of Multibrid, a German company that designs and manufactures high capacity offshore wind turbines; and
- increased Capex in the Transmission & Distribution division, which came to €193 million in 2007 compared with €95 million in 2006, reflecting in particular the acquisitions of Passoni & Villa and VEI Distribution and the strengthening of production capacities in dynamic markets such as China and India.

FREE OPERATING CASH FLOW

In light of the above, the group's free operating cash flow in 2007 was negative €1.985 billion, compared with negative €358 million in 2006.

- Free operating cash flow from Nuclear operations was negative €2.028 billion in 2007 due to significant Capex and the use of customer advances, compared with negative €379 million in 2006.
- Free operating cash flow was up sharply in the Transmission & Distribution division, to €233 million in 2007, compared with €95 million reported in 2006.

5.1.2.8.3. Cash flows for end-of-life-cycle operations

To finance its end-of-life-cycle commitments, the group has set aside a portfolio of securities earmarked to fund expenses related to these operations (see note 13 to the consolidated financial statements). It is the group's policy to offset negative cash flows associated with end-of-life-cycle operations with positive cash flows from dividends or sales of securities held in the portfolio.

Cash flows for end-of-life-cycle operations totaled €171 million in 2007, compared with €72 million in 2006. This change is due to the group's disposal of assets in 2007 to reduce the excess value of the portfolio over the value of the commitments.

5.1.2.8.4. Consolidated cash flow statement

The simplified consolidated cash flow statement is presented below.

<i>(in millions of euros)</i>	2007	2006	2007/2006 change
Cash flow from operations	1,294	1,231	5.1%
Interest expense and taxes paid	(156)	(90)	74.4%
Cash flow from operations after interest and taxes	1,138	1,141	-0.3%
Change in working capital requirement	(416)	(344)	20.3%
Cash from operating activities	722	797	-9.3%
Cash used in investing activities	(2,796)	(953)	x 2.9
Cash from (used in) financing activities	1,522	(364)	-518.1%
Decrease (increase) in marketable securities maturing in more than 3 months	178	(1)	-
Change in consolidated group, foreign exchange adjustments, etc.	(7)	2	-
Cash from discontinued operations	0	0	-
Increase (decrease) in net cash	(381)	(518)	-26.4%
Cash at the beginning of the year	901	1,419	-36.5%
Cash at the end of the year	520	901	-42.3%

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities dropped 9.4% at the end of 2007, to €722 million, compared with €797 million in 2006.

This situation primarily reflects the increase in financial expenses resulting from the increase in the group's borrowings and the unfavorable change in working capital requirement (see explanation above under "Operating working capital requirement").

CASH USED IN INVESTING ACTIVITIES

Cash used in investing activities, net of disposals, totaled €2.796 billion in 2007, compared with €953 million in 2006, representing an increase in net investment of €1.843 billion in 2007. This increase reflects the following:

- relatively stable acquisitions of PP&E and intangible assets, net of disposals, which went from €1.092 billion in 2006 to €1.072 billion in 2007 (operating Capex is discussed in the section on "Free operating cash flow");
- an increase in cash flow from rotation in the portfolio of securities earmarked for end-of-life-cycle operations, which aim to produce financial income to offset the cost of unwinding the discounting of the group's share of end-of-life-cycle provisions (see section 5.1.2.8.3); and

- a €1.985 billion increase in net investment in financial assets, excluding dismantling, which rose from €15 million in 2006 to €2 billion in 2007, due primarily to the impacts of:
 - the acquisition of the Canadian mining firm Uramin for €1.594 billion,
 - the acquisitions of Uranor (€32 million), East Asia Mineral (€60 million) and Summit Resources (€78 million),
 - the acquisition of 51% of Multibril for €68 million, and
 - the acquisitions of Passoni & Villa (€17 million) and of VEI Power Distribution (€11 million).

CASH USED IN FINANCING ACTIVITIES

Cash used in financing activities amounted to €1.522 billion in 2007, compared with a cash outflow of €364 million in 2006, representing an increase of €1.886 billion corresponding to the increase in borrowings to finance the Uramin acquisition.

INCREASE (DECREASE) IN NET CASH

Based on the foregoing, the group had a decrease in net cash of €381 million in 2007, compared with a decrease of €518 million in 2006. The group thus had a closing cash position for 2007 of €520 million.

5.1.2.9. Balance sheet data

SUMMARY CONSOLIDATED BALANCE SHEET

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006
Assets		
Net goodwill	4,377	2,515
PP&E and intangible assets	6,933	4,989
End-of-life-cycle assets (third party share)	2,491	2,091
Financial assets earmarked to finance end-of-life-cycle operations	2,873	2,986
Equity associates	1,558	1,521
Other non-current financial assets	2,588	2,376
Deferred taxes (assets - liabilities)	(673)	(251)
Working capital requirement (WCR)	(488)	(736)
Cash and cash equivalents	634	962
Other current financial assets	279	292
Net assets of operations held for sale	0	0
Liabilities and equity		
Equity	6,994	6,722
Minority interests	470	294
Provisions for end-of-life-cycle operations (third party share)	2,493	2,091
Provisions for end-of-life-cycle operations (AREVA share)	2,582	2,494
Other current and non-current provisions	3,119	3,023
Borrowings	4,915	2,119
Summary Balance Sheet total	20,573	16,743
Net cash (debt) (including Siemens' put)	(4,002)	(865)
Net cash (debt) (excluding Siemens' put)	(1,954)	251

Note: Working capital assets and liabilities are reported on a net basis in the summary balance sheet. Deferred tax assets are also offset against deferred tax liabilities. Assets and liabilities are not offset in the detailed balance sheet.

5.1.2.9.1. Non-current assets

NET GOODWILL

Net goodwill rose from €2.515 billion as of December 31, 2006 to €4.377 billion as of December 31, 2007, for a net increase of €1.862 billion. The change in goodwill is primarily due to:

- the revaluation of put options held by minority interests of AREVA NP in the amount of €956 million (see note 25 to the consolidated financial statements);
- acquisitions in the Front End division, including the mining company Uramin (€715 million in goodwill), East Asia Mineral (€60 million) and additional shares of Uranor (€31 million);
- the acquisition of 51% of Multibrid (€79 million) and the adjustment to goodwill resulting from the acquisition of Sfarsteel (€15 million) in the Reactors and Services division; and
- the acquisitions of Passoni & Villa (€17 million) and of VEI (€14 million) in the Transmission & Distribution division.

PROPERTY, PLANT AND EQUIPMENT (PP&E) AND INTANGIBLE ASSETS

PP&E and intangible assets rose from €4.989 billion as of December 31, 2006 to €6.933 billion as of December 31, 2007, giving a net increase of €1.944 billion. Key aspects of this change are as follows:

- the €1.438 billion increase in mining rights, chiefly as a result of the acquisition of Uramin, which holds mining permits for the sites of Trekkopie in Namibia, Ryst Kuil in South Africa and Bakouma in the Central African Republic;
- the €155 million increase in pre-mining development expenses; and
- increased research and development expenses, particularly related to development expenses for the EPR reactor, in the amount of €117 million.

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The components of PP&E and intangible assets are described in notes 11 and 12 to the consolidated financial statements respectively.

EQUITY ASSOCIATES

Equity associates totaled €1.569 billion as of December 31, 2007, compared with €1.521 billion as of December 31, 2006, representing an increase of €48 million.

STMicroelectronics, Eramet and REpower represent the bulk of the equity-accounted shares. The change over the period is primarily the result of improved results for Eramet and the consolidation of 29.95% of the income of REpower, which was not consolidated in 2006.

OTHER NON-CURRENT FINANCIAL ASSETS

Non-current financial assets rose from €2.376 billion in 2006 to €2.588 billion in 2007. The change is due to the acquisition of shares of Summit and Nokian Capacitors, and to changes in the value of available-for-sale securities.

5.1.2.9.2. Assets earmarked for end-of-life-cycle operations

Assets earmarked for end-of-life-cycle operations are discussed with the corresponding liabilities in section 5.1.2.9.6 pertaining to provisions for end-of-life-cycle operations.

5.1.2.9.3. Working capital requirement

The group's working capital requirement (WCR) is structurally negative, reflecting significant customer prepayments, primarily relating to long-term operations in the Back End division. WCR totaled negative €488 million as of December 31, 2007, compared with negative €736 million as of December 31, 2006. This €248 million use of cash is explained by the change in operating WCR discussed above under "Free operating cash flow", which corresponds to a use of €432 million and to the change in current taxes.

5.1.2.9.4. Net cash (debt)

Net cash is defined as the sum of "Cash and cash equivalents" and "Other current financial assets", less "Current and non-current borrowings". "Current and non-current borrowings" includes the fair value of Siemens' put option, which rose from €1.117 billion in 2006 to €2.049 billion in 2007.

As of December 31, 2007, the group had net borrowings of €4.002 billion, representing an increase of €3.137 billion from the €865 million reported as of December 31, 2006. Excluding the Siemens put, which is not a debt by nature, AREVA had net debt of €1.954 billion as of December 31, 2007, compared with net cash of €251 million as of December 31, 2006.

RECONCILIATION BETWEEN NET CASH REPORTED IN THE CASH FLOW STATEMENT AND NET CASH (DEBT) REPORTED ON THE BALANCE SHEET

<i>(in millions of euros)</i>	2007	2006	2007/2006 change
Net cash per cash flow statement	520	901	-42.3%
Short-term bank facilities and non-trade current accounts (credit balances)	113	61	85.2%
Securities held for trading maturing in more than 3 months	69	248	-72.2%
Other current financial assets and derivatives on financing activities	210	44	x 4.8
Cash position per the balance sheet	913	1,254	-27.2%
Borrowings	4,915	2,119	131.9%
Net debt	4,002	865	x 4.6
Siemens put option	2,049	1 117	83.4%
Net debt (cash) excluding Siemens' put option	1,954	(251)	x -7.8

Starting from a net cash position of €251 million at the end of 2006, excluding Siemens' put option, the change in net cash may be summarized as the sum of:

- negative operating cash flow of €1.985 billion, as discussed in section 5.1.2.7.2;
- positive cash flow of €171 million related to end-of-life-cycle operations, as discussed in section 5.1.2.7.3;
- less dividends paid in the amount of €345 million;

- less negative non-operating cash flows, such as the acquisition of an unconsolidated minority interest in the Australian mining company Summit Resources, the change in non-operating WCR, the effect on cash of financial income, payments of corporate income tax, changes in fair values, etc.

SCHEDULE OF BORROWINGS

<i>(in millions of euros)</i>	2007	2006	2007/2006 change
Put options of minority shareholders	2,049	1,117	83.4%
Interest-bearing advances	652	548	19.0%
Loans from financial institutions	2,009	316	x 6.4
Short-term bank facilities and other credit balances	113	61	85.2%
Financial instruments ⁽¹⁾	27	21	28.6%
Other debt	65	56	16.1%
Total borrowings	4,915	2,119	x 2.3

(1) The discount/premium on financial instruments was reclassified from other debt to financial instruments as of the opening date.

5.1.2.9.5. Equity

Equity totaled €6.994 billion as of December 31, 2007, compared with €6.721 billion as of December 31, 2006, an increase of €273 million. The increase primarily reflects:

- the effect of net income for fiscal year 2007 in the amount of €743 million; and
- the payment of dividends to equity holders of the parent for fiscal year 2007 in the amount of €300 million.

5.1.2.9.6. Assets and provisions for end-of-life-cycle operations

The change in the balance sheet from December 31, 2006 to December 31, 2007 with regard to assets and provisions for end-of-life cycle operations is summarized in the table below.

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006
Assets		
End-of-life-cycle asset	2,665	2,289
• AREVA share (to be amortized in future years)	172	198
• third-party share	2,493	2,091
Financial assets earmarked for end-of-life-cycle operations ("earmarked portfolio")	2,873	2,986
Liabilities and equity		
Provisions for end-of-life-cycle operations	5,075	4,585
• provisions to be funded by AREVA	2,582	2,494
• provisions to be funded by third parties	2,493	2,091

The net end-of-life-cycle asset totaled €2.665 billion as of December 31, 2007, compared with €2.289 billion as of December 31, 2006. This increase relates mostly to the reversal of discounting on the asset's third party share.

The increase in provisions for dismantling in 2007 primarily relates to the third-party share at the Pierrelatte site and a revision in cost estimates for the dismantling of the La Hague site.

The IFRS balance sheet allows the provisions for end-of-life-cycle operations (€5.075 billion as of December 31, 2007, of which €2.493 billion are to be funded by third parties and €2.582 billion are to be funded by AREVA) to be reconciled with the assets relating to these provisions: "End-of-life-cycle asset, third party

share" (€2.493 billion) and "Financial portfolio covering end-of-life-cycle operations" at market value (€2.873 billion).

As of December 31, 2007, 60% of this portfolio consisted of equities and 40% consisted of bonds (60% equities and 40% bonds as of December 31, 2006). The portfolio's composition is regularly analyzed by the Cleanup and Decommissioning Fund Monitoring Committee, which issues opinions and makes recommendations to the Supervisory Board.

By design, the third party share of the end-of-life-cycle asset is always equal to the provision to be funded by third parties, but the value of the portfolio of financial assets covering end-of-life-cycle operations borne by the group varies according to the change in

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value of the securities in the portfolio. As of December 31, 2007, this ratio showed a surplus of €291 million, due to the good performance of the earmarked portfolio over the period.

The nature of the commitments and the calculation of the provision are presented in note 13 to the consolidated financial statements.

5.1.2.9.7. Other provisions

Other provisions consist mainly of provisions for employee benefits, non-current provisions other than those related to end-of-life-cycle operations, and current provisions.

5.1.2.9.8. Off balance-sheet commitments

The group's off-balance sheet commitments are presented by economic purpose: operating commitments, commitments related to financing, and other types of commitments. This breakdown applies to commitments given and commitments received. A third type of commitment is recognized: reciprocal commitments. This last type of commitment corresponds to commitments given by the group in consideration for a warranty from a third party.

The amounts above only include commitments that the group considers valid as of the date of closing. Accordingly, these commitments do not include construction contracts currently under negotiation.

<i>(in millions of euros)</i>	December 31, 2006	December 31, 2007	Maturity <1 year	Maturity 1 – 5 years	Maturity >5 years
Commitments given	2,975	3,502	1,329	1,382	791
Operating commitments given	2,566	3,185	1,214	1,210	761
Commitments given on financing	49	30	4	10	26
Other commitments given	360	287	111	162	14
Commitments received	883	1,191	303	486	402
Operating commitments received	436	675	290	234	151
Commitments received on financing	13	6	4	1	1
Other commitments received	434	510	9	251	250
Reciprocal commitments	781	2,932	291	463	2,177

A detailed table of off-balance sheet commitments is presented in note 33 to the consolidated financial statements.

COMMITMENTS GIVEN

The value of commitments given was €3.502 billion as of the end of 2007, compared with €2.975 billion as of the end of 2006. The €527 million increase is attributable to warranties offered in connection with major contracts in the Transmission & Distribution division.

Operating commitments represent 90% of all commitments given. Two-thirds consist of performance guarantees.

The group discontinued the reporting of repayment guarantees under commitments given. Accordingly, the 2006 and 2005 data were adjusted by €109 million and €45 million respectively.

These provisions rose by €96 million in 2007, from €3.023 billion as of December 31, 2006 to €3.119 billion as of December 31, 2007. The increase is primarily due to:

- the increase in provisions for employee benefits, which totaled €1.175 billion as of December 31, 2007, compared with €1.122 billion as of December 31, 2006; and
- recognition of gross current provisions totaling €793 million, covering in particular the restructuring plans, losses on contracts to completion, and provisions for contract completion, as explained in note 24 to the consolidated financial statements.

However, this was reduced by the use of provisions from prior periods and of those that no longer apply, in the amount of €772 million.

The group gave a parent company guarantee to TVO for the EPR project for the full value of the contract and received a counter-guarantee from Siemens corresponding to that supplier's share of the TVO contract. The net commitment given by the group is in the €1.5 billion to €2 billion range. This amount is not included in the summary table.

AREVA gave a specific guarantee in respect of ownership of FCI shares sold to Bain Capital. This guarantee, which is capped at the sale price of €582 million, is not included in the summary table.

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COMMITMENTS RECEIVED

Commitments received were up by €308 million as of December 31, 2007 compared with December 31, 2006. This change is attributable in particular to the cooperative agreement concluded with Suzlon under which AREVA has an option to sell its REpower shares for a guaranteed amount.

RECIPROCAL COMMITMENTS

Reciprocal commitments totaled €2.932 billion as of December 31, 2007, compared with €781 million at the end of 2006. This change is due to the establishment in February 2007 of a €2 billion revolving line of credit available in euros and dollars over a seven-year period.

5.1.2.9.9. Capital employed and ROACE

Return on average capital employed (ROACE) is an indicator for internal and external use to measure profitability and assess the group's performance. In the group's opinion, this performance indicator measures the long-term productivity of the group's capital.

ROACE is a performance measurement indicator of capital employed by the group, as defined by management rather than by accounting standards. This should be taken into account when using ROACE to make comparisons with other companies.

The group defines ROACE as the return on average capital employed.

ROACE represents the after-tax operating profitability of capital employed by the company for its operating requirements.

ROACE is equal to the ratio of net operating income to average capital employed.

- Net operating income is equal to operating income less the corresponding pro forma income tax, derived by multiplying operating income by the tax rate applicable to the group under the global consolidated tax regime, or the specific tax rates applicable to certain subsidiaries subject to specific tax rates.
- Capital employed comprises the following:
 - net PP&E and intangible assets;
 - goodwill, other than goodwill related to equity associates, to Siemens' put option, or allocated to Total shares;
 - inventories, trade receivables and other operating receivables;
 - less customer advances, trade payables and other operating liabilities;
 - less employee benefits and provisions for contingencies and losses, excluding provisions for end-of-life-cycle operations and provisions for tax risk.

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	2007/2006 change
Net intangible assets	2,729	1,175	132.3%
Goodwill	4,377	2,515	74.0%
Goodwill used in ROACE calculation	2,521	1,614	56.2%
Net PP&E	4,204	3,814	10.2%
Prepayments and borrowings funding non-current assets	(907)	(978)	-7.3%
Operating working capital requirements, excluding advances to fund non-current assets	368	85	x 4.3
Provisions for contingencies and losses	(3,088)	(3,007)	2.7%
Total capital employed	5,826	2,701	115.7%
Average capital employed over the period	4,264	2,315	84.2%

Note: The method used takes into account a definition of capital employed after deduction of all provisions for contingencies and losses.

ROACE

The following table presents changes in the group's ROACE by year:

<i>(in millions of euros)</i>	Average capital employed	Net operating income	ROACE
2007	4,264	583	13.7%
2006	2,315	308	13.3%
2005	1,952	396	20.3%
2004	2,164	396	18.3%

In 2007, ROACE was 13.7%. The 0.4-point increase from 2006 to 2007 is primarily the result of the increase in net operating income, which benefited from a positive but non-recurring effect in the Enrichment business unit. Capital employed rose sharply under the combined effect of the increase in Capex and the increase in working capital requirement.

5.2. | Human Resources report

5.2.1. Key data

	2007	2006	2005
1. The workforce at year-end, consistent with consolidation scope			
By division			
Front End	12,577	11,995	11,047
Reactors and Services	16,500	14,936	14,323
Back End	10,638	10,697	10,864
Transmission & Distribution	25,248	22,988	22,094
Corporate and other operations	620	495	432
Total	65,583	61,111	58,760
By geographical area			
France	32,224	31,240	31,194
Europe (excluding France)	14,556	13,456	12,085
North & South America	8,717	7,479	7,912
Africa and Middle East	2,638	2,519	1,745
Asia-Pacific	7,448	6,417	5,824
Total	65,583	61,111	58,760
By category			
Engineers and management staff	38%	37%	34%
Technical and administrative personnel	36%	37%	40%
Skilled workers	26%	26%	26%
2. Labor data			
Women executives	8.7%	4.80%	6.20%
Women managers	16.72%	16.85%	15.70%
Women in non-management positions	18.42%	17.40%	17.50%
Number of hours of training per employee per year	25.8	21.1	24.5
Disabled personnel (excluding USA)	1.76%	1.92%	1.94%
Absenteeism rate	0.04	0.04	0.05
Number of hours worked	89,301,537	82,221,077	82,971,906
Number of overtime hours paid	4,305,491	4,395,214	3,704,322
3. Occupational safety and radiation protection data			
Average employee dose from radiation exposure (mSv)	1.19	1.22	1.23
Total individual external dose to AREVA group employees over 12 consecutive months (man-mSv)	18,760	19,157	20,137
Total individual internal dose to AREVA group employees over 12 consecutive months (man-mSv)	5,341	4,999	4,139
Average subcontractor dose from radiation exposure (mSv)	0.49	0.48	0.48
Accident frequency rate with lost time (excluding commuting accidents)	3.55	4.66	5.4
Accident severity rate (excluding commuting accidents)	0.11	0.14	0.2
Number of fatal accidents	6	3	6

5.2.2. Change in number of employees and human resources data

5.2.2.1. Change in number of employees

The AREVA group had 65,583 employees at year-end 2007, compared with 61,111 employees at year-end 2006, representing an increase of 7.3%.

The group's workforce thus had a net increase of more than 4,000 employees, attributable mainly to the increase in AREVA's businesses and related recruitment:

- more than 1,000 new employees in the Mining business unit;
- more than 850 in the Plants and Equipment business units; and
- more than 1,500 in all AREVA T&D business units combined, including 1,000 in the Products business unit.

In 2007, 11,514 new employees joined the group, with 70% of the new hires coming from France, the United States, India, Germany and China, in order of importance.

Changes in the scope of consolidation were limited in 2007 and represent less than 1% of the workforce, compared with one third of the workforce in 2006. These changes primarily concern the Transmission & Distribution division, with the acquisitions of Passoni & Villa in Italy (150 employees added in April), VEI Power Distribution SpA (216 employees added in August) and of Wuxi Aluminum Casting Co. Ltd. in China (90 employees added in August), but also the Renewable Energies business unit, with the acquisition of Multibril GmbH in September and the addition of its 50 employees.

For the group as a whole, 6.5% of the group's employees had fixed-term employment agreements, 33% of whom had work/study positions, for a total of 1,400 people, most of whom are in France (71%), Germany (13%) and India (8%).

Engineers and managers represented 38% of the workforce in 2007, a one point increase compared with 2006. Technical and administrative personnel represent 36% of the workforce, a one point drop from 2006, and skilled workers remained stable at 26% of the workforce.

The geographical breakdown of the workforce changed very little. However, the headcount went from 73% to 71% in Europe, increased by 1.5 point to 13.5% in North & South America, and remained steady in Africa / Middle East and Asia-Pacific at 4% and 11.5% of the workforce respectively.

5.2.2.2. Changes in demographic profiles and health data

Changes in demographic profiles

The number of women in executive positions increased significantly, from 4.8% to 8.7%.

The number of women engineers and managers remained stable, while the number of women in non-management positions increased by one point.

The absenteeism rate (total hours absent/total effective working hours) was stable at 0.04. Sick leave was the main cause of absenteeism.

The total number of hours worked increased by almost 9%, to 89,301,537 hours.

Changes in occupational safety and radiation protection data

RADIATION PROTECTION

The average dose from exposure to radiation continued to drop in 2007. While already low, this decrease confirms the good level of radiation protection practiced within the group. The average dose to group employees dropped from 1.22 mSv in 2006 to 1.19 mSv in 2007. The Nuclear Services and Mining business units had the group's highest levels of employee exposure.

For subcontractor personnel working at AREVA sites, the average radiation exposure is much lower and in 2007 was practically the same as in 2006, at 0.49 mSv. The Mining and Recycling business units have the group's highest levels of subcontractor employee exposure.

In 2007, 13 group employees working at customer sites received individual doses of more than 20 mSv, although without exceeding the regulatory limit applicable in this case, i.e. 100 mSv over five consecutive years with a maximum of 50 mSv in any one year for employees in the European Union and, for the United States, 50 mSv per year (see section 5.2.4.3). It should be noted that more than 87% of the group's employees and subcontractor personnel working at AREVA sites received individual doses of less than 2 mSv over a period of 12 consecutive months. For the record, the average annual exposure to naturally occurring radiation is around 2.5 mSv.

OCCUPATIONAL SAFETY

The accident frequency rate for the AREVA group dropped again, from 4.66 in 2006 to 3.55 in 2007, as did the accident severity rate, which dropped from 0.14 in 2006 to 0.11 in 2007. This performance is in line with the objectives for 2010.

The 2007 performance is far better than the French industry average of 25.7 for accident frequency and 1.27 for accident severity (source: French Social Security Administration, CNAMTS, 2006).

Unfortunately, six fatal industrial accidents occurred in 2007, all involving subcontractor personnel in separate incidents.

5.2.3. People are at the center of AREVA's development strategy

5.2.3.1. Meeting four major challenges

In a business environment characterized by expansion and internationalization, AREVA's biggest challenge is to continue to grow while consolidating its position as the market leader.

One of the key drivers for achieving this goal is a Human Resources (HR) program organized for global operations that is adopted at every level of the group. More than ever, men and women are central to the group's development.

The HR program is organized around four main objectives:

- to be a preferred employer for recruitment of new talent;
- to integrate and expand in an environment of strong growth and demographic renewal;
- to involve employees in achieving performance for the long term; and
- to deploy an innovative and responsible labor relations policy.

5.2.3.2. HR processes deployed at the group level

AREVA Way and the Values Charter underpin our business processes

- Sustainable development is the guiding principle of AREVA Way, AREVA's business model. This model has been completely integrated into the group's HR programs, particularly the fourth commitment of AREVA Way, "Commitment to Employees". Under the general theme of social responsibility, HR programs are assessed based on employee relations, employment management, and employee development and involvement. AREVA Way assessment criteria are used to structure HR action plans and budgets. There are now corporate HR standards applicable to all of the group's HR departments, which serve as a basis for self-assessments by each site and are used to establish their performance improvement plans.
- The AREVA Values Charter has now been disseminated and is followed all over the world. It is a shared benchmark for all of the group's employees, who agree to abide by its principles. The Charter enables employees to perform their duties with full knowledge of their rights and responsibilities to the company and its stakeholders. Its seven core values are customer satisfaction, profitability, responsibility, integrity, an acute sense of professionalism, sincerity and partnership. In the United States, awareness-building through e-learning was deployed in 2007 and will continue in 2008.

An HR network with shared policies and processes

The Leadership Model was redesigned and updated to reflect new challenges and integrate AREVA Way fully. Key skills were reviewed and are now characterized by observable facts, ranked on an AREVA Way four-level assessment scale. Officially presented at AREVA T&D last July for fast-track application in 2008, the leadership model will be rolled out in the rest of the group in 2008, adapted to local circumstances, with support from the corporate HR team.

The People Review process is operational at every level and in every region in which the group is located. The talent identified and recognized via this process is now being specifically monitored and managed. In 2007, special attention was paid to the deployment of individual development and succession plans, on equal opportunity for men and women within the group, and on internationalization. A new, comprehensive review of the group's talents was prepared and will be presented in 2008. In 2007, more than 500 employees were covered by people reviews. A "Professions HR" team was set up to improve talent monitoring even more.

Working closely with managers and HR representatives, the Professions HR team provides an international vision and promotes transversality at the individual and group levels.

In Performance Management, the performance and development interview process is now applied across the group. In 2007, the focus was on professionalizing its deployment, in particular through manager training. By way of example, close to 200 managers at AREVA TA were trained in how to conduct the annual interview. The challenge now is to achieve greater professionalization of individual training plan deployment and monitoring.

Integration, with approximately 10,000 newcomers per year, is becoming a top priority of the group's HR program and requires the involvement of both managers and HR representatives. The objective is to bring down internal barriers and pave the way for the mobility of tomorrow. Structured around milestones and a set of strategic messages common to the entire group, it can be adapted in a variety of ways, depending on the culture or location of the hiring entity. The integration model was built on best internal practices and was developed with a dual local / global focus.

Performance indicators and performance measurement

• AREVA's social rating:

AREVA had asked Innovest to perform a second social and environmental rating in August 2006. During the second rating exercise, Innovest confirmed the "A" rating it gave initially, indicating an "improving" trend compared with a "stable" trend for the previous rating. The rating shows that the group has made progress in all four assessment areas: strategic governance, the environment, human capital, and stakeholder relations.

- **Employee Opinion Survey:**

The first group-wide employee opinion survey, performed in 2006, led to deployment of action plans in 2007.

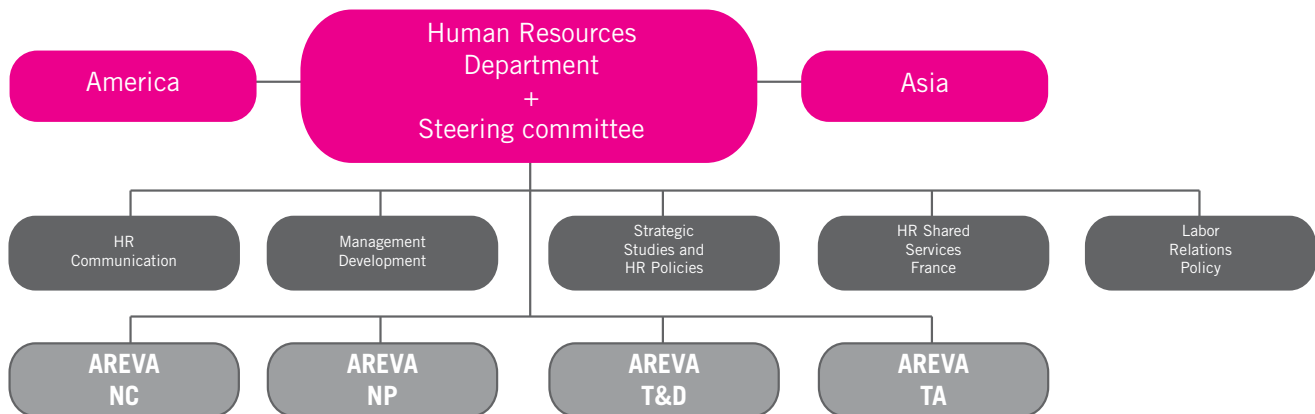
- on the theme of employee involvement in sharing business challenges:
 - a customer satisfaction survey was conducted by AREVA NC's Information Systems department and by AREVA's International and Marketing department;
- on the theme of strengthening management practices:
 - a program was designed for new managers at La Hague, and
 - an information kit was developed to help managers provide leadership for AREVA TA's business challenges;
- on the theme of improving cooperation:
 - bios of the Corporate HR department team went online on the group's intranet, a practice that was shared with the other corporate departments, and
 - AREVA's Finance department offered training to non-financial personnel on how to read an income statement.

A new employee opinion survey is planned for the fourth quarter of 2008.

5.2.3.3. A fully operational worldwide HR organization

A WORLDWIDE ORGANIZATION, A REGIONAL PRESENCE

As a “young” company in a complex environment, the HR organization serves the worldwide group as well as its individual segments. It operates through international networks of HR professionals animated at the local, regional and global level by the intranet and international workshops. These networks reflect AREVA's strategic directions through implementation of shared HR processes. In addition to this shared foundation, local HR professionals can adapt the processes to the specific circumstances of their country or region.



INVOLVING MANAGERS IN POLICY IMPLEMENTATION

Considering the important role management has to play in implementing policies, top managers are systematically invited to attend the HR conventions held regularly in the different regions. These conventions give them the opportunity to acquire more information and a greater understanding of the group's major policies. They work alongside the HR team to improve policy implementation, with emphasis on recruiting, retaining and professionalizing the group's personnel.

CONTINUING TO EXPAND AND IMPROVE INFORMATION SYSTEMS

The group already has a human resources reporting system. In 2007, two new HR measures were taken. One involves streamlining the payroll system in France by adopting a single software program for all nuclear operations. The objective is to boost the system's efficiency and its ability to accommodate the growing labor force, at the lowest cost. The French payroll system will gradually be supplemented by comparable systems in Germany and the United States. The other measure involves investing in a worldwide HR information system, a major project that will take three years to complete. The project goals are better performance and mobility management, more support for professionalization, and cost optimization.

5.2.4. 2007 review

5.2.4.1. Becoming a leading employer in France and around the globe

Enhancing the group's appeal through an international branding program

GLOBALIZATION AND SEGMENTATION OF RECRUITMENT COMMUNICATIONS

To confront strong and growing competition on the recruitment market in France and around the world, a recruitment "marketing" strategy is being developed based on greater segmentation of messages and programs as a function of the target audience. For secondary school students, this involves increasing the number of "discovery" programs concerning AREVA's businesses. For engineers, the group takes part in innovative initiatives such as Second Life, "100 Jobs in One Day" recruitment events, and online chats. In every case, the activities are accompanied by substantial media and advertising campaigns.

STRONG PARTNERSHIPS WITH SCHOOLS AND UNIVERSITIES

In addition to maintaining a strong presence at job forums of target schools in every one of AREVA's business regions, an effort was made to build closer relationships with some of them. In France, this translated into the creation of a network of "ambassadors" that is 100 employees strong and which will work on developing strong relations between AREVA and their alma maters. AREVA is also expanding its relationships with schools in areas of major development. In India, for example, AREVA T&D has entered into partnerships with eight major technology institutes. An employee speakers bureau was set up, and internships and professionalization programs are offered. In the United States, AREVA NP has developed strong relationships with target universities on behalf of the entire group.

Internships constitute an important focal point for relationships with academia and will be strengthened with the addition of international internships and volunteer positions. Also, a work-study network led by a coordinator will be set up in France in 2008 and will keep track of all interns in the group with a master's degree or higher. Moreover, the compensation scale set up in France for young university graduates and interns will be expanded to include work-study participants.

THE UNIVERSUM STUDY: MEASURING PROGRESS YEAR AFTER YEAR

AREVA continues to improve its ranking in the Universum study. The group is now ranked 11th in France by engineering schools and 5th by the top-ranked engineering schools.

Recruitment is dynamic and ongoing to achieve AREVA's development goals

ONGOING ENHANCEMENT OF RECRUITMENT AND INTERNAL MOBILITY PROCESSES

Hiring young managers continues to be a priority objective. The group boosted its hiring significantly via recruitment days, in addition to more conventional methods, with close to 500 new employees hired in this way in 2007, mainly for AREVA NP, AREVA TA and SGN. Target recruitments for experienced personnel were achieved, with some 120 engineering positions filled in 2007. And performance indicators are up. For example, 50% of all applications for candidates with work experience and 60% of all entry-level applications are processed in less than four weeks. Women are a growing percentage of the workforce, representing 36% of all new hires in 2007 compared with 29% in 2006.

A new, more ergonomic version of e-Talent was created to promote more effective use by the HR networks and applicants, whether internal or external.

A new group-wide international mobility program was adopted in January 2008. The program will be spearheaded by the group's International Mobility department, which created a specific organization and professionalization program for the occasion. In 2007, 550 of the group's employees were expatriates in 56 different countries. That number has risen by 25% in two years. The United States, France, China and Japan host 50% of the expatriates.

RECRUITMENT PERFORMANCE IN 2007: INCREASED VOLUMES AND DIVERSITY

More than 11,500 new employees were hired in 2007, one third of whom are engineers and managers. Of these, 3,900 people were hired in France, 1,200 in the United States, 1,600 in the Asia-Pacific region, and close to 1,000 in Germany.

Almost 5,400 employees were hired by AREVA T&D to meet the sharp rise in new orders. At AREVA NP, all three regions met their objectives, particularly through the organization of recruitment days in France and Germany. The Plants business unit hired 850 engineers. In the United States, despite a tight and competitive market, the objectives were met. At AREVA NC, the Mining business unit headed up recruitment efforts in 2007, with 1,000 geologists, mining engineers and experts in mining techniques and ore processing hired, mainly in Kazakhstan, Niger and France. In the Engineering business unit, close to 170 employees were hired, one third of them through mobility.

Leveraging diversity for development

In 2007, the regions and businesses implemented the agreement on equal opportunity signed on November 16, 2006 with the European Metalworkers' Federation. This took the form of numerous agreements and programs.

In addition, the CGE, a French association of leading engineering and management schools, along with the European Metalworkers' Federation and the Corporate HR department developed and submitted a project to the European Commission which was chosen from among 140 applications. The project calls for coordinated implementation of the European agreement with employee representatives in the 13 countries represented by the CGE. The project will be carried out throughout 2008.

EMPLOYMENT OF THE DISABLED

In France, a group agreement in favor of employment of the disabled was signed in May, the first of its kind at AREVA. The three-year agreement revolves around six activities: hiring, integration, professional training and development, employment continuity, awareness communications, and support measures. The sites must meet quantified commitments under the agreement, such as the hiring of 90 disabled workers and 90 disabled interns, or the granting of purchase orders in the amount of €10 million to sheltered companies that employ the disabled.

The agreement applies to disabled workers and provides for support to the families of disabled workers (child, spouse) and for programs to involve employees in supporting disabled workers. A network of a hundred champions of the disabled was set up to provide leadership for these commitments at the local level and to monitor the related performance improvement indicators. The champion for the disabled spearheads the action plan and supports and coordinates implementation of the agreement. The network was actively involved in promoting the national disabled week this year, with all French sites taking part. In addition to participating in some 15 employment events organized by Adapt, the French association for the social and professional integration of the disabled, the group conducted some 150 activities at its sites. The group entered into three new partnerships in September 2007 during the first national convention of champions of the disabled. The partnership with Gesat, the national network of sheltered employment, supports the group's purchasing policy for sheltered companies that employ the disabled. The partnership with Fagerh, the national network for the employment of the disabled, will expand the group's hosting of interns from professional rehabilitation centers. The partnership agreement with the Ecole des Mines d'Alès calls for the development of research projects and field assignments for engineering students on subjects related to disabilities (accessibility, etc.) and to promote the incubation of enterprise projects carried out by disabled individuals.

The group's approach is based on identifying and disseminating best practices. AREVA T&D's experience in Turkey provides an illustration of this. There, a workshop was designed to enable access by all employees, whether disabled or not.

EQUAL EMPLOYMENT OPPORTUNITY FOR MEN AND WOMEN

In addition to each country's implementation of the European agreement, the subsidiaries took the initiative to sign or renew specific agreements.

The commitments made are linked to the topics of recruitment, professional development and training, equal pay, and support for parenting.

Several measures were taken in this regard, such as seeking balanced representation of men and women candidates based on the percentage of each in the different professions, the possibility of going through a professionalization phase upon returning to work following parenting leave of more than six months, and the creation of nine company daycare centers in France and Germany. A national coordination committee was set up in August to facilitate sharing of group initiatives in France.

The group's program is now backed by an employee initiative called the WE network, which promotes the exchange of experience and especially makes suggestions for improving the professional equality of men and women within the group.

PROMOTION OF EQUAL OPPORTUNITY

AREVA supports the equal opportunity program of INSA, the French national institute of applied sciences in Lyon, and is involved in programs such as voluntary school sponsorships by the group's young engineers, financial support, and the hosting of interns. Similarly, a charter was signed with "Réseau" companies to promote access to university studies for young people in difficulty.

A training program for work-study coaches was set up. The coaches are led by a network of champions which provides them with a self-contained educational kit. Some 1,000 coaches have been identified and will support growth in the number of work-study positions, particularly for students with higher levels of education (master's degree and above), facilitating access to jobs for young people with an immigrant background or living in sensitive areas. AREVA NC, for example, organized the first work-study forum at Pierrelatte. At the beginning of the 2007-2008 school year, 80 work-study positions were hosted by the Pierrelatte site, and 60 such positions were hosted by the Marcoule site, where an employers' group for integration and certification (French acronym: GEIQ) was created. Backed by the union of metallurgical industries and professions of the Gard / Lozère regions (French acronym: UIMM), the GEIQ will facilitate the integration of individuals in difficulty into the working world. Similar initiatives are being conducted at the AREVA NP sites in Burgundy, where individuals are being retrained in welding and boiler-making for reintegration into the workforce. Partnerships were formed with AFPA, the national association for adult professional training, with local bureaus, and with ANPE, the national employment agency.

As a result of the promotion of work-study programs, there were a total of 1,414 work-study positions in the group at the end of 2007, 1,001 of which were in France.

5.2.4.2. Promoting talent development and performance

INTEGRATING EMPLOYEES SUCCESSFULLY

The integration process is shared by all businesses and all countries of the group. In France, integration is carried out by employment region; internationally, it is carried out at the country level.

At AREVA NC, young hires benefit from a mentoring relationship during integration. Since the beginning of 2007, some 160 “mentor-mentee” pairs have been formed. This practice is also widespread at AREVA NP, where it is supplemented by web-based questionnaires to monitor the trial period. A special program was also set up for “project managers” based on an introduction to the nuclear world and to the various organizational units.

MOBILITY AND INDIVIDUAL PERFORMANCE MANAGEMENT

Against a backdrop of strong development, mobility is an important driver for the group's growth and for employee professionalization. Engineers hired in countries in which the group is newly located may begin their careers in France, where they can acquire the fundamentals about the nuclear field before returning to their own country to take charge of large projects.

At AREVA NC, a “discovering the Back End division” seminar was organized to prepare young managers with three years of experience in the group to transfer to the Back End division.

Also at AREVA NC, Individual Development Plans were deployed for all key people. A career committee was set up to plan ahead for organizational change and the resulting needs at the entity level. Objectives: to provide more flexibility for mobility and related job replacements, to anticipate and meet business requirements, and to offer more creative career development opportunities. Each sector of AREVA NC conducts these activities. Discussions have been held with AREVA NP concerning these committees.

COMPENSATION AS A PERFORMANCE DRIVER

For two years, the group has been building and refining its management compensation policy by benchmarking the compensation policies of comparable industrial companies in its main markets. In 2007, position and compensation levels were harmonized among the different subsidiaries surveyed. Career and position benchmarks were developed to improve annual benchmarking and thus facilitate mobility between businesses. AREVA NP mapped benchmark jobs for managers, thereby highlighting career opportunities across all businesses. There are a total of 67 benchmark-jobs divided into 7 professional categories and 6 levels of responsibility.

In addition, the group wants to make compensation a more important performance driver and is examining a bonus system for executive managers tied to the achievement of mid-range performance objectives.

In the United States, benefits were renegotiated for the group aimed at providing coverage at the best cost. The benchmarking

program was applied to skilled workers and resulted in an adjustment to compensation levels.

CAPITALIZING ON SKILLS THROUGH PROFESSIONALIZATION

The purpose of professionalization is to develop skills and support professional advancement. As a result of the skills and professions mapping work completed in 2006 and repeated every year at the group and business level, each profession now has its own management organization. Pursuant to the group-level agreement signed in 2006, a first set of indicators was used to assess the 900,000 hours devoted each year to training in France and to tie this investment in training to the group's strategic objectives. In an environment of strong business growth, professionalization programs were created and new ways of training and encouraging personnel to get training were tested:

- (French acronym: DIF) and Experience Equivalencies (VAE) initiatives:

The group's employees are urged to take charge of their own development through a variety of activities. With the “All Talents Workshop”, a traveling program devoted to training, employees were made aware of the many opportunities available and the possibility of being an advocate for building their own individual training plan. Programs to encourage the use of the DIF initiative continue. In 2007, the initiative expanded significantly, with 2,000 requests for training compared with 600 in 2006. The group is also investing in the experience equivalencies initiative by launching a professional undergraduate degree through equivalency. Discussions are under way to apply the initiative to a master's degree or doctorate;

- creation of the Professional Institute and development of a professionalization program:

In-house training entities, of which the group has six, were brought together under one umbrella with the AREVA Professional Institute. The objective is to develop a set of professionalization programs for the manufacturing, process, services and engineering professions. The first session was a big success and a second session is already planned. In Brazil, comparable initiatives were undertaken for the coil winding profession, for which AREVA T&D is encountering hiring difficulties. A decision was made to create an in-house school at the Porto Alegre plant.

In 2007, the professionalization program was started up. Several hundred AREVA NP and AREVA NC employees are affected by the program;

- AREVA University and business-specific programs: harvesting synergies

AREVA University facilitates and supports the group's development and change. It provides a common foundation for shaping the leaders of the future in a transnational setting. That is the purpose of its five major leadership courses, which bring in “manager teachers” who help pass on skills. Cross-professional programs were developed in every field (purchasing, finance, etc.) and are supplemented by business-specific modules. They are based in particular on greater use of e-learning to acquire fundamentals. In 2006, 72 programs were offered to almost 4,000 participants.

In addition, programs for emerging countries were developed within the framework of commercial agreements. The first

Master's program, created in partnership with the Sorbonne University (Paris I – Panthéon), awarded diplomas to young engineers and managers from South Africa. Close to 50 of the group's executive managers contributed to their education;

- supplemental programs, innovative approaches to education:

In 2007, the focus was on deploying original approaches. The approach to education was reconsidered to take into account the new possibilities offered by technology and the need to optimize the time spent in the program. For example, AREVA NP developed a three-year program, "Cap managers", in which 100 managers take part every year. At AREVA T&D, business leadership training focused on plant directors. At AREVA TA, all managers receive training for the annual employee interview. AREVA T&D set up an HR training program and a "season marketing academy" for professional training.

MANAGEMENT OF TECHNICAL AND SCIENTIFIC EXPERTISE

A campaign to appoint new experts and replenish the existing corps of experts was carried out in late 2005 to early 2006. This was followed by a critical assessment, with positive results: being an expert is a recognized career path, and experts are integrated into the business and participate actively in the business units' R&D plans. Transferring knowledge and supervising PhD candidates continue to be areas for improvement. The community of experts is managed jointly by the corporate R&D and HR departments. There are now five networks of experts covering five strategic topics: neutron physics, welding, structural analysis, criticality, and instrumentation and control. A steering committee composed of three experts, two people from the R&D department and an HR representative meets bi-monthly and provides leadership for the networks. In 2007, another Technology Day was held at Erlangen attended by AREVA experts and academia from every European country in which the group is based. The state of the art of new materials was covered at this most recent event. The second international convention of AREVA experts was held in May 2007 in Lucerne, which is near AREVA T&D facilities. The two main themes discussed during the event were innovation and India's growing importance in the energy market.

In addition to the mapping of expertise, a three-level exercise covering 13 scientific and technical fields and 80 sub-fields, technology mapping is in progress in the R&D departments of the group's subsidiaries. It will serve as a baseline for updating fields of expertise and for the next census, scheduled for late 2009 to early 2010.

5.2.4.3. Supporting change with an innovative, responsible human resources policy

Human resources policy is a reflection of the company's preparedness and sense of responsibility. Labor agreements are always based on situational analysis and are designed to give rise to tangible progress that is regularly measured using performance indicators. This method is systematically applied and is anchored in the establishment of bodies devoted to dialogue.

A constructive contractual policy

A LIFETIME PROFESSIONAL TRAINING AGREEMENT AT THE GROUP LEVEL

The professional training agreement was signed in 2006 and deployed in every country via the HR network, in association with labor partners and with support from members of the European Work Council. The group's agreements are monitored by commissions in which the group and its labor partners are members. Networks meet regularly to set the initiative into motion. They noted that all HR players have assumed responsibility for the programs.

Employee members of the Supervisory Board were elected in two rounds of voting. The participation rate for the first round was 49.38%. A party list for each labor organization and a list of independent candidates were on the ballot. All three members currently on the board were reelected: A. Vivier Merle for the CGC, J.C. Bertrand for the CFTD and G. Melet for the CGT.

AGREEMENTS AT THE SUBSIDIARY LEVEL

AREVA T&D renewed and signed its cooperative agreement. AREVA NP renewed all of its agreements on diversity, equal opportunity for men and women, and disability / health costs with all labor organizations. Four of the five labor organizations signed the wage agreement. AREVA NC negotiated the new SET bylaws with the group's labor organizations. A steering committee was set up to deploy the AREVA NC agreement on professional equality between men and women. In addition, at AREVA TA, a company-wide agreement was signed on the organizational structure and wage provisions for the conduct of the aircraft carrier project.

Supporting change in the group

Implementation of the Nova project was completed during the year. Based on agreements for support measures signed at the subsidiary level, the project gave rise to the establishment of new employee services such as personal services or the universal employment check service (Cesu) for payment of household employees or companies that provide personal services.

In 2007, the AREVA T&D restructuring plan was reviewed. The closure of the Saint Ouen plan is in its final stage and 100% of the employees will be successfully reclassified. All of the commitments have been met, most notably at Dresden and Stafford, where the European Work Council met with site management and employees.

A "Tricastin Future" committee was created. Led by the management of Tricastin, it includes employee representatives from each of the site's entities. The goals of the committee are to draw up a global view of site developments and ensure the necessary coordination to achieve its objectives. For example, it is planned to draw up and implement a specific "GPEC" agreement for jobs and skills forecasting and to create a professional school at Tricastin.

At AREVA T&D, a process for integrating employees from companies acquired by group was set up pursuant to the four acquisitions made in 2007 in China and Italy.

Profit-sharing, incentive remuneration and employee savings plans

In 2007, following two monitoring committee meetings, two Supervisory Board meetings were held. The amount outstanding in the employee savings plan exceeded €600 million due to an influx of nearly €80 million during the 2007 profit-sharing and incentive remuneration campaign, appreciation in the equity markets, and some new contributors to the employee savings plan. The governance of the savings plan was worked on in depth. Via an online questionnaire, every member of the Supervisory Board, whether employee or employer, can assess the services, the quality of education, the handling of questions, and the rigor with which employee voting rights are exercised. A socially responsible investment fund was also set up. Also in 2007, work to improve the synchronization of arbitrage was carried out. Communications with employees on this topic are slated for early 2008.

Ensuring the health and safety of group and subcontractor personnel

OCCUPATIONAL SAFETY

Protecting employees and subcontractor personnel who work at our sites is a top priority for the group.

Because occupational safety is integral to AREVA's businesses, it is factored into the design of facilities and ensured throughout their operating life. Safety is also a criterion in subcontractor selection.

In 2007, the group revised and strengthened its safety policy, although no changes were made to the policy's four fundamental commitments:

- define a clear and specific safety organization;
- make safety an integral part of our business;
- establish an accident prevention program and a continuous improvement initiative; and
- formalize our occupational safety management system.

The policy aims for a single objective: "zero accidents".

To help personnel achieve this objective, the group rolled out tools and support measures to accompany its revised policy:

- refresher training in safety management for senior executives at AREVA University and training for safety engineers, which will be rolled out in 2008;
- distribution of a safety handbook for all managers across the globe.

In 2007, AREVA continued to make progress along the road to zero accidents and is in line with the objectives set for 2010.

For example, the group ended the year with an average accident frequency rate of 3.55, two and a half times lower than that of 2003. The accident severity rate is now 0.11, which is below the 2010 objective.

While the general trend is on a positive heading, risk management conditions among subcontractors were disappointing in 2007,

with six fatal industrial accidents occurring in 2007, all involving subcontractor personnel. Audits and action plans were immediately launched to strengthen the identification and management of situations involving risk.

With respect to AREVA's 117 sites classified as having significant environmental aspects (SEA), 69 of them are now certified under OHSAS 18001.

In addition, to continue to make progress towards the level of performance sought by the group and to supplement its management system, AREVA will implement a vast program on attitudes and behaviors in 2008 based on a "Human and Organizational Factors" initiative that will be deployed in liaison with the Safety, Environment, Quality and Continuous Improvement functions. This program will give management an additional driver for making sustainable progress towards the group's objectives.

MAINTAINING A HIGH LEVEL OF RADIATION PROTECTION

As in previous years, new legislation concerning radiation protection regulations was published in France in 2007. Dialogue continued with the group's French plant sites to ensure coordinated implementation of these new regulatory requirements.

In June 2007, the second international meeting of the group's radiation protection managers met at AREVA headquarters. The principal topics discussed were technical inspections of radiation protection and estimating internal dose. Two other meetings were held at the end of the year with radiation protection managers and managers of radioactive sources at the group's French plants. These meetings were an opportunity for lively discussion, sharing of best practices, coordination of cross-cutting activities, and feedback on the implementation of the regulations.

As in 2006, AREVA demonstrated its ability to meet the most restrictive regulatory limit in the world, but 2007 performance invites caution. In fact, the 20 mSv limit was exceeded for 13 workers during a maintenance operation at a utility customer location, although the local regulatory limit was not exceeded. An inspection after the fact showed that the event involved a newly acquired subsidiary and is attributable to a lack of knowledge of the group's practices. The corrective action to be taken is more a quality approach than specifically a radiation protection approach and involves strengthening information processes in the group's new companies.

Aside from this event, 2007 performance (see section 5.2.2.2) shows that AREVA is capable of regularly reducing exposure levels for its workers and subcontractors.

HEALTH

At the end of 2007, based on lessons learned and observations on employee health at its different locations, AREVA established a health policy with three strategic thrusts:

- contribute to better health through health surveillance of the group's employees and of subcontractor personnel working at its sites, based on an analysis of risks inherent in working conditions;

- promote public health actions by deploying health improvement programs for its employees linked to the public health programs of the countries in which it is based; and
- expand activities to improve working conditions.

In this regard, the policy explains the objectives for the 2008 to 2011 period that each entity must break down based on local public health issues or the social and economic environment in which it operates. One of these objectives, for instance, is to prevent HIV contamination; another is to set up a system for listening to and supporting employees.

A far-reaching program developed in response to external stakeholder expectations involves setting up a follow-up system for former workers and health observatories for residents near mine sites, with the priority being Niger and Gabon, followed by Kazakhstan and Canada. Health monitoring units under the aegis of national agencies and with the participation of scientific organizations and NGOs will supplement the efforts of existing environmental monitoring units.

5.3. | Environmental report

Risk management related to nuclear operations is a major objective of the group's programs. The extent and specifics of risk management merit its own organization, methods and resources.

The group's diverse businesses and the wide range of cultures and regulations in countries in which AREVA operates cover a number

of environmental issues. Through the group's environmental policy and relations with stakeholders, supplemented by specific measures for nuclear risk management and prevention, AREVA is able to take all of these issues into account.

5.3.1. Environmental policy

AREVA's environmental policy was updated in 2007 for the 2008 to 2011 period. It applies to all of the group's entities, both in France and abroad, with implementation a function of local conditions. The policy is based on six commitments:

- **Managing**
Ensure compliance with regulatory requirements and the group's standards by performing periodic environmental reviews and deploying environmental management systems (EMS) at all sites.
- **Innovating**
Integrating environmental impact reduction into the design of products, services, processes and infrastructure for their entire lifecycle.
- **Preventing risk**
Developing and harmonizing environmental monitoring and deploying assessment procedures to prevent environmental hazards in the chemical, radiological and biological fields.
- **Preventing environmental liabilities**
Preventing liabilities by preserving biodiversity and the environment's future use.
- **Minimizing the environmental footprint**
- **Improving environmental performance at constant sales revenue by reducing:**
 - the use of resources in natural environments and the consumption of energy and materials;
 - the impact of releases to the atmosphere and to aquatic environments; and
 - hazardous and non-hazardous conventional waste.
- **Measuring and reporting**
Promoting dialogue with stakeholders by extending the publication of environmental reports to include all sites with significant environmental aspects (SEA)⁽¹⁾.

This program is implemented through the AREVA Way process by quantifying objectives and updating them annually based on risk mapping efforts, stakeholder expectations, best internal and

external practices, environmental reporting, an external benchmark, and dialogue with the operating entities.

The corresponding action plans are specific to the significance of the site's risk. The group had a total of 92 SEA sites in 2007, including 12 regulated nuclear facilities (INB), 4 high-threshold Seveso sites, 5 low-threshold Seveso sites, and 4 uranium mining complexes.

The action plans are organized around three key tasks:

- **Environmental management:**
 - of the sites: ISO 14001 certification of sites with significant environmental aspects;
 - of products and services, through eco-design.
- **Risk prevention:**
 - chronic risks: polluted soils and environmental health risks;
 - man-made chemical hazards.
- **Performance improvement:**
 - minimizing water use;
 - conserving energy;
 - reducing emissions and releases, in particular direct emissions of greenhouse gases; and
 - reducing conventional waste volumes.

Progress is tracked by the AREVA Environment Committee, which meets monthly. Monitoring tools include:

- the scorecard for deployment of AREVA's environmental policy;
- analysis of entity performance objectives charts and action plans on principle 6, "Environmental Protection", as part of the AREVA Way continuous improvement process;
- environmental data and indicators from the sustainable development reporting system, which was revised in 2007 to improve data reliability and the in-house data validation process; and
- topical environmental reviews (more than 80 in 2007) conducted at SEA sites.

(1) In AREVA's frame of reference, sites with significant environmental aspects include our nuclear sites, sites with facilities representing major man-made risk per Seveso regulations, mine sites, plants with facilities subject to public inquiry, and industrial or office building sites which make a significant contribution to the group's environmental accounting.

5.3.1.1. Environmental management at the sites

Environmental Management Systems

AREVA's goal is to implement environmental management systems (EMS) at all sites and to secure ISO 14001 or equivalent certification for nuclear sites before the end of 2005 and for other sites with significant environmental aspects before the end of 2006, or within a period of three years after their acquisition.

In 2007, all of the sites maintained their certification and 9 new sites were certified, bringing the total to 115 certified sites:

- Reactors and Services division: Elta, Technoplus;

- Back End division: Mainco;
- Transmission & Distribution division: Bogota ACS, Bogota ACM, Lattes PCL, Jekaterinburg, Mexico Lago Victoria, Xiamen.

As of the end of 2007, 82% of the sites with significant environmental aspects had been certified under ISO 14001. Of these sites, all of the AREVA group's nuclear SEA sites and low- and high-threshold Seveso sites were ISO 14001-certified. The new sites acquired that meet the criteria for classification as SEA sites must be certified within a period of three years.

In the Front End division, the current situation in the gold mines of Sudan and Côte d'Ivoire has prevented, and still prevents, certification.

STATUS OF CERTIFICATIONS IN 2007

	Front End	Reactors and Services	Back End	Transmission & Distribution	Total
Number of SEA sites	26	11	4	51	92
Number of certified SEA sites	23	7	4	41	75
Percent of certified SEA sites	88%	64%	100%	80%	82%
Including certified nuclear sites	9	2	1	-	12
Percent of certified nuclear sites	100%	100%	100%	-	100%

Training and awareness raising

AREVA works to bolster personnel training and to raise awareness within its entities concerning environmental responsibilities, particularly as regards energy conservation and the reduction of greenhouse gas (GHG) emissions. This goes beyond activities conducted in connection with the Environmental Management System. In 2007, a day-long technical meeting called "Energy Outlook" was held.

The Environment department also partnered with AREVA University to launch the first sessions of the "Environment: Risks and Opportunities" training module specifically for AREVA environment network members. Two of the sessions took place in France, and one each in Germany, the United States and China. By the end of 2007, 39% of the environment network had been trained, not counting the engineering companies. The training program is part of a wider initiative called the "Professionalization Program", launched in 2007, which aims to promote Sustainable Development and Continuous Improvement, identify skills, and pool experience and best practices.

The posters for the eco-efficiency awareness kit developed in 2004 were updated and are now available in eight different languages—French, English, German, Spanish, Portuguese, Chinese, Indonesian and Turkish—and online at the Environment department's intranet site. The posters emphasize behavior based the universal concept of eco-attitude, which consists of promoting environmentally responsible behavior among employees.

The "Green Way" manual containing the AREVA group's basic standards for environmental protection in various fields was published in French, English and Spanish, and more than 7,000 copies were distributed throughout the group.

Regulatory intelligence

In 2006, a group tool called Regulatory Intelligence Area (RIA) was rolled out initially to all AREVA NC plant sites in France. RIA is a repository for regulatory intelligence with a view to securing ISO 14001 and OSHAS 18001 certifications and renewals. Its objective is to organize regulatory intelligence and to demonstrate that each plant site complies with regulations and is aligned with the principles of the legal liability of plant managers and their representatives. In 2007, it will be introduced to all AREVA plant sites in France.

Environmental spending

This indicator was added to sustainable development and continuous improvement reporting in 2004. It applies to France and is based on the definition of environmental spending appearing in the annual statistical survey published by SESSI, the French Ministry of Economy, Finance and Industry's department of industrial studies and statistics. The group spent 121.244 million euros on the environment in France in 2007.

Provisions and guarantees related to the group's end-of-life-cycle obligations and environmental hazards

A provision totaling 5.287 billion euros was in place as of December 31, 2007 for environmental hazards, including mine reclamation and mill dismantling, nuclear facility dismantling, radioactive waste retrieval and packaging, final waste disposal, routine cleanup, and cleanup and reclamation of mines and plant sites. Nuclear facility dismantling and waste retrieval and packaging accounted for 5.075 billion euros of this amount, 2.584 billion euros of which is borne by AREVA (see note 24 to the consolidated financial statements).

5.3.1.2. Environmental management of products through eco-design

By understanding the environmental impacts generated by a product at each stage in its lifecycle, its design can be optimized to reduce those impacts at the source: this is what eco-design approaches try to achieve.

For the second consecutive year, all group entities performed self-assessments based on the two eco-design criteria added to the AREVA Way self-assessment model, one concerning eco-design organization and the other relating to eco-design practices. The results helped group entities determine their current and target levels of eco-design so that the latter could be recorded in performance progress charts and performance improvement plans.

During the environmental policy review, considerable work was accomplished to improve the roll-out of eco-design initiatives group wide. The goals were spelled out, and a systematic schedule of roll-out activities is being drawn up based on the entities' self-assessments.

The Front End and Back End divisions completed eco-design studies on several capital investment projects with the help of the group's engineering companies.

Revisions to the Uranium Lifecycle Analysis have begun and will be finished in 2008.

The Transmission & Distribution division's program in this field has already made good progress. New training and awareness raising sessions were held and the eco-design intranet is kept current by all users. R&D is focusing on limiting the use of hazardous substances, on defining and documenting end-of-life-cycle and recycling procedures, and on reducing SF₆ emissions.

5.3.2. Environmental risk management and prevention

5.3.2.1. Maintaining a high level of safety and managing risk

In the field of nuclear and industrial safety, the General Inspectorate continued to expand the scope of its inspection activities and experience-sharing begun in 2004 to all of the AREVA group's nuclear and environmentally regulated facilities in 2007.

Above and beyond a mere review of facility compliance with applicable requirements, the General Inspectorate analyzes existing safety systems and their mode of operation, and the work processes of the operating units. The analysis helps identify potential deficiencies and recognizes best practices that should be broadly implemented. These lessons learned help build a shared culture among the group's industrial operators and facilitate assessment of the safety culture of its operating personnel.

Since 2001, the General Inspectorate has carried out 214 inspections, including 40 in 2007. The inspections focused mainly on the following topics:

- fire safety management,
- criticality safety management,
- safety management during the performance of services in customer facilities, and
- radioactive waste and effluent management.

In each case, the inspections performed in 2007 demonstrated that the entities involved had organizations and practices in place to ensure that safety requirements are correctly recognized and applied, which is a strength.

Several areas for improvement were identified, in particular the need to strengthen safety and human factors training and to expand the sharing of experience.

Of the 81 events reported and ranked on the INES in 2007, 64 were classified level 0 and 17 were classified level 1.

It would be a good idea to examine the number of reported events for a given year along with their INES ranking just as closely as the number of events that occurred during the year in question. During the first quarter of 2007, it was noted that several identified anomalies or reported events were requalified or reclassified at the request of the regulators. Nuclear operators were warned to be more vigilant about identifying anomalies, classifying events as significant, and assessing the INES level of the event.

For example, of the 81 events reported and classified in 2007, six concerned events that occurred in 2006 (four level 1 and two level 0). One event occurring at the end of 2007 was reported and classified in January 2008. Once all these events were reclassified, the number of events at constant consolidation scope decreased to 85 in 2005, 90 in 2006 and 76 in 2007.

The number of 2007 events that were classified as level 1 events was stable compared with 2006: 17 in 2005, 14 in 2006 and 13 in 2007.

For the first time in five years, there were no reported level 2 events.

As in previous years, an analysis of the events indicated that a significant share of the causes involved human and organizational factors (HOF). Closer analysis by the entities will be useful in pinning down the fundamental causes of these events. Over the medium term, deploying the HOF initiative will help to lower the number of reported events significantly as well as their seriousness in terms of nuclear safety and radiation protection, and to keep them down.

As it had committed to do, in 2007 the group published, both in hard copy and on its website, the 2006 annual report of the General Inspectorate. This report presents the status of nuclear safety and radiation protection at AREVA group nuclear facilities in France and abroad, as observed through the program of inspections and analyses carried out by the nuclear safety inspectors and specialists in 2006.

5.3.2.2. Monitoring releases and the environment

AREVA devotes considerable resources to monitoring releases and the environment, in advance of monitoring performed by government agencies.

The resources deployed by AREVA to monitor releases take into account regulatory reporting requirements for the European Pollutant Emission Register (EPER), reduction of greenhouse gas emissions with the preparation of the second National Quota Allocation Plan for the 2008 to 2012 period, and the renewal of release permits for the nuclear facilities. Since AREVA NC Marcoule is no longer part of the consolidated group, the two group sites affected by the first National Quota Allocation Plan are AREVA NC La Hague and Comurhex Malvési. Pursuant to a modification of the Comurhex Malvési facility, only combustion facilities with more than 20 MW of power at AREVA NC La Hague are included in the second National Quota Allocation Plan.

The M60-3 Committee of the nuclear equipment standards organization BNEN (Bureau de Normalisation des Équipements Nucléaires) set up a standardization program for measurements of effluent radioactivity in 2007. AREVA is very involved in this program and has appointed a representative from each of its major nuclear sites to participate.

The group monitors the environment at nuclear sites using specialized personnel who regularly sample and analyze various receptor environments, i.e. air, water, soil, fauna and flora. With regard to the monitoring of radioactivity in the environment, the group's environmental laboratories are seeking registration in the French national environmental radioactivity measurement network pursuant to the governmental order of June 27, 2005. In 2007,

five laboratories were licensed under this order. As part of its environmental monitoring program, the AREVA group performs some 100,000 analyses on samples taken at 1,000 locations.

5.3.2.3. Radiological impact of the sites

The radiological impacts of the nuclear sites on the most exposed members of neighboring populations (reference groups) are "measured" by an exposure indicator, the additional effective dose, expressed in millisieverts per year (mSv/yr). Radiological impacts are calculated for each nuclear site based on radioactive liquids and gases released from the site and an analysis of potential exposure pathways to the affected public.

Following the recommendations of the Nord-Cotentin Radioecology Group GRNC (*Groupe de Radioécologie Nord-Cotentin*), the La Hague site performs sensitivity analyses each year and calculates the radiological impacts on the five townships around the site in which radiological monitoring stations are located. If the calculated impacts on one of the townships is greater than the impacts on the reference populations, this is made public via the plant's environmental report.

The radiological impact assessment model for La Hague was the subject of collaborative efforts by French and international experts and associations under the umbrella of the Nord-Cotentin Radioecology Group (French acronym: GRNC). This highly complex assessment model factors in various types of radiation (alpha, beta and gamma), the three potential pathways (external exposure, ingestion, inhalation), and the specific behavior of each radionuclide in the human body. Independent experts conducted epidemiological studies to supplement the model and directly assess the health effects of radioactive releases on exposed members of the public. All of the studies conducted over the past 20 years have concluded that the site has very little impact, with the total annual impact (additional effective dose) for one year being equivalent to approximately one day of exposure to naturally occurring radiation in the Nord Cotentin region of France.

Through its websites and monthly publications, AREVA provides regular and completely transparent data on the results of environmental sampling and analysis, which are overseen by the French nuclear safety authorities. In France, the Local Information Commissions (*Commissions locales d'information*, CLI) set up by the government in the vicinity of major energy facilities, including nuclear sites, facilitate direct interaction with the local community. AREVA provides them with all the information they may require.

As part of its continuous improvement initiative, the group also set a goal of continuing to control its radiological impacts and standardizing its radiological impact assessment models at all sites with radioactive releases. The methodology used at La Hague was extended to the group's other major nuclear sites, adapted for local conditions, such as life styles and consumption patterns. The impacts there are also very low, at less than 0.01 mSv.

The group had also set a goal of implementing and maintaining measures to limit the impacts of external radiation at the site

boundary to 1 mSv/yr by the end of 2005. This corresponds to an extreme theoretical scenario in which an individual stays at the site boundary for an entire year without interruption, i.e. 8,760 hours. If acceptable solutions in the spirit of the ALARA principle (as low as reasonably achievable) are not found, compliance with the 1 mSv/yr limit must be demonstrated using more realistic exposure scenarios.

In this regard, the objective was met for most sites in 2005 and for all sites in 2006 and 2007 through the reconfiguration of storage areas. To refine the assessment when required and verify the sustainability of the system, the sites implemented heightened exposure monitoring measures following the example set by Comurhex Malvési, where study continues on a solution for sustainable storage management.

5.3.2.4. Preventing environmental health risks

In 2007, the group continued to perform health hazard assessments under its new environmental policy. Each site identified as a site with significant environmental aspects (SEA) must complete these scaled assessments by the end of 2010. The method uses the calculated health hazard index to characterize potential health effects that could arise in the neighboring population chronically exposed to chemical releases. The assessments are performed at sites in France and abroad, based on normal operating scenarios for the facilities.

Health hazard assessments have also been performed or revised in connection with the group's industrial projects (operating license, upgrades).

Whether or not the regulatory authorities request it, these assessments are systematically included in regulated processes. As of the end of 2007, the Transmission & Distribution division had finished rolling out this initiative at 10 sites identified as priority.

A detailed inventory of each industrial and office site was completed pursuant to AREVA's Asbestos Directive. Most of the sites have completed a thorough asbestos inventory for their buildings and processes. An important item of this directive concerns the elimination or replacement of production equipment components containing asbestos, when they are determined to be hazardous, with less toxic materials before December 2007. Reviews on the topic of asbestos were conducted.

Vigilance in the prevention of Legionnaire's disease is still a priority. Several days were devoted to the promotion of best risk management practices. Two diagnostic audits performed in 2007 on risk-prone facilities at mine sites abroad served to test new measuring methods that take operational parameters into consideration.

The French agency for environmental and occupational health safety, AFSSET, called on AREVA in a matter before it concerning the risks linked to the use of nanomaterials and manufactured nanoparticles. According to the group's available consolidated data, our processes do not currently use nanomaterials or manufactured

nanoparticles. Nevertheless, given the potential issues surrounding this type of material, we have established an institutional watch and are working with research organizations and academic institutions on research and development projects.

5.3.2.5. Prevention programs for technology risks and natural hazards

The implementing regulations of the Law of July 30, 2003 on the prevention of technology risks and natural hazards and compensation for damages introduced a new tool for controlling urban development around "high-threshold" Seveso sites (W facility at Pierrelatte, Comurhex's Pierrelatte and Malvési sites, Jarrie's Cezus site): Technology Risk Prevention Plans (TRPP) that serve to:

- reduce risk;
- deal with real-life situations and plan for the future; and
- stimulate dialogue among stakeholders, including local governments.

Progress at the four group sites in question varies, depending on the priority level set by the Ministry of the Environment and Sustainable Development. The TRPP requirements for Comurhex Malvési (the group's only Priority 1 site) are scheduled for early 2008.

Also, the risk studies for the operating license applications for the Comurhex II Pierrelatte and Malvési projects are ongoing and should be finalized in the first half of 2008.

In 2007, a database for rating probability in risk analysis was created to supplement the four standards on technological chemical risks. An international risk analysis guide is being prepared and should be available in the first half of 2008.

The emergency response agreement with the CASU, an emergency response support unit of the French national institute for the industrial environment and risk (INERIS), was renewed in 2007 and a drill was conducted at the Jarrie site of Cezus.

The Environment Department, working with the environment network, carried out or participated in more than 80 environmental reviews, including 35 compliance reviews on environmental risks and liabilities, 4 supplier reviews and 5 reviews based on Green Way, a manual containing the group's standards for environmental protection. Some of these reviews were conducted in association with the Audit Department and the General Inspectorate of the Nuclear Safety Department.

5.3.2.6. Soil management

In the area of soil management, the goal of the environmental policy is to carry out soil diagnostics, update available documentation and, as necessary, set up a monitoring and long-term management plan for environmental liabilities. This goal should be fully pursued at plant sites with significant environmental

aspects, including licensed nuclear facilities and mine sites. The plan was launched in early 2007 for the AREVA NC, AREVA NP and AREVA T&D subsidiaries.

AREVA T&D started updating soil characterization studies for sites considered to have the most significant environmental aspects. At the Villeurbanne site and Canada's Saint-Leonard site, soil and groundwater rehabilitation projects continued and should be completed by year-end 2008.

AREVA NP updated the soil diagnostics in 2007 for the Jeumont, Montreuil Juigné, Paimboeuf and Rugles sites. In this regard, the Jeumont plant drafted a management plan based on detailed risk assessments. Groundwater warning thresholds were calculated so that tangible action can be taken if the thresholds are reached. The rehabilitation of the old Venthon plant (Cezus Ugine) has been completed and the administration has approved environmental monitoring.

The Mining business unit drew up environmental inventories for exploration projects in Quebec, Mongolia and Finland in 2007. The inventories covered water, soil, plant and animal life, as well as radiological aspects, among other things. The environmental impact study began for Midwest's mine opening in Canada. In August 2007, the Nigerien authorities approved the Somair environmental impact study for the static leaching process used to process ore.

A program to explore and characterize how mill tailings change over time was started at the Niger, Limousin and Lodève sites.

The multidisciplinary expert group (GEP) set up at the old Limousin mine sites is continuing its research.

In the Chemistry business unit, the AREVA NC Miramas site continued site rehabilitation operations in 2007 along with the dismantling of some of its facilities. The first zone was cleaned up and the site's 2008-2012 soil management plan was drawn up. Project logistics were put in place to monitor air and water, recover the leachate and ensure site safety. As part of its Comurhex II project to replace its Malvési and Tricastin facilities, Comurhex started soil and groundwater characterization studies at the locations of the new plants at both sites. The studies will be completed in early 2008 and the results included in the operating license applications. The work to reinforce the lagooning area at the Malvési site has been completed. New sewage and rainwater systems have been created, and the old open pit mine pond, which is no longer in use, is being monitored.

5.3.2.7. Protecting and restoring ecosystems

Monitoring and preserving biodiversity is a special concern for AREVA. Our study of plant and animal life at the site begins in the design phase and continues throughout facility operations and into site rehabilitation. Special care is devoted to native species and to how species introduced or reintroduced during reclamation adapt to the local biotope (plant and animal habitat).

A biodiversity seminar was held in October 2006 with eight international experts and representatives from each of the group's business units to brainstorm on developing specific biodiversity indicators for each of the group's businesses and on including biodiversity issues in preventive measures for group operations affecting AREVA's overall environmental footprint.

In 2006, an "AREVA and biodiversity" study was carried out to identify the biodiversity objectives for each of the group's business units.

An inventory of plant and animal life initiated in 2005 was carried out on the aquatic and subaquatic environment near the Tricastin platform, giving a better understanding of the impacts of AREVA's operations on biodiversity. The scope of the study was expanded to define the most appropriate monitoring program for the specific characteristics of this industrial complex.

As part of a proposed mine opening in Niger, AREVA commissioned an in-depth "Men and Environments" inventory from the University of Niamey. The study includes an inventory of the area's plant and animal life and a description of the site's human environment.

Representatives from the subsidiaries and business units and environment managers from the group's plants attended the 2007 Environment Conference. The meeting included a presentation on biodiversity. The Director of Research at France's national agricultural research institute, INRA, reported on climate change and the impacts on ecosystems.

Also in 2007, the Environment department appointed a biodiversity champion.

5.3.3. Environmental performance improvement

Key data

	2007	2006	2005
Consumption			
Quantity of energy consumed (MWh), excluding Eurodif	2,925,200	2,806,108	2,895,338
Total quantity of water consumed (m ³)	38,355,220	35,109,800	160,360,641
Total quantity of water consumed (m ³), excluding cooling water at Eurodif and Marcoule	19,438,368	20,600,920	23,912,910
Consumption of hazardous chemicals:			
Nitric acid (MT)	17,204	22,619	17,218
Sulfuric acid (MT)	168,106	153,090	81,975
Hydrofluoric acid (MT)	7,461	7,044	8,342
Ammonia (MT)	5,390	4,943	6,228
Chlorine (MT)	7,879	7,336	7,717
Chlorinated solvents (MT)	158	157	162
Hydrochloric acid (MT)	401	514	-
Sodium hydroxide (MT)	9,760	9,671	-
Potassium carbonate (MT)	1,065	1,024	-
Hydrogen (MT)	15,420	25,348	-
Oil (MT)	20,146	24,344	-
Waste			
Quantity of hazardous waste (MT) ⁽¹⁾	13,835 ⁽³⁾	15,563	14,098
Quantity of non-hazardous waste (MT) ⁽¹⁾	63,910 ⁽⁴⁾	58,521 ⁽²⁾	46,234
Hazardous waste: percent recycled ⁽¹⁾	45% ⁽³⁾	40%	36%
Non-hazardous waste: percent recycled ⁽¹⁾	69% ⁽⁴⁾	59% ⁽²⁾	61%
Process sludge (MT)	57,760	60,824	74,566
Sludge from cooling water treatment (MT)	3,392	8,548	13,240
Releases			
Total nitrogen releases into aquatic environments (MT)	286 ⁽⁵⁾	802	838
Aqueous releases of copper (kg)	15 ⁽⁵⁾	36	10
Aqueous releases of chromium (kg)	7 ⁽⁵⁾	26	93
Aqueous releases of lead (kg)	0.42 ⁽⁵⁾	0.41	27
Aqueous releases of uranium (kg)	672 ⁽⁵⁾	980	1 425
Direct greenhouse gases (MT CO ₂ e)	990,836	1,118,137	1,286,848
CO ₂ emissions from facilities subject to National Quota Allocation Plan	92,877	97,766	137,336
Toxic gas releases: volatile organic compounds (kg VOC)	1,173,128	1,079,906	994,654
Releases of acid-forming gases: SO _x (MT)	583	704	731
Releases of acid-forming gases: NO _x (MT)	549	494	565
Releases of acid-forming gases: NH ₃ (MT)	169	337	333
Releases of ozone-depleting gases (kg CFC 111e)	1,635	1,511	1,342
Nuclear risks			
Dose impact from the La Hague site (mSv)	< 0.01 ⁽⁶⁾	0.009	0.011
Number of INES events	Level 0: 64	Level 0: 75	Level 0: 65
	Level 1: 17	Level 1: 10	Level 1: 17
	Level 2: 00	Level 2: 01	Level 2: 01

(1) Our reporting protocol changed in 2006, with the three categories of hazardous industrial waste (HIW), ordinary industrial waste (OIW) and inert waste (IW) replaced by two new categories: hazardous waste (formerly HIW) and non-hazardous waste (which combines the former OIW and IW categories). The data for 2004 and 2005 were recalculated in accordance with these new definitions.

(2) Excluding waste from the GBII site.

(3) Excluding exceptional waste from Somair, AREVA NC Pierrelatte and AREVA NC Miramas.

(4) Excluding exceptional waste from GBII and AREVA NC Miramas.

(5) Excluding AREVA NC La Hague: data not available at the writing of this report.

(6) Final data not available at the writing of this report.

Source: AREVA.

5.3.3.1. Energy conservation

Eurodif's Georges Besse plant, where uranium is enriched using the gaseous diffusion process, accounts for about 90% of the group's total power consumption. The group is preparing to phase in the centrifugation process to replace plant capacity in the medium term, as this technology consumes 50 times less power than gaseous diffusion.

In 2007, the Mining business unit became the group's largest energy consumer. The Treatment business unit continued to reduce its consumption, by 1.6% in absolute terms.

Other notable changes were the Equipment business unit's ramp-up of Creusot Forge and Eurodif's drop in consumption following facility modifications.

The following total energy consumption figures do not include the Eurodif process. In 2007, a total of 2,925,200 MWh of energy was consumed, for an increase of 4.2% in relation to 2006. The raw data are not adjusted by business. At constant sales revenue, energy consumption dropped 18% from 2004 to 2007.

The largest consumers are implementing action plans based on the findings of preliminary energy efficiency studies, with the goal of stabilizing and ultimately reducing the group's energy consumption.

All of our methodological tools—including the eco-efficiency awareness kit, good practice handbooks, best available technologies, and energy news—are available to all group employees.

The Strategy, Purchasing and Environment corporate departments held a day of talks on the energy outlook. The event gave attendees, who manage industrial projects, an opportunity to weigh the advantages and disadvantages of available energy sources.

Example

Eurodif slashed its consumption of natural gas by more than 90% in 2007 by making two major changes to its overheated water system. Before, the site's facilities were supplied by an overheated water loop approximately 8 kilometers long. A survey of consumption requirements identified two customer facilities where significant improvements could be made.

A dedicated loop was installed for the first one, Eurodif's only full-time customer during the winter months, located not far from the steam supply system. This solution made it possible to use a smaller pipe with an output of 80 m³/hr instead of 1,000 m³/hr and only a few hundred meters long, resulting in considerably less heat loss.

The second customer, located about two kilometers from the steam supply system, has more irregular consumption requirements in backup to the facility's electric generators, particularly during maintenance operations. Here, the solution was to invest in a third electric heater for greater autonomy.

This initiative serves as an example and is a perfect illustration of the advantages of careful energy diagnostics.

Renewable energies

The Renewable Energies business unit, created in November 2006, offers alternative energy production without greenhouse gas emissions. The business unit combines all of the group's areas of expertise in decentralized power generation, bio-energies, wind energy, and hydrogen/fuel cells.

The bioenergy business proposes turnkey power plant solutions using biomass, biogas, mine gas, or waste heat recovery. AREVA has 20 bioenergy plants in operation or under construction in Europe, Latin America and Asia, for a total of 220 MW of installed electric generating capacity.

In wind energy, AREVA has a 29.95% equity interest in REpower. This Hamburg-based firm designs, tests, assembles and maintains wind turbines. REpower manufactures wind turbines in the power range of 1.5 MW to 5 MW. By acquiring a 51% stake in Multibrid, a designer and manufacturer of high capacity offshore wind turbines based in Germany, AREVA gained a firmer foothold in the emerging offshore wind farm market. With the acquisition, AREVA entered into a joint venture with Prokon Nord, a German wind farm developer and is participating, as exclusive supplier via Multibrid, in the first German offshore project at Borkum West (30 MW) and Borkum West 2 (400 MW), and in the first offshore project in France at Côte d'Albâtre (105 MW).

Through its subsidiary Héliion, the business unit designs, develops and manufactures electrolyzers and fuel cells for applications in emergency power units from 20 to 200 kWe and in decentralized generating systems for use with intermittent renewable energy sources. To learn more about the Renewable Energies business unit, see section 4.5.7.

5.3.3.2. Water usage

Unlike 2006, there was no major change in the consolidated group in 2007.

The total quantity of water consumed, excluding cooling water for the Tricastin site (Eurodif), was 19.4 million m³ in 2007, compared with 20.6 million m³ in 2006. The change from 2004 to 2007, at constant sales revenue, is a decrease of 34%.

The installation of the closed loop cooling system at the Chemistry business unit's Comurhex Malvési site was one of the highlights of 2007. In five months of operation since its startup in August, the system saved about 585,000 m³ of water, reducing the site's water consumption by 36%. In 2006, this site was the group's seventh largest water consumer.

AREVA is taking steps to improve its management of the water cycle, particularly at the production sites, so that less water is tapped from the natural environment. This requires in-depth knowledge of water consumption patterns and actual costs associ-

ated with managing the water cycle, as well as a concerted effort by site personnel and subcontractors.

These efforts have focused on:

- improved management of water systems and processes: several campaigns were conducted to identify leaks, both at plant sites and in office buildings;
- equipment modifications, sometimes resulting in the elimination of wasteful processes;
- changes in technology are under consideration;
- raising awareness and the “eco-attitude” among personnel and subcontractors to promote the recycling and reuse of water and prevent unnecessarily excessive consumption, which has been particularly effective at the office buildings; and
- continuing actions already in progress, most notably at the AREVA NC Pierrelatte site and at Cezus Jarrie.

Example

The leak reduction program produced results at several sites from 2006 to 2007:

- Somanu Maubeuge (Equipment BU, France), where the consumption of water dropped 60.7%; and
- Shanghai Chentai (Products BU, China), where consumption was down 34.7%.

At the AREVA T&D Aix-les-Bains site, the replacement of water-to-water refrigeration units with air-to-water refrigeration units in May 2006 led to a 52.2% drop in water consumption that continued into 2007.

Water recycling operations were also set up at several sites, leading to less tapping of water from the natural environment:

- Canoas Porto Alegre (Products BU): a 27.2% reduction through the use of rainwater in combination with leak reduction operations; and
- ARC Canada (Mining BU): a 22.9% reduction through recycling operations that allowed the plant to use treated water from another facility.

There are examples at smaller plants, too, such as the 21.2% reduction at the Nuclear Measurements BU’s Canberra Industries Inc. site, achieved by increasing the air conditioning set point and replacing the cooling system with more efficient equipment.

5.3.3.3. Consumption of materials

The group is continuing to reduce its consumption of chemicals with major direct or indirect impacts identified with analytical tools specific to the environment (lifecycle analysis, health hazards assessment), primarily through internal recycling (acid recycling at the Cezus Paimboeuf, Montreuil Juigné and Rugles sites).

AREVA has been tracking paper consumption throughout the group since 2004.

It distributed a list of 20 best practices to all entities. The updated eco-efficiency posters address paper consumption, among other things, and paper reduction programs are being implemented at the site level.

For example, configuring printers for two-sided printing is reducing consumption:

- Comurhex Malvési (Chemistry BU): 10.4% less paper purchased due to a 10% reduction in per person consumption;
- Sully-sur-Loire (Nuclear Services BU): 21.1% less paper purchased due to a 23.9% reduction in per person consumption; and
- Mâcon (Products BU): 17.1% less paper purchased due to a 19.7% reduction in per person consumption.

The AREVA TA business unit conducted employee awareness campaigns that resulted in an overall reduction of paper production per person at all of its sites. The business unit reduced the total amount of paper purchased by 9.1%, with 8.1% less consumed per person.

Various consumption reduction activities were carried out at the Recycling BU’s Melox site and the Products BU’s Sao Paulo site, leading to reductions in the amount of paper consumed per person of 19% for Melox and 65.7% for Sao Paulo.

Group-wide, paper consumption per employee dropped from 32.5 kg in 2004 to 31 kg in 2005, to 27.3 kg in 2006 and to 24.6 kg in 2007. This amounts to 1,538 metric tons of A4/US letter paper purchased in 2007, compared with 1,645 MT in 2006. The change from 2004 to 2007, at constant sales revenue, is a 37% reduction.

5.3.3.4. Waste

The sustainable development reporting protocol was slightly simplified in 2006 to facilitate an understanding of the definitions, in particular at sites abroad. Now there are only two waste categories:

- hazardous waste; and
- non-hazardous waste (which includes both common industrial waste and inert waste).

This version of the reporting protocol was maintained in 2007.

Conventional waste

A total of 179,121 metric tons of conventional waste was produced in 2007, in raw data terms, as follows:

- 21,278 MT of hazardous waste, 57% of which came from routine operations;
- 157,842 MT of non-hazardous waste, 37% of which came from routine operations.

In 2007, more hazardous and non-hazardous waste connected with non-routine operations was produced than in 2006, due to

work projects at some sites, in particular construction of the GB II plant and soil rehabilitation operations at the Miramas site. This was reflected in the global tonnage of waste produced.

Correcting the data for these unusual events gives production of 13,835 MT of hazardous waste and 63,910 MT of non-hazardous waste.

Reporting has improved, also, in particular by taking recycled metal scrap into account, which had been omitted in 2006 by sites that joined the group in 2007.

For the scope corresponding to this data, the percentages of recycled material are:

- 45% for hazardous waste (excluding waste related to exceptional operations at the Somair, Miramas and Pierrelatte sites);
- 69% for non-hazardous waste (excluding the soil from stripping operations at the GBII and Miramas worksites).

The recycling rate rose from:

- 32% in 2004 to 45% in 2007 (40% in 2006) for hazardous waste;
- 44% in 2004 to 69% in 2007 (59% in 2006) for non-hazardous waste;

In all, this represents an improvement in the recycling rate for all conventional waste of more than 56% for the 2004 to 2007 period.

Programs for improving final waste reduction are ongoing in all of the group's facilities to:

- minimize and manage waste generation at the source;
- promote sorting by providing bins for waste separation or by creating in-house waste sorting plants. As the AREVA NP Saint-Marcel site did in 2006 by building a new waste shed with equipment to facilitate sorting and interim waste storage;
- recycle and reuse waste by selecting the most suitable processing methods; and
- improve processing and packaging of non-reusable waste.

Example

By replacing the glass packaging of a chemical product with plastic packaging, the Canberra Oak Ridge site reduced its production of non-hazardous waste by about 12.5%

By using "shuttle case" type containers for its deliveries, the Canberra Canada site reduced its production of non-hazardous waste by 24.2%.

By adopting more efficient sorting at the source, the Mécachimie site increased its recovery rate for non-hazardous waste from 63.2% in 2006 to 84.3% in 2007.

AREVA University's "Environment: Risks and Opportunities" training module contains a presentation on waste treatment to give a better idea of the potential for improvement to production sites abroad.

A decision-making tool was also developed in-house to facilitate waste processing choices. The software program is designed to compare processing methods and assign scores based on regulatory, technical, economic, environmental and social criteria.

PCBs and PCTs

PCBs (polychlorinated biphenyls) and PCTs (polychlorinated terphenyls) are toxic chemicals formerly used to manufacture and operate electrical distribution equipment. AREVA's subsidiaries began to eradicate them several years before the 2010 date set for their elimination by European directive 96/59 of September 16, 1996, and AREVA has made a commitment to phasing out the remaining equipment under a plan approved by the French Ministry of Ecology and Sustainable Development and included in the national plan approved by decree on February 26, 2003.

In 2007, 165 transformers containing these substances were eliminated in France, compared with the 136 announced in the elimination plan sent to the Ministry. As of December 31, 2007, 193 machines had yet to be eliminated.

Radioactive waste

Waste generated by nuclear operations is classified according to two criteria:

- the intensity of the radioactivity it contains (very low-, low-, medium- and high-level waste); and
- its half-life, i.e. the time it takes for the initial radioactivity of the waste to be reduced by half. Short-lived waste has a half-life of less than 30 years; long-lived waste has a half-life of more than 30 years.

Each type of waste requires a specific management method.

In France, very low-level waste (VLLW) is disposed of at the disposal center operated by Andra in Morvilliers.

Short-lived low-level waste (LLW) and medium-level waste (MLW) is disposed of in a near-surface disposal facility, also operated by Andra, the Centre de l'Aube in Soullaines.

For long-lived medium-level (MLW) and high-level waste (HLW), research is being carried out pursuant to Program Law 2006-739 of June 28, 2006 on the sustainable management of radioactive materials and waste. This law defines the schedule for setting up facilities to develop deep geologic repositories.

The law is an extension of the process launched in 1991 by the "Bataille" Law on research on end-of-life-cycle nuclear operations in France. The law is fundamental insofar as it programs the construction required for the management and disposal of all radioactive waste in France and sets up the technical, financial and political governance for these operations. This process sets the framework for waste processing and packaging operations in the AREVA group's French facilities. It organizes:

- the management of long-lived, low-level graphite and radiferous waste in a future disposal facility that Andra will open in 2013;

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- the management of waste with or without available disposable methods as part of a tri-annual review of the French national radioactive materials and waste management plan report;
- the management of mill tailings disposal;
- the packaging before 2030 of all long-lived medium-level waste produced before 2015;
- the future of the high-level waste generated by the treatment of foreign fuels; and
- the development of deep geologic disposal, with a preliminary design report set for 2015 and the opening of a repository in 2025.

The group's operations generate waste such as technological (dry active) waste, ion exchange resins and sludge, and sometimes waste from facility dismantling operations. This waste is only a slight fraction of the total quantity of radioactive waste generated by nuclear power, representing but a few percentage points in terms of radioactivity.

Every year, we endeavor to reduce these waste volumes. The group established indicators to report on progress in this field in a consolidated summary-level manner.

AREVA also continued in 2007 to expand its initiative for the comprehensive management of legacy waste and stored materials at the group's sites by systematically using inventory management software, conducting programs for legacy waste retrieval and packaging, and planning for the management of waste from facility dismantling.

Andra, the French national waste management agency, is preparing an exhaustive inventory of radioactive waste in France. This inventory is public and the 2006 version may be consulted on its website. It provides all available information on radioactive waste inventoried in France, including waste held at the group's sites.

The group also contributes to the responsible management of radioactive waste generated by the nuclear industry by offering solutions for its safe storage, processing, packaging and often transport. "Group-held" waste, as opposed to "group-generated" waste, as defined in Article L. 541-2 of the French Environmental Code, consists mainly of long-lived high-level waste (HLW) belonging to AREVA's electric utility customers. This waste is returned to the customer at the end of the used fuel treatment process.

For the French utility EDF, the group offers a service which includes the interim storage of radioactive waste in suitable and safe facilities pending the availability in 2025 of a deep geologic repository for its long-term management, as stipulated by the French law of June 28, 2006. EDF remains the owner of the waste. AREVA assumes responsibility for holding it, within the limits of the provisions relating to nuclear liability stipulated in the "TSN" law of June 13, 2006 on nuclear accountability and safety, which incorporates provisions relating to nuclear liability.

The other waste, which can be disposed of directly, consists of low- and very low-level waste that is routinely shipped to the disposal site and is not stored in significant quantities at the group's sites.

Waste from used fuel belonging to foreign customers is returned to those customers as soon as it is technically feasible to do so, in accordance with the French law of June 28, 2006.

Several sites have invested in improvements to radioactive waste storage and packaging and to prepare for the removal of dismantling waste from future jobsites:

- At the Cezus Jarrie site in France, a dedicated interim storage facility was built in 2005, making it possible to complete the transfer of all accumulated radiferous waste in 2006, followed in 2007 by the construction of the building needed for the retrieval and insolubilization treatment of this waste.
- At the Malvési site, an initiative for inventorying waste, zoning, and finding disposal methods for waste currently without an outlet was launched in 2007.
- At the Marcoule site, the recycling of contaminated lead set up in 2005 and 2006 represented 400 MT of lead recycled in 2007, from the dismantling of AREVA, CEA and EDF facilities in France. The lead is melted down in a dedicated furnace at the Marcoule dismantling facility and the lead ingots are sent to a manufacturer in Marseille, which remelts and custom-forms the lead for new nuclear industry projects.
- At the Pierrelatte site, the feasibility study for the project to dismantle the Eurodif plant in 2013 was started in October 2006 and completed in December 2007.
- At the La Hague site, optimization of VLLW preparation operations continued to package the waste shipped to Andra's VLLW disposal facility and to increase the quantities in accordance with the disposal facility's scheduled upgrades in annual capacity.

Andra's very low-level waste disposal facility granted waste acceptance certificates to many of the group's sites, enabling a large amount of waste from various site operations, cleanup and dismantling to be disposed of beginning in 2007.

5.3.3.5. Releases in water

The nuclear fuel cycle typically processes small quantities of materials. Small quantities of reagents are used for uranium mining and chemistry and for used fuel treatment.

In 2006, feedback from prior year reporting showed that, due to regulatory requirements, a theoretical release value (volume released times detection threshold) had to be computed for sites with reporting results below the detection threshold. This overestimated value was also included in the reporting system. In 2006, the release indicators were split into two parts:

- the actual measured value for data above the detection thresholds; and
- the theoretical computed value for data below the detection thresholds.

This reporting method was again used in 2007.

Some chemical releases are sometimes a function of operations at specific sites, such as those of the Chemistry BU, and are not

reproducible from one year to the next. This is particularly true for nitrogen, with 286* MT of total nitrogen released in 2007, compared with 802 MT in 2006, 838 MT in 2005, 930 MT in 2004, and 1,102 MT in 2003.

All of the group's French plants combined released 672* kg of uranium into aquatic environments in 2007, compared with 980 kg in 2006, 1,479 kg in 2005 and 2,011 kg in 2004. By way of comparison, the Rhone River alone carries along around 70 MT of natural uranium each year (Source: environmental report of the Tricastin site).

5.3.3.6. Atmospheric releases

The group's operations release certain gases which, though limited, contribute to global warming, depletion of the ozone layer and atmospheric pollution. These are primarily:

- direct emissions of greenhouse gases (GHG) associated with 1) the burning of fossil fuels, 2) certain fluorinated emissions (SF_6) from chemical operations and from the manufacturing of electrical equipment, and 3) certain nitrogenous emissions (N_2O) from operations that use nitric acid;
- indirect greenhouse gas emissions associated with the consumption of electricity and thermal power;
- gaseous releases such as volatile organic compounds (VOC), acid-forming gases, or ozone-depleting gases.

Greenhouse gases

Three of the group's sites —La Hague, Marcoule and Comurhex Malvési— are listed in the National Quota Allocation Plan because they have combustion plants with more than 20 MW of power. In 2007, the group had a surplus of 35,563 CO_2 quotas.

In 2007, the AREVA group's direct greenhouse gas emissions amounted to 990,836 metric tons of CO_2 equivalent, an 11% drop from 2006. At constant sales revenue, these emissions dropped 38% from 2004 to 2007. Of these emissions, 36% are linked to fossil fuels, 20% to sulfur hexafluoride (SF_6), and 39% to nitrous oxide (N_2O).

SF_6 emissions dropped sharply in 2007 due to the modification in 2006 of the treatment process for fluorine vented by the Comurhex Pierrelatte site. The modification also prevented the emission of about 100,000 MT of CO_2 equivalent.

SF_6 emissions linked to the manufacture of electrical equipment are subject to an optimization plan initiated in 2005. The plan involves audits of major contributors, more accurate emission inventories, actions to reduce emissions, and training for personnel that handle SF_6 . At the end of 2007, a best practices handbook and a video were provided to emitter sites. The aim is to use an eco-design approach to products that systematically minimizes SF_6

releases during manufacturing, throughout the period of their use, and to the end of their lifecycle.

N_2O emissions are mainly the result of precipitation and calcining operations for UO_3 production process at the Comurhex Malvési site. A continuous measuring system was set up in September 2007. And the resulting observations enabled a partial reduction of the emissions by adjusting the parameters for furnace operations. In 2008, the group will invest to eliminate most of these emissions.

Volatile organic compounds

In 2006, 1,173 MT of VOC emissions were measured in 2007, compared with 1,080 MT in 2006, for an 8.6% increase. This trend varies for different divisions and business units. The variations observed are the result of strengthened deployment of VOC inventories at some sites, which has led to better reporting of emission sources.

5.3.3.7. Radioactive releases

Through concerted effort, radioactive releases have dropped sharply over the past 30 years. For example, the radiological impact from La Hague has been divided by five, going from a dose to the reference group of around 70 μSv in 1985 to around 10 μSv in 2006. This dose remains relatively constant from one year to the next. This has paved the way for compliance with the more stringent regulatory standards in the European Union, which were transposed into French law, and which currently set the maximum effective dose to members of the public at 1 mSv/yr. That level is less than the average exposure to naturally occurring radiation in France of 2.4 mSv/yr, as well as in other countries around the world, where it ranges from 1 to 10 mSv/yr, according to the United Nations Scientific Committee on the Effects of Atomic Radiation (UNSCEAR).

Nevertheless, the group is continuing its research into the feasibility of further reducing radioactive releases from the La Hague plant, particularly in connection with the plant's release permit.

Since 1995, the group's French nuclear sites have published and publicly distributed annual environmental reports in which radioactive releases and trends are described in detail. These releases are subject to verification monitoring and unannounced inspections by the regulatory authority.

5.3.3.8. Odor and noise pollution

Having taken the necessary action in 2003, this is no longer identified as a critical issue within the group.

* Excluding La Hague site data, which was not available when this document was written.

5.3.4. Strengthening relations with external stakeholders

The group's commitment to sustainable development is giving a new dimension to its relations with stakeholders by making dialogue and consensus building a key building block of the group's social responsibility.

"Dialogue and consensus building" is both a commitment and principle number 9 of the AREVA Way self-assessment model.

What is meant by this commitment goes beyond communication or simply providing information. It means listening to stakeholders to gain a better understanding of their expectations and take them into account as part of a continuous improvement process.

With this in mind, several initiatives have been undertaken, both at the group level and at the site level.

5.3.4.1. Consensus building at the corporate level

In 2004, the group turned over the organization of a consensus-building program ("Stakeholders Session") involving a panel of stakeholders to *Comité 21*, a leading authority on sustainable development in France.

Preparatory to this Stakeholders Session, the AREVA group and its stakeholders accepted a methodological framework designed by *Comité 21* to ensure that the initiative would be fully credible and effective.

The first two sessions took place on September 14, 2004 and February 9, 2005, after which *Comité 21* developed an executive summary of the stakeholders' expectations and proposals, including the commitments the group made in response, which also appear in the executive summary and in the group's 2005 activity and sustainable development report. The executive summary is available on our website, www.aveva.com.

The AREVA group undertook to report on the decisions made, and in 2006-2007 worked with *Comité 21* to organize the next phase of the initiative, using the same methods as for the previous meetings.

Two discussion meetings took place on December 15, 2006 and January 10, 2007. This second Stakeholders Session achieved two objectives:

- reporting to stakeholders on implementation of commitments made pursuant to the 2005 initiative; and
- organizing a discussion between the company and stakeholders on how well these responses meet their expectations, and receiving their opinions and proposals on how to further our progress.

All stakeholders noted the strong involvement of the corporate departments, the general spirit of openness, the candor of

AREVA participants, and the progress made in carrying out our commitments.

Comité 21 prepared an executive summary of this second Stakeholder Session, which was made available on the internet in 2007. AREVA and its stakeholders both have expressed a wish to see these discussions pursued over the long term as part of a continuous improvement initiative. So the corporate consensus building process will continue. A progress report is scheduled in 2008 with our stakeholders.

5.3.4.2. Mapping of local stakeholders

The group has been using the methodology developed by AREVA to help the sites map local stakeholders since 2003. It has been rolled out in priority at the major nuclear sites and the Seveso sites.

This method prompts the sites to compare their own perceptions of local stakeholder expectations with the actual expectations of these stakeholders. It is an opportunity to go into detail on the economic, social, societal, and environmental goals of the sites and to build relationships with stakeholders.

At the end of 2007, more than 280 stakeholders were interviewed by an independent party at more than 20 of our sites in France, Great Britain, Germany, Canada and the United States. The sites participating in this exercise are now deploying "dialogue action plans" based on the conclusions of the mapping initiatives. Implementing these action plans will help to build relationships and partnerships between the group's plant sites and key players in their surroundings.

Feedback from this stakeholder mapping also served in 2007 to create an Intranet Dialogue & Consensus Building Module. This module provides all group sites with a range of tools to help them better understand AREVA Way Commitment no. 9 and improve their performance in its respect. This module is designed to help sites structure and formalize dialogue with their local stakeholders.

5.3.4.3. AREVA's patronage and sponsorship program

The AREVA group's patronage and sponsorship program translates the company's policy of dialogue with stakeholders into concrete achievements in France and overseas.

In 2007, the group created the AREVA Foundation to take its societal commitment a step further.

To support development aid programs in countries in which the group operates, the AREVA Foundation joins forces with local

associations in partnerships spanning several years to work in three main areas of patronage and sponsorship:

- North-South development by encouraging local initiatives such as microcredit or the renovation of health care facilities, in particular to benefit sick or underprivileged children;
- knowledge sharing through programs that provide schooling support or adult training; and
- energy and climate change by setting up concrete activities with local populations.

These goals were defined in consultation with the group's employees and are consistent with their know-how and with the company's core business.

The AREVA Foundation encourages employees to mobilize in favor of the associations it supports. A volunteer system already exists for French employees and will be extended to all group employees in the near future.

The Foundation is presided over by a Board of Directors made up of AREVA group representatives and qualified, recognized figures from outside the group.

Through its patronage and sponsorship program, the AREVA group rolls out some 20 projects a year in close to 15 countries, including South Africa, China, Brazil, Niger, France, the United States and Canada.

5.4. | Consolidated financial statements 2007

5.4.1. Statutory Auditors' Report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' report on the consolidated financial statements includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report on the consolidated financial statements should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as auditors by your Annual General Meeting, we have audited the consolidated financial statements of AREVA – SA for the year ended December 31, 2007, attached to this report.

The consolidated financial statements have been approved by the Executive Board. Our role is to express an opinion on these financial statements, based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the group as of December 31, 2007 and the results of its operations for the year then ended in accordance with IFRS as adopted in the European Union.

Without qualifying the above opinion, we draw your attention to the following:

- notes 1.1, 1.18 and 13 to the consolidated financial statements, which present the procedures for measuring end-of-life-cycle assets and liabilities and their sensitivity to assumptions adopted with regard to estimates, disbursement schedules, discount rates and the outcome of current negotiations with EDF;
- notes 1.1, 1.8 and 24 to the consolidated financial statements which present, in particular, the performance conditions of the OL3 contract and the sensitivity of profit to completion on this contract to compliance with the current schedule, contractual risks and claims.

II - Justification of assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code governing the justification of our assessments, we draw your attention to the following:

- Note 1.1 to the consolidated financial statements mentions the significant decisions and estimates selected by management. In connection with our audit, we considered that these decisions and estimates principally concern the provisions for end-of-life-cycle operations (notes 1.18 and 13), non-current assets (notes 1.13.1 and 13), long-term contracts (notes 1.8 and 24), goodwill (notes 1.10 and 10) and disputes and contingent liabilities (note 34).
 - The valuation of provisions for end-of-life-cycle operations, recorded on the balance sheet in the amount of €5.075 billion, was carried out following the methods described in note 1.18. As a balancing entry to these provisions, the group recognized a decommissioning asset in the net amount of €2.665 billion. As part of our procedures, we reviewed the estimates of the provisions and the share of the decommissioning asset to be funded by third parties by assessing the reasonableness of the assumptions adopted, in particular by taking into account changes in the estimates in 2007 and the negotiations currently underway with EDF.
 - Non-current assets include the financial assets earmarked for end-of-life-cycle operations for a net amount of €2.873 billion, for which the management objectives are set forth in note 13 to the consolidated financial statements. These financial assets, which are mainly comprised of directly-held securities and shares in customized equity mutual funds, are subject to valuation, the principles of which are described in note 1.13.1 to the consolidated financial statements. As part of our procedures, we assessed the correct and consistent application of the valuation methods and the determination of long-term impairment.
 - Your group recognizes income from long-term contracts in accordance with the policies and terms and conditions described in notes 1.18 and 24 to the consolidated financial statements. Based on the accounting information available, our procedures mainly consisted, in general and with regard to the OL3 contract in particular, of assessing the data and assumptions made by management underlying estimates of profits or losses on contract completion and changes therein, reviewing the calculations performed and analyzing management's procedures for approving these estimates.
 - Goodwill recognized on the balance sheet for a net amount of €4.377 billion as of December 31, 2007, was subject to impairment tests performed in accordance with the methods described in notes 1.10 and 10 to the consolidated financial statements. Our procedures consisted of reviewing the conditions under which these tests were performed based on the discounting of future cash flows of the relevant activities, assessing the consistency of the assumptions adopted with the forecast data resulting from the strategic plans revised by the group in 2007, and verifying that notes 1.10 and 10 to the consolidated financial statements contain appropriate disclosures.
 - With respect to risks and litigation, we assessed the procedures currently used by your group to identify, assess and reflect the accounting impact of such risks and litigation. We also ensured ourselves that the main litigation identified at the time we performed our procedures was described appropriately in the notes to the consolidated financial statements, specifically note 34.
- We reviewed the accounting treatment adopted by the company for the put options held by the minority shareholder of AREVA NP. In the absence of a specific provision on this subject in the IFRS as adopted in the European Union, we reviewed the position adopted by the group and verified that note 1.19.1 to the consolidated financial statements contains appropriate disclosures in this respect.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of the opinion expressed in the first part of this report.

III - Specific procedures and disclosures

We have also verified, in accordance with professional standards applicable in France, the financial information contained in the Group Management Report. We have no comment to make as to the fair presentation of this information or its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, February 27, 2008

The Statutory Auditors

Deloitte & Associés
Pascal Colin Jean-Paul Picard

Mazars & Guérard
Jean-Luc Barlet

Salustro Reydel
Member of KPMG International
Denis Marangé

5.4.2. Consolidated income statement

<i>(in millions of euros)</i>	Note	2007	2006	2005
Sales revenue	3	11,923	10,863	10,125
Other income from operations		21	55	7
Cost of sales		(9,183)	(8,698)	(7,852)
Gross margin		2,762	2,220	2,280
Research and development expenses		(421)	(355)	(328)
Marketing and sales expenses		(529)	(493)	(478)
General and administrative expenses		(881)	(778)	(724)
Restructuring and early retirement costs	6	(57)	(131)	(138)
Other operating income and expenses	6	(123)	(56)	(61)
Operating income		751	407	551
Income from cash and cash equivalents		37	50	59
Gross borrowing costs		(110)	(78)	(42)
Net borrowing costs		(73)	(29)	17
Other financial expenses		(264)	(235)	(228)
Other financial income		402	360	198
Other financial income and expenses		138	126	(30)
Net financial income (expense)	7	64	97	(13)
Income tax	8	(81)	(51)	(146)
Net income of consolidated businesses		734	453	393
Share in net income of associates	14	148	220	153
Net income from continuing operations		882	672	546
Net income from discontinued operations	9	-	-	598
Net income for the period		882	672	1,144
Less minority interests		139	24	95
Net income attributable to equity holders of the parent		743	649	1,049
Average number of shares outstanding		35,442,701	35,442,701	35,442,701
Earnings per share from continuing operations		20.95	18.31	12.72
Basic earnings per share		20.95	18.31	29.60
Diluted earnings per share ⁽¹⁾		20.95	18.31	29.60

(1) AREVA has not issued any instruments with a dilutive impact on share capital

5.4.3. Consolidated balance sheet

Assets

<i>(in millions of euros)</i>	Note	December 31, 2007	December 31, 2006	December 31, 2005
Non-current assets		21,425	17,350	15,786
Goodwill on consolidated companies	10	4,377	2,515	2,095
Other intangible assets	11	2,729	1,175	761
Property, plant and equipment	12	4,204	3,814	3,542
End-of-life-cycle asset (third party share)	13	2,491	2,091	2,045
Assets earmarked for end-of-life-cycle operations	13	2,873	2,986	2,798
Investments in associates	14	1,558	1,521	1,288
Other non-current financial assets	15	2,588	2,376	2,365
Pension fund assets		-	-	-
Deferred tax assets	8	604	873	892
Current assets		9,251	8,543	9,060
Inventories and work-in-process	16	2,817	2,306	2,272
Trade accounts receivable and related accounts	17	3,884	3,604	3,793
Other operating receivables	18	1,402	1,121	914
Current tax assets	8	94	116	172
Other non-operating receivables		141	142	142
Cash and cash equivalents	19	634	962	1,484
Other current financial assets	20	279	292	264
Assets of operations held for sale		-	-	19
Total assets		30,676	25,893	24,846

Liabilities and equity

<i>(in millions of euros)</i>	Note	December 31, 2007	December 31, 2006	December 31, 2005
Equity and minority interests		7,464	7,016	6,590
Share capital	21	1,347	1,347	1,347
Consolidated premiums and reserves		3,925	3,619	2,891
Deferred unrealized gains and losses on financial instruments		1,117	1,131	992
Currency translation reserves		(138)	(25)	83
Net income attributable to equity holders of the parent		743	649	1,049
Minority interests	22	470	294	228
Non-current liabilities		11,951	8,352	8,179
Employee benefits	23	1,175	1,122	1,096
Provisions for end-of-life-cycle operations	13	5,075	4,585	4,490
Other non-current provisions	24	121	113	91
Long-term borrowings	25	4,302	1,407	1,637
Deferred tax liabilities	8	1,277	1,124	865
Current liabilities		11,261	10,526	10,077
Current provisions	24	1,823	1,788	1,331
Short-term borrowings	25	613	712	379
Advances and prepayments received	26	4,172	4,185	4,671
Trade accounts payable and related accounts		2,565	2,093	1,939
Other operating liabilities	27	1,921	1,650	1,644
Current tax liabilities	8	127	74	99
Other non-operating liabilities	27	41	23	1
Liabilities of operations held for sale		-	-	13
Total liabilities and equity		30,676	25,893	24,846

5.4.4. Consolidated cash flow statement

<i>(in millions of euros)</i>	Note	2007	2006	2005
Net income before minority interests		882	672	1,144
Less: income from discontinued operations		-	-	(598)
Net income from continuing operations		882	672	546
Share in net income of associates		(148)	(220)	(153)
Net amortization, depreciation and impairment of PP&E and intangible assets and marketable securities maturing in more than 3 months		553	500	507
Goodwill impairment losses		-	-	-
Net share to provisions		9	314	109
Net effect of reverse discounting of assets and provisions		147	178	169
Income tax expense (current and deferred)		81	50	146
Net interest included in borrowing costs		55	7	(13)
Loss (gain) on disposals of fixed assets and marketable securities maturing in more than 3 months; change in fair value		(160)	(259)	(123)
Other non-cash items		(125)	(15)	(14)
Cash flow from operations before interest and taxes		1,294	1,231	1,173
Net interest received (paid)		(26)	0	2
Income tax paid		(130)	(90)	(119)
Cash flow from operations after interest and tax		1,138	1,141	1,056
Change in working capital requirement	28	(416)	(344)	(286)
Net cash from operating activities		722	797	770
Investment in PP&E and intangible assets		(1,112)	(1,134)	(535)
Loans granted and acquisitions of non-current financial assets		(1,127)	(2,318)	(702)
Acquisitions of shares of consolidated companies, net of acquired cash		(1,853)	(240)	(25)
Disposals of PP&E and intangible assets		40	42	66
Loan repayments and disposals of non-current financial assets		1,204	2,650	336
Disposals of shares of consolidated companies, net of disposed cash		-	21	93
Dividends from equity associates		52	27	29
Net cash used in investing activities		(2,796)	(953)	(739)
Share issues subscribed by minority shareholders in consolidated subsidiaries		5	-	9
Dividends paid to shareholders of the parent company		(300)	(350)	(340)
Dividends paid to minority shareholders of consolidated companies		(45)	(79)	(81)
Increase (decrease) in borrowings		1,862	64	19
Net cash used in financing activities		1,522	(364)	(392)
Increase (decrease) in securities recognized at fair value through profit and loss		178	(1)	(9)
Impact of foreign exchange movements		(7)	2	(7)
Net cash flow from discontinued operations	28	-	-	853
Increase (decrease) in net cash		(381)	(518)	475
Net cash at the beginning of the year		901	1,419	945
Cash at the end of the year	19	634	962	1484
Less: short-term bank facilities and non-trade current accounts (credit balances)	25	(113)	(61)	(65)
Net cash at the end of the year		520	901	1,419

5.4. Consolidated financial statements 2007

“Net cash” taken into account in establishing the cash flow statement consists of:

- “Cash and cash equivalents” (see note 19), which includes:
 - cash balances and non-trade current accounts, and
 - risk-free marketable securities initially maturing in less than three months, and money market funds;
- after deduction of short-term bank facilities and non-trade current accounts included in short-term borrowings (see note 25).

5.4.5. Consolidated statement of changes in equity

<i>(in millions of euros)</i>	Number of shares and investment certificates	Share capital	Premiums and consolidated reserves	Currency translation reserves	Deferred unrealized gains and losses on financial instruments	Equity attributable to equity holders of the parent	Minority interests	Total equity
December 31, 2005	35,442,701	1,347	3,940	83	992	6,362	228	6,590
Net income for 2006	-	-	649	-	-	649	24	672
Change in deferred unrealized gains and losses (after tax):	-	-	-	-	-	-	-	-
• on cash flow hedging instruments	-	-	-	-	1	1	3	4
• change in value of available-for-sale securities	-	-	-	-	138	138	(3)	135
Total income and expenses recognized	-	-	649	-	139	788	24	811
Dividends paid*	-	-	(350)	-	-	(350)	(79)	(429)
Change in consolidated group	-	-	-	-	-	-	-	-
Change in accounting method and other adjustments	-	-	29	-	-	29	134	164
Currency translation adjustments	-	-	-	(108)	-	(108)	(13)	(121)
December 31, 2006	35,442,701	1,347	4,268	(25)	1,131	6,721	294	7,016
Net income for 2007	-	-	743	-	-	743	139	882
Change in deferred unrealized gains and losses (after tax):	-	-	-	-	-	-	-	-
• on cash flow hedging instruments	-	-	-	-	(10)	(10)	1	(9)
• change in value of available-for-sale securities	-	-	-	-	(4)	(4)	(1)	(5)
Total income and expenses recognized	-	-	743	-	(14)	729	139	868
Dividends paid*	-	-	(300)	-	-	(300)	(45)	(345)
Change in consolidated group	-	-	-	-	-	-	-	-
Change in accounting method and other adjustments**	-	-	(43)	-	-	(43)	97	54
Currency translation adjustments	-	-	-	(113)	-	(113)	(15)	(128)
December 31, 2007	35,442,701	1,347	4,668	(138)	1,117	6,994	470	7,464

* Dividend paid per share

(in euros):

- in 2006 from 2005 net income
- in 2007 from 2006 net income

** Other adjustments relate to associates whose financial statements were not available when AREVA closed its records for the years ended December 31, 2006 and December 31, 2007. These adjustments include fair value adjustments in associates' equity positions.

5.4.6. Segment reporting

Data by division

2007

Income statement

<i>(in millions of euros)</i>	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	Eliminations	Total group
Gross sales revenue	3,181	2,870	1,978	4,340	280	(726)	11,923
Inter-company sales*	(42)	(152)	(240)	(12)	(280)	726	0
Contribution to consolidated sales revenue	3,140	2,717	1,738	4,327	1	0	11,923
Operating income	496	(178)	207	406	(166)	(14)	751
% of gross sales revenue	15.6%	(6.2)%	10.5%	9.3%	n.a.	-	6.3%
Depreciation and amortization of PP&E and intangible assets	(191)	(88)	(143)	(76)	(4)	-	(503)
Impairment of PP&E and intangible assets	-	-	-	-	-	-	0
Net reversal (increase) in provisions	(41)	29	(22)	47	(25)	-	(12)
Gain (loss) on asset disposals recognized in operating income	3	0	1	-	-	-	4

* Transfer prices used in inter-company transactions are determined at arms' length.

Balance sheet

<i>(in millions of euros, except personnel data)</i>	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	Eliminations	Total group
PP&E and intangible assets (including goodwill)	4,894	1,141	1,897	1,053	2,332	(7)	11,310
Assets earmarked for end-of-life-cycle operations	697	46	4,621	-	-	-	5,365
Other non-current assets	-	-	-	-	4,750	-	4,750
Subtotal: Non-current assets	5,591	1,187	6,518	1,053	7,082	(7)	21,425
Inventories and receivables (excluding tax receivables)	2,308	1,687	1,383	2,909	419	(461)	8,244
Other current assets	-	-	-	-	1,007	-	1,007
Subtotal: Current assets	2,308	1,687	1,383	2,909	1,426	(461)	9,251
Total assets	7,899	2,874	7,900	3,961	8,508	(468)	30,676
Employee benefits and non-current provisions	1,324	273	4,479	272	22	-	6,371
Other non-current liabilities	-	-	-	-	5,580	0	5,580
Subtotal: Non-current liabilities	1,324	273	4,479	272	5,602	0	11,951
Current provisions	259	637	419	378	130	-	1,823
Advances, down payments and other debt, excluding tax liabilities	1,416	1,815	3,113	2,513	308	(466)	8,699
Other current liabilities	-	-	-	-	740	-	740
Subtotal: Current liabilities	1,675	2,452	3,532	2,891	1,178	(467)	11,261
Total liabilities	2,999	2,725	8,012	3,163	6,779	(467)	23,212
Workforce	12,577	16,500	10,638	25,248	620	-	65,583

2006

Income statement

<i>(in millions of euros)</i>	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	Eliminations	Total group
Gross sales revenue	2,971	2,441	2,203	3,725	255	(732)	10,863
Inter-company sales*	(52)	(129)	(295)	(1)	(254)	732	0
Contribution to consolidated sales revenue	2,919	2,312	1,908	3,724	-	-	10,863
Operating income	456	(420)	273	191	(93)	(1)	407
<i>% of gross sales revenue</i>	<i>15.4%</i>	<i>-17.2%</i>	<i>12.4%</i>	<i>5.1%</i>	<i>n.a.</i>	-	<i>3.7%</i>
Depreciation and amortization of PP&E and intangible assets	(180)	(68)	(153)	(76)	(2)	-	(479)
Impairment of PP&E and intangible assets	(17)	-	-	-	-	-	(17)
Net reversal (increase) in provisions	33	(358)	40	10	(45)	-	(320)
Gain (loss) on asset disposals recognized in operating income	34	(5)	1	2	20	-	51

* Transfer prices used in inter-company transactions are determined at arms' length.

Balance sheet

<i>(in millions of euros, except personnel data)</i>	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	Eliminations	Total group
PP&E and intangible assets (including goodwill)	2,321	918	1,954	961	1,344	3	7,502
Assets earmarked for end-of-life-cycle operations	429	70	4,581	-	-	-	5,080
Other non-current assets	-	-	-	-	4,769	-	4,769
Subtotal Non-current assets	2,750	988	6,535	961	6,113	3	17,350
Inventories and receivables (excluding tax receivables)	1,890	1,494	1,326	2,513	375	(426)	7,172
Other current assets	-	-	-	-	1,370	-	1,370
Subtotal Current assets	1,890	1,494	1,326	2,513	1,745	(426)	8,542
Total assets	4,640	2,482	7,861	3,474	7,858	(423)	25,893
Employee benefits and non-current provisions	1,153	197	4,154	279	38	-	5,821
Other non-current liabilities	-	-	-	-	2,531	-	2,531
Subtotal Non-current liabilities	1,153	197	4,154	279	2,569	-	8,352
Current provisions	204	670	413	408	95	(2)	1,788
Advances, down payments and other debt, excluding tax liabilities	1,131	1,676	3,248	2,089	232	(425)	7,952
Other current liabilities	-	-	-	-	786	-	786
Subtotal Current liabilities	1,335	2,346	3,661	2,498	1,114	(427)	10,526
Total liabilities	2,488	2,543	7,815	2,776	3,682	(427)	18,878
Workforce	11,995	14,936	10,697	22,988	495	-	61,111

2005

Income statement

<i>(in millions of euros)</i>	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	Eliminations	Total group
Gross sales revenue	2,712	2,469	2,147	3,212	233	(647)	10,125
Inter-company sales*	(81)	(121)	(226)	-	(219)	647	0
Contribution to consolidated sales revenue	2,631	2,348	1,921	3,212	14	-	10,125
Operating income	374	87	208	(61)	(58)	1	551
% of gross sales revenue	13.8%	3.5%	9.7%	-1.9%	n.a.	-	5.4%
Depreciation and amortization of PP&E and intangible assets	(153)	(61)	(200)	(78)	(2)	-	(493)
Impairment of PP&E and intangible assets	(1)	-	-	-	-	-	(1)
Net reversal (increase) in provisions	26	(26)	(45)	(96)	(2)	-	(132)
Gain (loss) on asset disposals recognized in operating income	(1)	2	2	(13)	2	-	(8)

* Transfer prices used in inter-company transactions are determined at arms' length.

Balance sheet

<i>(in millions of euros, except personnel data)</i>	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	Eliminations	Total group
PP&E and intangible assets (including goodwill)	1,554	606	2,079	950	1,205	5	6,399
Assets earmarked for end-of-life-cycle operations	443	48	4,352	-	-	-	4,843
Other non-current assets	-	-	-	-	4,545	-	4,545
Subtotal Non-current assets	1,998	654	6,431	950	5,750	5	15,787
Inventories and receivables (excluding tax receivables)	1,891	1,614	1,372	2,268	304	(328)	7,121
Other current assets	-	-	-	-	1,939	-	1,939
Subtotal Current assets	1,891	1,614	1,372	2,268	2,242	(328)	9,060
Total assets	3,888	2,268	7,803	3,218	7,992	(323)	24,847
Employee benefits and non-current provisions	1,106	264	4,025	245	41	-	5,676
Other non-current liabilities	-	-	-	-	2,502	-	2,502
Subtotal Non-current liabilities	1,106	260	4,025	244	2,543	-	8,179
Current provisions	188	249	389	429	76	-	1,331
Advances, down payments and other debt, excluding tax liabilities	1,106	1,807	3,562	1,929	194	(342)	8,255
Other current liabilities	-	-	-	-	492	-	492
Subtotal Current liabilities	1,294	2,056	,3,951	,2,358	762	(342)	10,078
Total liabilities	2,401	2,316	7,975	2,602	3,305	(342)	18,257
Workforce	11,047	14,323	10,864	22,094	432	-	58,760

Data by geographical area

2007

Contribution to consolidated sales revenue by business division and customer location

<i>(in millions of euros)</i>	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	Total group
France	1,018	946	1,000	348	1	3,313
Europe (excluding France)	779	814	341	1,473	-	3,407
North & South America	678	638	86	570	-	1,972
Asia-Pacific	631	238	310	1,052	-	2,231
Africa / Middle East	34	81	1	884	-	1,000
Other countries	-	-	-	-	-	-
Total	3,140	2,717	1,738	4,327	1	11,923

Closing balances of property, plant and equipment and intangible net assets (excluding goodwill) as of December 31, 2007 by geographical area and by division

<i>(in millions of euros)</i>	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	Total group
France	1,154	351	1,880	131	82	3,598
Europe (excluding France)	295	156	0	186	7	644
North & South America	824	157	10	63	32	1,086
Asia-Pacific	17	3	0	124	1	146
Africa / Middle East	1,458	0	0	1	0	1,460
Total	3,748	667	1,890	505	122	6,933

Acquisitions of property, plant and equipment and intangible net assets (excluding goodwill) as of December 31, 2007 by geographical area and by division

<i>(in millions of euros)</i>	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	Total group
France	303	127	99	39	36	604
Europe (excluding France)	81	55	0	42	0	177
North & South America	128	82	3	17	0	230
Asia-Pacific	10	2	0	45	0	57
Africa / Middle East	64	0	0	1	0	65
Total	586	266	102	144	36	1,133

2006

Contribution to consolidated sales revenue by business division and customer location

<i>(in millions of euros)</i>	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	Total group
France	1,203	886	1,125	316	-	3,530
Europe (excluding France)	708	687	489	1,279	1	3,164
North & South America	643	522	78	603	-	1,846
Asia-Pacific	330	183	215	817	-	1,545
Africa / Middle East	35	34	1	708	-	778
Other countries	-	-	-	-	-	-
Total	2,919	2,312	1,908	3,723	1	10,863

Closing balances of property, plant and equipment and intangible net assets (excluding goodwill) as of December 31, 2006 by geographical area and by division

<i>(in millions of euros)</i>	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	Total group
France	931	290	1,938	129	53	3,341
Europe (excluding France)	246	117	0	175	8	546
North & South America	732	120	10	54	28	944
Asia-Pacific	8	1	0	95	1	106
Africa / Middle East	51	0	0	1	0	51
Total	1,967	528	1,948	455	90	4,988

Acquisitions of property, plant and equipment and intangible net assets (excluding goodwill) as of December 31, 2006 by geographical area and by division

<i>(in millions of euros)</i>	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	Total group
France	536	87	87	29	14	752
Europe (excluding France)	67	57	0	26	0	149
North & South America	134	62	3	13	1	213
Asia-Pacific	5	1	0	19	0	25
Africa / Middle East	17	0	0	0	0	18
Total	759	207	89	87	15	1,157

2005

Contribution to consolidated sales revenue by business division and customer location

<i>(in millions of euros)</i>	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	Total group
France	1,116	873	1,104	270	8	3,371
Europe (excluding France)	604	702	511	1,204	1	3,022
North & South America	631	626	118	482	4	1,861
Asia-Pacific	229	115	187	648	1	1,180
Africa / Middle East	51	31	0	596	0	678
Other countries	0	1	0	12	0	13
Total	2,631	2,348	1,920	3,212	14	10,125

Closing balances of property, plant and equipment and intangible net assets (excluding goodwill) as of December 31, 2005 by geographical area and by division*

<i>(in millions of euros)</i>	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	Total group
France	419	158	2,062	133	51	2,824
Europe (excluding France)	157	80	0	169	9	415
North & South America	742	81	10	61	31	924
Asia-Pacific	4	0	0	87	1	93
Africa / Middle East	47	0	0	1	0	48
Total	1,369	319	2,073	451	92	4,304

* Including end-of-life-cycle asset – AREVA share.

Acquisitions of property, plant and equipment and intangible net assets (excluding goodwill) as of December 31, 2005 by geographical area and by division

<i>(in millions of euros)</i>	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	Total group
France	114	74	67	19	12	286
Europe (excluding France)	46	53	0	16	0	115
North & South America	81	26	3	10	1	120
Asia-Pacific	4	0	0	14	0	18
Africa / Middle East	12	0	0	0	0	12
Total	256	153	70	60	13	552

5.5. | Notes to the consolidated financial statements

All amounts are presented in millions of euros unless otherwise indicated. Certain totals may include rounding differences.

Introduction

AREVA's consolidated financial statements for the period January 1 through December 31, 2007 were approved by the Executive Board on February 18, 2008 and reviewed by the Supervisory Board on February 26, 2008. The financial statements will be presented to the Annual General Meeting of Shareholders for approval on April 17, 2008.

The AREVA group is fully consolidated by the *Commissariat à l'Énergie Atomique* (see note 21).

Note 1. Accounting principles

Pursuant to European Regulation 1606/2002 of July 19, 2002, AREVA's consolidated financial statements for the year ended December 31, 2007 were prepared in accordance with International Financial Reporting Standards (IFRS), as approved by the European Union as of December 31, 2007. They reflect IAS and IFRS standards and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the former Standing Interpretation Committee (SIC).

MANDATORY IFRS ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS APPLICABLE TO THE 2007 ANNUAL FINANCIAL STATEMENTS

A new IFRS rule, an amendment to an existing rule, and several IFRIC interpretations became mandatory for years beginning on or after January 1, 2007:

- IFRS 7, *Financial Instruments: Disclosures*: this standard requires companies to report additional information on their exposure to risk from financial instruments and on the management of the risk:
 - significance of financial instruments for the company's financial position and performance,
 - information about the nature and extent of risks arising from credit quality, market conditions and liquidity.
 This information is provided in notes 13, 15, 17, 25 and 31 to the consolidated financial statements;
- IAS 1 revised, *Presentation of Financial Statements*: prescribes the publication of information allowing users of financial statements to assess the entity's objectives, policies and management procedures related to the management of its capital.

This amendment has no impact on AREVA as of December 31, 2007, since the company has not issued any dilutive instruments or agreed to any equity covenants;

- IFRIC 10, *Interim Financial Reporting and Impairment*: this interpretation stipulates that impairment losses in respect of goodwill and financial assets categorized as "available for sale" recognized through profit and loss in an interim period may not be reversed at year end.

This interpretation has no impact on AREVA as of December 31, 2007 since no impairment loss in respect of goodwill or financial asset available for sale was recognized in the financial statements as of June 30, 2007;

- other IFRIC interpretations adopted by the European Union and applicable in 2007 had no significant impact on AREVA's consolidated financial statements as of December 31, 2007:
 - IFRIC 7, *Applying the Restatement Approach under IAS 29 – Financial Reporting in Hyperinflationary Economies*,
 - IFRIC 8, *Scope of IFRS 2 – Share-based Payments*,
 - IFRIC 9, *Reassessment of Embedded Derivatives*,
 - IFRIC 11, *Group and Treasury Share Transactions – Share Option Plans*.

EARLY ADOPTION OF CERTAIN STANDARDS AS OF DECEMBER 31, 2007

The European Union adopted a new IFRS rule and a revised IAS rule in 2007 which are mandatory for years beginning after January 1, 2009, with a possible early adoption on a voluntary basis:

- IFRS 8, *Operating Segments*, which replaces IAS 14: in accordance with this new standard, information on operating segments will be provided based on management's vision and no

5.5. Notes to the consolidated financial statements

Note 1. Accounting principles

longer on homogeneous risk and profitability criteria. Moreover, data reported for each segment may be established according to rules other than IFRS if consistent with the methods used by management to evaluate their performance. In this instance, the company must provide a global reconciliation with consolidated data;

- IAS 1 revised, *Presentation of Financial Statements*: the main change in this revised standard concerns the creation of an option to:
 - either recognize through profit and loss income or expense items currently recognized directly in equity in accordance with other standards (currency translation adjustments, change in fair value of financial assets available for sale, change in fair value of cash flow hedges),
 - or present these items in a new statement (statement of other income and expenses) distinct from the statement of change in equity.

AREVA did not elect early for adoption of this new standard and standard amendment in the financial statements for the year ended December 31, 2007, and, as such, they had no impact on the financial statements.

The quantified impact of application of this standard and this standard amendment on AREVA's financial statements for the years beginning on or after January 1, 2009 is being evaluated.

1.1. Estimates and assumptions

To prepare its financial statements, AREVA must make estimates and assumptions impacting the net carrying amount of certain assets and liabilities, income and expense items, or information provided in the notes to the financial statements. AREVA updates its estimates and assumptions on a regular basis to take into account past experience and other factors deemed relevant, based on business circumstances. Depending on changes in these assumptions or in circumstances, the group's future financial statements may or may not be consistent with current estimates.

The main estimates and assumptions include:

- anticipated margins on contracts accounted for according to the percentage of completion method (see notes 1.8 and 24): these estimates are developed by the project teams in accordance with the group's procedures;
- anticipated cash flows, discount rates and growth assumptions used in impairment tests for goodwill and other property, plant and equipment and intangible assets (see notes 1.10 and 10);
- anticipated cash flows, discount rates and growth assumptions used to assess the value of put options held by minority shareholders of certain AREVA subsidiaries (see notes 1.19 and 25);
- all assumptions used to assess the value of pension obligations and other employee benefits, including future payroll escala-

tion, discount rates, retirement age and employee turnover (see notes 1.16 and 23);

- all assumptions used to calculate provisions for end-of-life-cycle operations and the asset corresponding to the third party share, including:
 - estimated costs of future end-of-life-cycle operations,
 - inflation and discount rates,
 - the schedule of future disbursements, and
 - the service life of facilities (see notes 1.18 and 13);
- estimates regarding the outcome of ongoing litigation and, more generally, estimates regarding all provisions and contingent liabilities of the AREVA group (see notes 1.17, 24 and 33);
- estimates of recovery potential used to recognize deferred tax assets (see notes 1.22 and 8);
- the share in equity and net income of equity associates for companies that had not published their year-end financial statements as of the date of AREVA's financial statements.

1.2. Presentation of the financial statements

AREVA's financial statements are presented in accordance with IAS 1.

1.2.1. Presentation of the balance sheet

The balance sheet makes a distinction between current and non-current assets, and current and non-current liabilities, in accordance with IAS 1.

Current assets and liabilities include assets held for sale or for use in connection with the operating cycle or expected to be sold or settled within 12 months of the balance sheet date.

Financial liabilities are reported as current or non-current liabilities based on their residual maturity at year-end.

To simplify the presentation of the balance sheet, AREVA presents all headings relating to end-of-life-cycle operations, as defined in note 13, on separate lines under non-current assets or liabilities, for their full amount. Thus, provisions for end-of-life-cycle operations are presented as non-current liabilities; the end-of-life-cycle asset corresponding to the share of third parties in the financing of these operations is presented under non-current assets. Financial assets earmarked to cover these operations are presented in a separate heading under non-current assets, including all equities and shares of equity and bond funds held in the portfolio, together with cash held on a short-term basis.

Provisions for employee benefits are also presented under non-current liabilities for their full amount.

Deferred tax assets and liabilities are reported as "non-current".

5.5. Notes to the consolidated financial statements

Note 1. Accounting principles

Assets and liabilities of discontinued operations are presented under separate headings of the balance sheet, as required under IFRS 5.

1.2.2. Presentation of the income statement

In the absence of detailed guidance in IAS 1, the income statement is presented in accordance with recommendation 2004-R.02 of the *Conseil National de la Comptabilité* (French national accounting board).

- Operating expenses are presented by function and are split among the following categories:
 - cost of sales;
 - research and development expenses;
 - marketing and sales expenses;
 - general and administrative expenses;
 - the costs of restructuring and early employee retirement plans;
 - other operating income and expenses, mainly comprising:
 - goodwill impairment losses,
 - impairment of and income from disposals of property, plant and equipment and intangible assets,
 - income from the deconsolidation of subsidiaries (except when qualified as discontinued operations in accordance with IFRS 5, in which instance they are presented on a separate line in the income statement).
- Net financial income comprises:
 - gross borrowing costs;
 - income from cash and cash equivalents;
 - other financial expenses, most notably:
 - lasting impairment and gains or losses on sales of available-for-sale securities,
 - positive changes in value and gains on disposals of securities held for trading,
 - reverse discounting of provisions for end-of-life-cycle operations and employee benefits;
 - other financial income, most notably:
 - dividends received and other income from financial assets other than cash and cash equivalents,
 - gains on disposals of available-for-sale securities,
 - negative changes in value and gains on disposals of securities held for trading,
 - reverse discounting of end-of-life-cycle assets (third party share),
 - returns on retirement plan assets and other employee benefits.
- Net income after tax from discontinued operations, as defined in IFRS 5, is presented under a separate heading in the income statement.

This item includes net income from these operations during the year up to the date of their disposal, and net income from the disposal itself.

1.2.3. Cash flow data

The cash flow statement is presented in accordance with IAS 7. AREVA has adopted the indirect method of presentation, which starts with consolidated net income for the period.

Cash flows from operating activities include income taxes paid, interest paid or received, and dividends received, except for dividends received from equity associates, which are reported in cash flows from investing activities.

Cash flow from operations is presented before income tax, dividends and interest.

In accordance with IFRS 5, net cash flow from discontinued operations is presented under a separate heading in the cash flow statement.

This heading includes net cash flows from operations during the year up to the date of their disposal and cash flows after tax from the disposal itself.

1.3. Consolidation methods

The consolidated statements combine the financial statements as of December 31, 2007 of AREVA and the subsidiaries which it controls or in which it exercises either joint control or a significant influence over financial policy and management.

- The companies controlled by AREVA are consolidated using the full consolidation method (including special purpose entities). Control is defined as the direct or indirect power to govern a company's financial and operating policies in order to benefit from its activities. Control is assumed when more than 50% of the voting rights are held, directly or indirectly. Determination of control takes into account the existence and effect of potential voting rights that may be exercised or converted immediately.
- The companies in which AREVA exercises joint control are consolidated using the proportionate consolidation method.
- The companies in which AREVA exercises a significant influence over financial policy and management ("associates") are accounted for using the equity method. Significant influence is deemed to exist if the group's investment is 20% or higher.

Minority interests in consolidated subsidiaries with negative equity are borne in full by the group for accounting purposes, unless there is an explicit agreement for such minority shareholders to bear their share of the deficit.

Intercompany transactions are eliminated.

1.4. Translation of financial statements of foreign companies

The AREVA group's financial statements are presented in euros.

5.5. Notes to the consolidated financial statements

Note 1. Accounting principles

The functional currency of an entity is the currency of the economic environment in which that entity primarily operates. The functional currency of foreign subsidiaries and associates is generally the local currency. However, another currency may be designated for this purpose when most of a company's transactions are in another currency.

The financial statements of foreign companies belonging to the AREVA group are prepared in the local functional currency and translated into euros for consolidation purposes in accordance with the following principles:

- balance sheet items (including goodwill) are translated at the rates applicable at the end of the period, with the exception of equity components, which are kept at their historic rates;
- income statement transactions and cash flow statements are translated at average annual rates;
- the group's share of currency translation differences impacting the income statement and equity is recognized directly in equity under the heading "Currency translation reserves". When a foreign company is sold, currency translation differences in respect of the company recorded in equity after January 1, 2004 (date of first adoption of IFRS) are recognized in income.

1.5. Segment reporting

Segment reporting is presented at two levels:

- level one: information by business sector, corresponding to the group's four operating divisions: Front End, Reactors and Services, Back End, and Transmission & Distribution, in addition to a Corporate division.

Information by division includes only personnel data and operating data included in the balance sheet and the income statement: sales revenue, operating income, goodwill, non-current property, plant and equipment and intangible assets, other operating assets, and liabilities. Financial assets and liabilities and the group's tax position are managed at central level. The corresponding balance sheet and income statement items are not allocated to the group's operating divisions, but rather presented on a consolidated basis under the heading Corporate division;

- level two: information by geographical area
AREVA's consolidated sales are broken down by geographical area, depending on the destination of the goods and services, as follows:
 - France,
 - Europe (excluding France),
 - North and South America,
 - Asia-Pacific,
 - Africa / Middle East.

1.6. Business combinations – Goodwill

Acquisitions of companies and operations are recorded at cost, as provided in IFRS 3, for business combinations subsequent to January 1, 2004. In accordance with the option provided under

IFRS 1 for the first adoption of IFRS, business combinations prior to that date were not restated.

Under the "acquisition cost method", the acquired company's assets, liabilities and contingent liabilities meeting the definition of identifiable assets and liabilities are recognized at fair value on the date of acquisition. However, the acquired entity's operations held for sale, as provided in IFRS 5, are recognized at the lower of fair value less costs to sell and the net carrying amount of the corresponding assets. For consolidation purposes, the date of consolidation of the acquired company is the date at which AREVA acquires effective control.

Restructuring and other costs incurred by the acquired company as a result of the business combination are included in the liabilities acquired, as long as IAS 37 criteria for provisions are met at the date of acquisition. Costs incurred after the date of acquisition are recognized in operating income during the year in which such costs are incurred or when meeting IAS 37 criteria.

The acquired company's contingent liabilities are recognized as identifiable liabilities and recorded at fair value on the date of acquisition. These liabilities reflect a potential obligation whose existence will only be confirmed if one or several uncertain future events which are not completely under the company's control were to occur.

The difference, on the acquisition date, between the acquisition cost of a company's shares and the fair value of corresponding assets, liabilities and contingent liabilities is recognized in goodwill when positive and in the income statement of the year of acquisition when negative.

Minority interests are recognized initially based on the fair value of assets, liabilities and contingent liabilities on the date of acquisition, prorated for the percentage interest held by minority shareholders.

The valuation of the acquired company's assets, liabilities and contingent liabilities may be adjusted within twelve months of the date of acquisition. After expiration of this period, the goodwill may only be adjusted under very specific circumstances: price adjustment, correction of errors, or subsequent recognition of a deferred tax asset that did not meet the criteria for recognition at the date of acquisition.

Goodwill is not amortized. It is subject to impairment tests that are systematically performed at least once a year, or more often if there are signs of impairment. Impairment is recognized if the outcome of these tests indicates that it is necessary. Significant loss of market share, loss of administrative permits or licenses required to operate a business, or significant financial losses are examples of signs of impairment.

To perform impairment tests, all goodwill is allocated to cash-generating units (CGUs) reflecting the group's structure. CGUs and the methodology used for impairment tests are described in note 1.10.

5.5. Notes to the consolidated financial statements

Note 1. Accounting principles

When the recoverable value of the cash-generating unit is less than the net carrying amount of its assets, the impairment is allocated first to goodwill and then to other non-current assets of the CGU (property, plant and equipment and intangible assets), prorated based on their net carrying amount. The recoverable value of a CGU is the higher of (1) its value in use measured in accordance with the discounted cash flow method, or (2) its fair value less disposal costs.

Impairment allocated to goodwill cannot be reversed.

Upon the sale of a consolidated unit, goodwill allocated to the unit is included in its net carrying amount and taken into consideration in determining the gain or loss on disposal.

1.7. Revenue recognition

Sales revenue is recognized at the fair value of the consideration received or to be received.

It is recognized net of rebates and sales taxes.

Sales are recognized during the transfer to the buyer of the principal risks and rewards of ownership, which generally coincides with the transfer of title or the performance of the service.

Sales revenue includes:

- sales revenue recognized according to the percentage of completion method (see note 1.8 below);
- sales revenue other than according to the percentage of completion method, including:
 - sales of goods (products and merchandise), and
 - services performed.

Sales revenue in respect of transactions where the unit only acts as broker, without bearing the risks and rewards attached to the goods, consists of the margin obtained by the unit. The same is true for commodity trading activities, which primarily concern uranium trading.

No revenue is recognized when materials or products are exchanged for materials or products of a similar nature and value.

1.8. Sales recognized according to the percentage of completion method

Sales revenue and margins on construction contracts and certain services are recognized according to the percentage of completion method (PCM), as provided in IAS 11 for construction contracts and in IAS 18 for services.

As required by this method, sales revenue and income from long-term contracts are recognized over the period of performance of the contract. Depending on the contract terms, the percentage of completion may be based on costs incurred or the stage of physical completion.

- Under the cost-based PCM formula, the stage of completion is equal to the ratio of costs incurred (i.e. costs of work or services performed and confirmed as of the end of the accounting period) to the total anticipated cost of the contract. This ratio may not exceed the percentage of physical or technical completion as of the end of the accounting period.
- Under the physical completion PCM formula, a predetermined percentage of completion is assigned to each stage of completion of the contract. The sales revenue and costs recognized at the end of the period are equal to the percentage of sales revenue and anticipated costs for the stage of completion achieved at that date.

When contract terms generate significant cash surpluses during all or part of the contract's performance, the resulting financial income is included in contract revenue and recognized in sales revenue based on the percentage of completion.

However, AREVA has elected not to include financial expenses in the cost of the contract, as allowed under IAS 11.

When the gain or loss at the end of the contract cannot be estimated reliably, the costs are recorded as expenses when incurred and the revenue recognized may not exceed the costs incurred and recoverable. The net margin recognized is therefore nil.

When a contract is expected to generate a loss at completion, the total projected loss is recorded immediately, after deduction of any already recognized partial loss, and a provision is set up accordingly.

1.9. Valuation of property, plant and equipment and intangible assets

1.9.1. Initial recognition

Property, plant and equipment and intangible assets are recognized at amortized cost.

AREVA did not elect to recognize certain PP&E and intangible assets at fair value, as allowed under IFRS 1 for the first-time adoption of IFRS on January 1, 2004.

1.9.2. Borrowing costs

AREVA has not made an IAS 23 election to include borrowing costs in the valuation of property, plant and equipment and intangible assets.

1.9.3. Intangible assets

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses incurred by AREVA for its own account are expensed as they are incurred.

Research and development expenses funded by customers under contract are included in the production cost of these contracts and

5.5. Notes to the consolidated financial statements

Note 1. Accounting principles

recorded under cost of sales when the corresponding sales revenue is recognized in income.

As provided in IAS 38, expenses relating to development projects are recorded as intangible assets if the project meets the following six criteria:

- it is technically feasible;
- the company intends to complete the asset, to use it or sell it;
- the company is able to use or sell the asset;
- future economic benefits are generated (existence of a market or internal use);
- adequate resources are available to complete the project; and
- costs attributable to the asset can be measured reliably.

Capitalized development costs are amortized over the expected life of the intangible asset, from the commissioning date. They are depreciated on a straight-line basis over a minimum period of time.

Costs expensed in a year prior to the decision to capitalize may not be capitalized subsequently.

MINERAL EXPLORATION

Exploration and geological work is assessed in accordance with the following rules:

- exploration expenses incurred to identify new mineral resources and expenses related to studies and pre-development work to evaluate a deposit before project profitability is confirmed are recognized as research and development expenses through profit and loss for the period;
- mining pre-development expenses relating to reserves presenting technical and economic characteristics that indicate a strong probability of profitable mining development may be capitalized at year-end. Indirect costs, excluding overhead expenses, are included in the valuation of these costs. Capitalized pre-mining expenses are amortized in proportion to the number of tons mined from the reserves they helped identify.

GREENHOUSE GAS EMISSION ALLOWANCES

Following the withdrawal by the IASB of IFRIC 3, and pending a decision by regulators on accounting for greenhouse gas emission allowances, AREVA does not record an asset or provision as long as the group's emissions are lower than the allowances it has received.

AREVA does not trade speculatively on emission allowance markets. The group's only transactions in 2007 were sales of rights corresponding to allowances allocated to it in excess of actual CO₂ emissions. Proceeds from these sales were recognized in the income statement under the heading "Other operating income".

OTHER INTANGIBLE ASSETS

An intangible asset is recorded when it is likely that future economic benefits will accrue to the company and if the cost of this asset can be estimated reliably, based on reasonable and documented assumptions.

Intangible assets are recorded at acquisition or production cost.

Goodwill and trademarks produced internally are not capitalized.

Amortization of intangible assets is calculated using the most appropriate method for the asset category, starting on the date of commissioning and over the shorter of their probable period of use and, when applicable, the length of their legal protection.

Intangible assets without indefinite useful lives, such as brands, are not amortized, but are subject to impairment tests (see note 1.10).

1.9.4. Property, plant and equipment

Property, plant and equipment are recognized at acquisition or production cost, including startup expenses, less cumulative depreciation and impairment.

The cost of nuclear facilities includes AREVA's share of provisions for end-of-life-cycle operations, estimated as of the startup date (see note 1.18).

They are depreciated based on the approach most representative of the loss of economic value of each component, with each component depreciated based on its own useful life.

Mining land is depreciated over the life of the deposit; site layout and preparation expenses are depreciated over 10 years; buildings over 10 to 45 years; production facilities, equipment and tooling other than nuclear facilities over 5 to 10 years; general facilities and miscellaneous fixtures over 10 to 20 years; and transportation equipment, office equipment, computer equipment and furniture over 3 to 10 years.

Assets financed under leasing arrangements, which transfer, in substance, nearly all the risks and rewards inherent in ownership of the asset to AREVA, are recognized in the balance sheet as property, plant and equipment assets and depreciated as indicated above. Assets financed by customers are depreciated over the term of the corresponding contracts.

The group's nuclear facilities are depreciated on a straight-line basis over their useful lives based on firm contracts to be performed by these facilities, including reasonable expectations for contract renewals.

Depreciation periods may be revised if the group's backlog changes significantly.

1.10. Impairment of property, plant and equipment and intangible assets

At each year-end, the group evaluates potential indications of asset impairments.

5.5. Notes to the consolidated financial statements

Note 1. Accounting principles

Impairment tests are performed systematically at least once a year for intangible assets with indefinite useful lives or more often if there is an indication of impairment.

Impairment tests are performed as soon as there is an indication that property, plant and equipment or intangible assets with finite useful lives may be impaired.

When no estimate of an individual asset's recoverable amount may be established, the group determines the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

A CGU is the smallest identifiable group of assets generating cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

Impairment is recognized when the recoverable amount of a CGU is less than the net carrying amount of all assets belonging to it.

The recoverable amount of a CGU is the higher of:

- its fair value net of disposal expenses;
- its value in use, equal to the present value of the estimated future cash flows it generates, as projected in the budget and the Strategic Action Plans approved by the Supervisory Board, plus, if applicable, its residual value at the end of its projected service life.

To determine an asset's value in use, cash flows are discounted based on a discount rate consistent with a current assessment of the time value of money and the specific risk of the asset.

For goodwill impairment tests, AREVA's CGUs generally represent business units. Each business unit is comprised of reporting entities managed by a single operating manager. The business unit is the elementary unit of the group's management structure.

However, a CGU may include several interdependent business units.

1.11. Inventories and work-in-process

Inventories and work-in-process are valued at production cost in the case of goods produced by the group and at acquisition cost in the case of goods acquired for consideration. Items are valued according to the first-in first-out method (FIFO) or at weighted average cost, depending on the type of inventory or work-in-process.

Impairment is recognized when the likely recoverable amount of inventory or work-in-process is less than its net carrying amount.

Financial expenses and research and development costs funded by AREVA are not taken into account in the valuation of inventories and work-in-process. However, the cost of research and development programs funded by customers is recognized in inventories and work-in-process.

Uranium inventories belonging to the group's trading business are recognized at market price.

1.12. Accounts receivable

Accounts receivable, generally due in less than one year, are recognized at book value at amortized cost.

An impairment charge is recognized to reflect the likely recovery value when collection is not assured.

1.13. Financial assets

Financial assets consist of:

- assets earmarked to finance end-of-life-cycle operations;
- other available-for-sale securities;
- loans, advances and deposits;
- securities held for trading;
- put and call options on securities;
- derivative hedging instruments (see note 1.21);
- cash and cash equivalents.

They are valued in accordance with IAS 39.

Regular purchases and sales of financial assets are recognized as of the date of transaction.

1.13.1. Assets earmarked to finance end-of-life-cycle operations

This heading includes all investments dedicated by AREVA to the funding of its operations for future end-of-life-cycle operations in the Nuclear business, including facility dismantling and waste retrieval and packaging. The portfolio includes directly-held publicly traded shares, dedicated equity mutual funds, dedicated bond and money market funds, and cash.

- Publicly traded shares are recognized as "Available-for-sale securities", as provided in IAS 39. They are recognized at fair value corresponding to the last traded price of the year. Changes in value are recognized directly in equity under the heading "Deferred unrealized gains and losses", on an after-tax basis, except for lasting impairment, which is recognized in financial expenses for the year.

A charge for lasting impairment is recognized when the sliding average of the stock market price of the share over 12 months is less than 70% of its initial fair value. The impairment is calculated as the difference between the price traded on the stock market on the last day of the period and the initial fair value of the shares.

Impairment of available-for-sale securities is irreversible and may only be released to the income statement on sale of the securities. Market price increases subsequent to recognition of impairment are recorded as a change of fair value recognized directly in equity under the heading "Deferred unrealized gains and losses".

5.5. Notes to the consolidated financial statements

Note 1. Accounting principles

- AREVA does not consolidate its dedicated mutual funds on an individual basis, since the company is not involved in their management, which is under the responsibility of first-rate management firms that are independent from the group. These mutual funds are benchmarked to the MSCI index of large European capitalizations, with strict limits on risk. The funds are regulated by the French stock market authority and therefore subject to regulations governing investment and concentration of risk. Moreover, AREVA complies with the conditions established in the August 2005 interim report of the French national accounting board regarding accounting for dedicated mutual fund investments. This method was adopted as of December 31, 2006 and December 31, 2007, pending the issuance of an opinion by IFRIC on the French national accounting board's interim report. In addition:
 - AREVA does not have control over the mutual funds' management firms;
 - AREVA does not hold voting rights in the mutual funds;
 - the funds do not trade directly or indirectly in financial instruments issued by AREVA;
 - none of the financial investments made by the funds are strategic to AREVA;
 - AREVA receives no benefit and bears no risk, directly or indirectly, other than that normally associated with investments in mutual funds and in proportion to its holding;
 - the funds have no debt or liabilities other than those resulting from normal trading.

Accordingly, the dedicated mutual funds are recognized on the balance sheet under a single heading corresponding to AREVA's share of their net asset value as of the end of the year.

Irrespective of their long-term investment objective, the funds dedicated to financing end-of-life-cycle operations are recognized as available-for-sale securities. Accordingly, the accounting treatment of changes in fair value and lasting impairment measurement and recognition methods are identical to those applicable to directly-held shares.

1.13.2. Other available-for-sale securities

This heading includes all shares held by AREVA in publicly traded companies, except shares in equity associates and shares held for trading.

These shares are valued in the same manner as shares held in the dedicated portfolio:

- fair value equal to the last traded price of the year;
- changes in fair value recognized directly in equity;
- lasting impairment recorded in financial income when the 12-month sliding average of the market price of the share is less than 70% of its initial fair value. Impairment is equal to the difference between the stock market price of the share at the end of the year and the initial fair value.

This heading also includes the group's investments in the share capital of unconsolidated companies, either because AREVA does not have control and has no significant influence over them or because of immateriality. These shares are valued at cost when

the fair value cannot be estimated reliably. This is particularly the case for privately held companies.

Impairment due to a long-term decrease in value is recognized as a financial expense, based on financial criteria relevant to each individual company, such as AREVA's share of the company's equity or its profitability outlook.

1.13.3. Loans, advances and deposits

This heading mainly includes loans related to unconsolidated equity interests, advances for acquisitions of equity interests, and security deposits.

These assets are valued at amortized cost. Impairment is recognized when the recoverable amount is less than the net carrying amount.

1.13.4. Securities held for trading

This heading includes investments in equities, bonds and shares of funds held to generate a profit based on market opportunities.

These assets are recognized at fair value based on their stock market price or their net asset value at the end of the period. Changes in fair value are recognized under financial income for the period.

1.13.5. Put/call options on securities

AREVA holds put and call options on traded securities. These options are recognized at fair value on the date of closing using the Black-Scholes pricing model; changes in value are recognized through profit and loss in the current year.

The price of an option consists of intrinsic value and time value. Intrinsic value is the difference between the strike price of an option and the market price of the underlying security. Time value is based on the security's volatility and the date on which the option may be exercised.

1.13.6. Cash and cash equivalents

Cash includes bank balances and non-trade current accounts with unconsolidated entities.

Cash and cash equivalents include risk-free marketable securities with an initial maturity of three months or less, or which may be converted into cash almost immediately. In particular, these assets include marketable debt instruments and shares of money market funds in euros, valued at amortized cost.

1.14. Treasury shares

Treasury shares are not recognized on the balance sheet but deducted from equity, at cost.

5.5. Notes to the consolidated financial statements

Note 1. Accounting principles

Accordingly, treasury shares held by associates are deducted from the equity taken into account by AREVA when recognizing these companies under the equity method.

1.15. Operations held for sale and income from discontinued operations

As provided in IFRS 5, discontinued operations include specific business lines where management has initiated a disposal program and an active search for buyers, when disposal is highly probable during the 12-month period following the end of the accounting year.

Assets from discontinued operations are recognized at the lower of their net carrying amount before reclassification and their fair value, less costs to sell. They are presented under a specific heading of the balance sheet and depreciation is discontinued upon transfer to this category.

Net income from discontinued operations or operations in the process of being sold, which includes net income from these operations until the date of disposal and the net after-tax gain on the disposal, is reported on a separate line in the income statement.

Net cash flows from discontinued operations, which include cash flows from these operations until the date of disposal and the net cash flow after tax on the disposal, are reported on a separate line in the cash flow statement.

1.16. Employee benefits

The group recognizes a provision for all of its commitments for retirement, early retirement, severance pay, medical insurance, job-related awards, accident and disability insurance, and other related commitments, whether for active personnel or for retired personnel, net of assets in the plans and unrecognized gains.

In the case of defined contribution plans, the group's payments are recognized as expenses for the period to which they relate.

In the case of defined benefit plans, benefit costs are estimated using the projected unit credit method. Under this method, accrued pension benefits are allocated to service periods based on the plan vesting formula. If service in subsequent years results in accrued benefit levels that are substantially higher than those of previous years, the company must allocate the accrued benefits on a straight-line basis.

The amount of future benefit payments to employees is determined based on salary trend assumptions, retirement age and mortality, discounted to present value based on interest rates for long-term bonds from AAA issuers.

Actuarial gains and losses (change in the valuation of the commitment due to changes in assumptions and experience differences)

are spread out over the average expected remaining working life of personnel taking part in these plans for the portion exceeding the largest of the following values by more than 10%:

- the present value of the defined benefit obligation at the balance sheet date;
- the fair value of plan assets at the balance sheet date.

The costs of plan changes are spread over the vesting period.

In accordance with the option provided under IFRS 1 for first-time adoption of IFRS, AREVA elected to record in equity as of January 1, 2004, all actuarial gains and losses not recognized in the balance sheet as of December 31, 2003.

The costs relating to employee benefits (pensions and other similar benefits) are split into three categories:

- the provision discount reversal, net of returns on plan assets, is recognized in "Net financial expenses";
- the current service cost and the amortization of past services are split between the different operating expense items by destination: Cost of sales, Research and development expenses, Marketing and sales expenses, and General and administrative expenses;
- the amortization of actuarial gains and losses is recognized in operating income under the heading "Other operating income and expenses".

The French Social Security law for 2008 has modified retirement eligibility criteria in France as follows:

- effective January 1, 2010, employers may not require employees to retire before age 65;
- retirement severance payments are henceforth subject to a 25% tax in 2008 and 50% thereafter.

The financial impact of the new law was estimated and integrated into the 2007 financial statements as follows:

- if the rate schedule applicable to involuntary retirement severance pay is the same as the rate schedule applicable to voluntary retirement severance pay, the impact is considered an actuarial gain or loss;
- it is considered a cost for past services in other instances.

As provided in recommendation 2004-F dated October 13, 2004 of the Emergency Committee set up by the French national accounting Board (CNC), the AREVA group recognizes the cost of individual training entitlements (DIF) in accordance with French GAAP. Accordingly, no provision was set up for DIF expenses, which constitute expenses of the period.

1.17. Provisions

As provided in IAS 37, a provision is recognized when the group has an obligation towards a third party at the end of the period, whether legally, contractually or implicitly, and it is probable that a net outflow of resources will be required after the end of the period to settle this obligation, without receiving consideration at least

5.5. Notes to the consolidated financial statements

Note 1. Accounting principles

equal to the outflow. A reasonably reliable estimate of net outflow must be determined in order to recognize a provision.

Provisions for restructuring are recognized when the restructuring has been announced and a detailed plan has been presented or the restructuring has begun.

When the outflow of resources is expected to occur in more than two years, provisions are discounted to net present value if the impact of discounting is material.

1.18. Provisions for end-of-life-cycle operations

Provisions for end-of-life-cycle operations are discounted by applying an inflation rate and a discount rate, determined based on the economic situation of the country in which the particular facility is located, to estimated future cash flows by maturity.

The share of provisions for end-of-life-cycle operations corresponding to funding expected from third parties is recognized in a non-current asset account, "End-of-life-cycle asset – third party share", which is discounted in exactly the same way as the related provisions.

The AREVA group's share of the provision for end-of-life-cycle operations is valued at the startup date of the facilities in question and is an integral component of the cost basis of these facilities, which are recognized as plant, property and equipment (see note 1.9.4).

TREATMENT OF INCOME AND EXPENSES FROM DISCOUNTING REVERSALS

The discounting of the provision is partially reversed at the end of each period. The discounting reversal corresponds to the increase in the provision due to the passage of time. This increase is recorded as a financial expense.

Similarly, the discounting of the provision corresponding to the third party share is partially reversed rather than amortized.

The resulting increase in the third party share is recognized as financial income.

The share financed by third parties is reduced for the value of work done on their behalf, with recognition of a receivable from these third parties in the same amount.

TREATMENT OF AMORTIZATION

AREVA's share of each end-of-life-cycle asset (share of provisions for end-of-life-cycle operations to be borne by the group) is amortized over the same period as the facilities to which it relates.

The corresponding amortization expense is not considered as part of the cost of inventories or the cost of contracts, and is not taken into account in the calculation of their percentage of completion. However, it is included in the income statement under the heading "Cost of sales" and is therefore deducted from the gross margin.

INFLATION AND DISCOUNT RATES USED TO DISCOUNT THE COST OF END-OF-LIFE-CYCLE OPERATIONS

Inflation and discount rates used to discount the cost of end-of-life-cycle operations are determined as follows:

The inflation rate reflects the long-term objectives of the European Central Bank.

The discount rate is determined taking into account:

- the sliding four-year average of 30-year, constant maturity French treasury bonds (OATs); and
- the average of sliding four-year averages of spreads applicable to AA, A and BBB rated corporate borrowers.

For facilities in France, AREVA adopted an inflation rate of 2% and a discount rate of 5% as of December 31, 2005, December 31, 2006 and December 31, 2007.

TREATMENT OF CHANGES IN ASSUMPTIONS

Changes in assumptions relate to changes in cost estimates, discount rates and disbursement schedules.

As provided in IFRS, the group uses the prospective method:

- the end-of-life-cycle asset / AREVA share is adjusted for the same amount as the provision;
- it is amortized over the residual useful life of the facilities;
- if operation of the facility is discontinued, the impact is recognized during the year of the change. Impacts from changes in cost estimates are recognized under operating income. Impacts from changes in discount rates and disbursement schedules are recognized under financial income.

Provisions for waste retrieval and packaging funded by the group have no corresponding end-of-life-cycle asset. Consequently, changes in assumptions concerning the group's share of these provisions are recognized immediately in the income statement. Impacts from changes in cost estimates are recognized under operating income. Impacts from changes in discount rates and disbursement schedules are recognized under financial income.

1.19. Borrowings

Borrowings include:

- put options held by minority shareholders of AREVA group subsidiaries;
- obligations under finance leases;
- other interest-bearing debt.

1.19.1. Put options held by minority shareholders of group subsidiaries

As provided in IAS 32, unconditional put options held by minority shareholders of AREVA group subsidiaries are recognized as borrowings.

5.5. Notes to the consolidated financial statements

Note 1. Accounting principles

Agreements establishing these options stipulate a strike price corresponding to the fair value of the minority interests at the date of exercise. Consequently, the amount recognized on AREVA's balance sheet is equal to the fair value of the minority interests at the balance sheet date, calculated according to the discounted cash flow method. This value is revised annually.

The difference between the amount recognized in "Borrowings and minority interests" corresponds to the difference between the fair value of these interests and their net carrying amount. Accordingly, considering the lack of guidance from regulators regarding accounting for options of this kind, AREVA has decided to report these options as borrowings through the following offsetting entries:

- first, the corresponding minority interests are canceled;
- secondly, the excess above the value of the minority interests is treated as an increase in the goodwill of the companies involved.

Minority interests are allocated their share of income in the income statement. In the balance sheet, the share of income allocated to minority interests reduces the amount of goodwill, or increases it in the case of a loss.

Dividends paid to minority interest holders translate into an increase in goodwill.

Subsequent changes in the fair value of these options are also recognized in goodwill.

1.19.2. Obligations under finance leases

As provided in IAS 17, leasing arrangements are considered finance leases when all of the risks and rewards inherent in ownership are, in substance, transferred to the lessee. At inception, finance leases are recognized as a debt offsetting an asset in the identical amount, corresponding to the lower of the fair value of the property and the discounted net present value (NPV) of future minimum payments due under the contract.

Lease payments made subsequently are treated as debt service and allocated to repayment of the principal and interest, based on the rate stipulated in the contract or the discount rate used to value the debt.

1.19.3. Other interest-bearing debt

This heading includes:

- interest-bearing advances from customers. Interest-bearing advances from customers are accounted for as borrowings; non interest-bearing advances are considered operating liabilities;
- loans from financial institutions;
- short-term bank facilities.

Interest-bearing debt is recognized at amortized cost based on the effective interest rate method.

1.20. Translation of foreign currency denominated transactions

Foreign currency denominated transactions are translated by group companies into their functional currency at the exchange rate prevailing at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rate prevailing on the last day of the period. Foreign exchange gains and losses are then recognized:

- in operating income when related to operating activities: trade accounts receivable, trade accounts payable, etc.;
- in financial income when related to loans or borrowings.

However, currency translation differences relating to the long-term financing of foreign subsidiaries are not recognized in income, but rather directly in translation reserves in consolidated equity until the subsidiary concerned is divested.

1.21. Derivative instruments and hedge accounting

1.21.1. Risks hedged and financial instruments

The AREVA group uses derivative instruments to hedge foreign exchange risks, interest rate risks and the price of commodities. The derivative instruments used include mostly forward exchange contracts, currency and interest rate swaps, currency options and commodity options.

The risks hedged relate to receivables, borrowings and firm commitments in foreign currencies, planned transactions in foreign currencies, and planned sales and purchases of commodities.

1.21.2. Accounting for derivative instruments

As provided in IAS 39, derivative instruments are initially recognized at fair value and subsequently revalued at the end of each period until settled.

Accounting methods vary depending on whether the derivative instruments are designated as fair value hedges or cash flow hedges or do not qualify for hedge accounting.

FAIR VALUE HEDGES

This designation covers hedges for firm commitments in foreign currencies: procurement, sales, receivables and debt. The hedged item and the derivative instrument are revalued simultaneously through the income statement.

CASH FLOW HEDGES

This designation covers hedges of probable future cash flows: planned procurement and sales in foreign currencies, planned purchases of commodities, etc.

The highly probable hedged item is not valued in the balance sheet. Only the derivative hedge is revalued at the end of each accounting period. The portion of the gain or loss that is considered effective is recognized directly in equity under the heading "Deferred unrealized gains and losses", on an after-tax basis. Only the ineffective portion of the hedge impacts income for the period.

The amount accumulated in equity is transferred to income when the hedged item impacts the income statement, i.e. when the hedged transaction is settled and recognized in the financial statements.

HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

This heading relates to borrowings in a foreign currency to finance the acquisition of a subsidiary using the same functional currency. Currency translation adjustments on these borrowings are recognized in equity for their net amount after tax; only the ineffective portion is recognized through profit and loss.

The amount accumulated in equity is released to profit and loss when the subsidiary is sold.

DERIVATIVE INSTRUMENTS NOT QUALIFYING FOR HEDGE ACCOUNTING

When derivative instruments do not qualify for hedge accounting, fair value gains and losses are recognized immediately in the income statement.

1.21.3. Presentation of derivative instruments in the balance sheet and the income statement

PRESENTATION IN THE BALANCE SHEET

Derivative instruments used to hedge risks on commercial transactions are reported under operating assets and liabilities. Derivative instruments used to hedge risks related to loans and borrowings are reported under the heading "Financial assets or Borrowings".

PRESENTATION IN THE INCOME STATEMENT

The spot component of fair value gains and losses on derivative instruments and hedged items relating to operating activities is recognized under the heading "Other operating income and expenses". The discount/premium component is recognized under the heading "Financial income".

For loans and borrowings denominated in foreign currencies, fair value gains and losses on hedging instruments and hedged items are reported under the heading "Financial income".

1.22. Income tax

Since January 1, 1983, AREVA has had regulatory approval to submit a consolidated tax return under article 209-5 of the French tax code. The consolidated tax amount is reported under the heading "Income tax", whether a tax expense or a tax credit (except for tax related to discontinued operations). AREVA did not request renewal of this approval, which expired on December 31, 2007.

Tax related to operations discontinued or sold during the year, if any, is reported under the heading "Net income from discontinued operations".

As provided in IAS 12, deferred taxes are determined according to the liability method. The current tax rate or the rate known at the balance sheet date as applicable at the time of anticipated reversal of temporary differences between the net carrying amount and the tax basis of assets and liabilities is applied to all such differences. Deferred taxes are not discounted to net present value.

Temporary taxable differences generate a deferred tax liability.

Temporary deductible differences, tax loss carry-forwards, and unused tax credits generate a deferred tax asset equal to the probable amounts recoverable in the future. Deferred tax assets are analyzed case by case, based on income projections for the next three to five years.

Deferred tax assets and liabilities are netted for each taxable entity if the entity is allowed to offset its current tax receivables against its current tax liabilities.

Deferred tax liabilities are recorded for all taxable temporary differences of subsidiaries, associates and partnerships, unless AREVA is in a position to control the timing of reversal of the temporary differences and it is probable that such reversal will not take place in the near future.

Tax accounts are reviewed at the end of each accounting year, in particular to take into account changes in tax laws and the possibility that amounts recognized will be recovered.

Deferred taxes are recognized through profit and loss, unless they concern items recognized directly in equity i.e. changes in the value of available-for-sale securities and derivative instruments considered as cash flow hedges, or currency translation adjustments on borrowing considered as hedges of net investments in foreign operations. Deferred taxes related to these items are also recognized directly in equity.

Note 2. Consolidation scope

2.1. Consolidated companies (French / foreign)

Consolidation method (number of companies)	2007		2006		2005	
	Foreign	French	Foreign	French	Foreign	French
Full consolidation	134	83	127	82	120	78
Equity method	4	8	4	8	5	8
Proportionate consolidation	19	2	19	1	12	0
Sub-total	157	93	150	91	137	86
Total	250		241		223	

Note 36 provides a list of the main consolidated companies.

2.1.1. 2007 transactions

Goodwill recognized for 2007 acquisitions is provisional and may be adjusted in 2008.

The main changes in the scope of consolidation during the year were as follows:

URAMIN

On June 25, 2007, AREVA made a friendly takeover bid to acquire control of Uramin, a junior mining company. The transaction was completed on July 31, 2007 for a total acquisition price of €1.742 billion (\$2.4 billion).

Cash acquired in connection with the transaction amounted to €148 million.

Initial goodwill of €1.564 billion (i.e. net of equity acquired) was allocated to exploration and mining permits held by Uramin using the discounted cash flow method.

Location	Country	Discount rate	Discounted value of future cash flows (100%)	Discounted value of future cash flows (AREVA share)	Deferred taxes
Trekkopje	Namibia	8%	932	932	350
Bakouma	Central African Republic	10%	97	88	26
Ryst Kuil	South Africa	8%	409	303	98
Total			1,437	1,323	474

No other items were identified for purchase price allocation during the evaluation of the company's assets and liabilities.

Residual goodwill amounts to €715 million, i.e. €474 million for deferred tax liabilities associated with the revaluation of exploration

permits and €241 million corresponding to synergies identified with other AREVA group operations and to potential reserves that are not consistent with the recognition criteria of IAS 38.

5.5. Notes to the consolidated financial statements

Note 2. Consolidation scope

PASSONI & VILLA

AREVA's Transmission & Distribution division (T&D) signed an agreement with Passoni & Villa of Italy concerning the legal and financial terms for the acquisition of this business.

Passoni & Villa is one of the world's leading manufacturers of high voltage bushings, which are used to connect power transformer coils to high voltage lines. The company employed about 150 people and posted sales revenue of €26 million in 2006.

Passoni & Villa is active in more than 60 countries. With this acquisition, AREVA T&D greatly increases its bushings production capacity and becomes the world's third largest player on this market segment. The acquisition is consistent with AREVA T&D's acquisition strategy aimed at broadening its offering and strengthening its market position.

This transaction generated €17 million in goodwill, based on an acquisition price of €19 million.

VEI POWER DISTRIBUTION S.P.A.

AREVA's T&D division concluded an agreement with VEI Power Distribution S.p.A. to acquire its operations in Italy and Malaysia.

VEI has 216 employees and generated €46 million in sales revenue in 2006. The company manufactures medium voltage equipment. Its product lines supplement AREVA T&D's offering and broaden the division's customer base. With this acquisition, AREVA T&D increases its international presence on the distribution market and becomes one of the leaders of this segment in Italy and Malaysia.

VEI's ability to innovate will also allow AREVA T&D to offer ever more advanced solutions meeting the specific needs of its customers. Every year, VEI patents a number of innovations such as its tri-function equipment integrating a circuit-breaker, a disconnecting switch and a ground disconnecter.

This transaction generated €14 million in goodwill, based on an acquisition price of €12 million.

MULTIBRID

In September 2007, AREVA acquired 51% of Multibrud, a wind turbine designer and manufacturer based in Germany which specializes in large capacity offshore equipment. In doing so, AREVA becomes a joint venture partner of Prokon Nord, a German company that develops wind farms and biomass projects and is the current owner of Multibrud.

This transaction generated initial goodwill of €79 million, based on an acquisition price of €76 million. The fair value assessment of Multibrud's assets and liabilities had not been completed as of December 31, 2007.

EAST ASIA MINERAL

On September 21, 2007, AREVA acquired all of the share capital of East Asia Mineral, the Mongolian subsidiary of a junior Canadian

company based in Ontario. East Asia Mineral's portfolio includes uranium mining permits in the Sainshand area. The acquisition price was set at CAD 83 million, of which €60 million was recognized as goodwill.

AREVA EST CANADA / URANOR / AREVA QUEBEC

In June 2007, AREVA Est Canada, a subsidiary of CFMM, acquired the remaining shares of the Canadian firm Uranor, which holds mining permits and 100% of Omegalpa (now AREVA Quebec), which operates the mining permits. AREVA has conducted exploration in this region of Quebec since 1998. The deposits in question are in the exploration phase. A total of €34 million was recognized as goodwill.

2.1.2. 2006 transactions

The main changes in the scope of consolidation during the year were as follows:

ENRICHMENT TECHNOLOGY COMPANY (ETC)

On July 3, 2006, AREVA acquired a 50% interest in the Enrichment Technology Company (ETC) from Urenco and consolidated it on a proportionate basis as of that date. The European Union competition authorities had approved the deal beforehand, and a multilateral agreement to control the uranium centrifuge enrichment technology had been ratified by France, Germany, the Netherlands and the United Kingdom.

ETC combines Urenco's activities in the design and construction of uranium centrifuge enrichment equipment and facilities, along with related R&D. ETC will have sole responsibility for the partners' operations in this area. However, the partners will continue to compete with each other on the enrichment services market.

The acquisition of a 50% interest in ETC secures AREVA's access to the centrifuge equipment needed to build the new Georges Besse II uranium enrichment plant. In so doing, AREVA will be able to meet its long term commitments to customers by ensuring a smooth transition from the Georges Besse gaseous diffusion enrichment plant to the George Besse II centrifuge enrichment plant.

ETC reported 2005 sales revenue of €236 million and employs around 1,000 people, chiefly in its facilities in Capenhurst (United Kingdom), Almelo (the Netherlands), and Jülich and Gronau (Germany).

This transaction generated initial goodwill of €161 million, based on an acquisition price of €200 million.

LA MANCHA

On May 19, 2006, AREVA NC and La Mancha Resources Inc. signed a final agreement to combine their gold mining and exploration operations. The transaction closed on September 28, 2006.

La Mancha Resources Inc. is a Canadian company traded on the TSX/V stock exchange in Toronto. AREVA contributed its gold operations to La Mancha Resources Inc., including Cominor, SMI

5.5. Notes to the consolidated financial statements

Note 2. Consolidation scope

(in Côte d'Ivoire), AMC (in Sudan) and Mineraus (in Australia). In exchange for its contributions, AREVA received a 63.55% equity interest in La Mancha.

This transaction generated goodwill of €15 million and a dilution gain of €17 million.

SFARSTEEL

On September 8, 2006, AREVA NP acquired all of the share capital of Sfarsteel, a group specialized in forgings, machining, mechanics and welding, with plants near Le Creusot, France. Sfarsteel reported 2006 sales revenue of €41 million. With the worldwide nuclear industry revival gaining momentum, AREVA seeks to consolidate its procurement capabilities in heavy components, especially forgings.

This transaction generated goodwill of €101 million, based on an acquisition price of €170 million after revaluation of production assets, buildings and intangible assets.

RITZ HIGH VOLTAGE

AREVA T&D entered into an agreement with the German group Ritz setting financial and legal terms for the acquisition of its high voltage instrument transformer operations.

Ritz High Voltage is a world leader in instrument transformers, with sales revenue of some €50 million and a workforce of close to 500 employees.

The group will capitalize on product and regional synergies with AREVA T&D's instrument transformer business, particularly in strategic countries such as China and the United States, to become the world leader in this business.

The acquisition is consistent with AREVA T&D's targeted acquisition strategy aimed at strengthening each of its product lines.

This transaction generated goodwill of €6 million, based on an acquisition price of €34 million.

REPOWER

AREVA increased its equity interest in REpower by subscribing to a capital increase for that company and by acquiring shares on the market. These transactions bring AREVA's holding to 29.99%.

2.1.3. 2005 transactions

The main changes in the scope of consolidation during the year were as follows:

DISPOSAL OF FCI

AREVA's connectors business, held by FCI, was originally built by AREVA NP (formerly Framatome ANP) through a series of acquisitions dating as far back as the end of the 1980s. After the connectors market suffered a setback, with a significant impact on FCI's financial statements in 2001-2002, AREVA decided to help with the recovery of this subsidiary. The support provided for

the restructuring of production facilities between 2001 and 2004 allowed FCI to return to profitability in 2004.

AREVA received numerous expressions of interest from potential buyers after indicating to the market that FCI was not a strategic asset for the group. In June 2005, a decision was made to solicit offers formally, and a multi-phase process was initiated to select potential buyers. AREVA contacted 36 prospects, including industrial groups and investment funds.

On September 5, 2005, the top three candidates submitted firm and final offers to acquire 100% of FCI's share capital. On September 19, 2005, AREVA signed a sales agreement with Bain Capital after receiving a positive opinion from AREVA's Works Council and approval from the Supervisory Board, meeting on the same day. The share transfer agreement closed on November 3, 2005, after all conditions precedent had been satisfied.

The shares were sold to Bain Capital for €582 million, or €4.10 per share.

ACQUISITION OF AREVA T&D INDIA AND PAKISTAN

During the month of August 2005, the transmission and distribution business consolidated in Alstom Ltd (India) was transferred to AREVA T&D after all remaining conditions precedent were satisfied. On August 3, 2005, 80% of the shares of AREVA T&D Pakistan were transferred to AREVA T&D Holding.

DISPOSAL OF T&D OPERATIONS IN AUSTRALIA AND NEW ZEALAND

Pursuant to the agreement of December 22, 2004, AREVA T&D and Transfield Services signed a contract for the purchase of AREVA T&D's telecommunications and electrical services operations in Australia and New Zealand. The purchase price was set at €95 million. The transaction closed in April 2005 after all regulatory authorizations were received and conditions precedent satisfied. These operations were consolidated by AREVA until the date of the disposal. The disposal does not have a material impact on consolidated net income for 2005.

These operations concern outsourced engineering and maintenance services provided to owners of major infrastructures and industrial companies operating in the electricity, heavy industry, telecommunication and related infrastructure sectors. They are not part of AREVA T&D's core businesses.

STMICROELECTRONICS

Following the repurchase of its own shares by FT1CI, AREVA's stake in FT1CI increased from 79% to 100% in August 2005. The repurchase was financed by a sale of STMicroelectronics shares held indirectly by France Telecom. As a result of this change, AREVA's percentage of control over STMicroelectronics went from 13.9% to 10.9%.

REPOWER

In September 2005, the group acquired 21.2% of REpower, which has been consolidated under the equity method since that date.

2.2. Impact on the financial statements of changes in the consolidation scope and methods

In 2007, 2006 and 2005, changes in the consolidation scope and methods had the following impacts on consolidated sales revenue and operating income:

Deconsolidated companies

<i>(in millions of euros)</i>	2007	2006	2005
Sales revenue	-	6	102*
Operating income	-	0	6*

* Excluding the impact of the FCI disposal, recognized as a discontinued operation.

Newly consolidated companies and change in consolidation method

<i>(in millions of euros)</i>	2007	2006	2005
Sales revenue	36	102	113
Operating income	(7)	7	33

The impact on sales revenue of newly consolidated companies, either as a result of an acquisition or a move to full or proportionate consolidation, is presented below:

<i>(in millions of euros)</i>	2007*	2006*	2005*
MULTIBRID	12	-	-
PASSONI & VILLA	20	-	-
ETC	-	44	-
SFARSTEEL	-	30	-
RITZ	-	12	-
AREVA T&D India Ltd	-	-	83
AREVA T&D	-	-	-
Other	4	16	30
Total	36	102	113

* Sales revenue recognized by the group for the year.

Note 3. Sales revenue

<i>(in millions of euros)</i>	2007	2006	2005
Sales accounted for according to the percentage of completion method	3,637	3,613	3,708
Other sales of goods and services			
• Sales of goods	4,749	3,982	3,447
• Sales of services	3,537	3,268	2,970
Total	11,923	10,863	10,125

Sales revenue for 2007, 2006 and 2005 do not include any significant revenue from exchanges of goods or services for current or future consideration other than cash.

5.5. Notes to the consolidated financial statements

Note 4. Personnel expenses and operating leases

The table below reports data on contracts recognized according to the percentage of completion method, as of December 31, 2007:

<i>(in millions of euros)</i>	2007	2006
Amount of costs incurred and profits recognized, net of losses recognized, through December 31, 2007	19,967	17,078
Customer advances	4,117	3,571
Amounts withheld by customers	39	20

Note 4. Personnel expenses and operating leases

The group has elected to present its income statement based on the destination of income and expense items. Additional information is provided in notes 4 and 5.

<i>(in millions of euros, except workforce)</i>	2007	2006	2005
Payroll expenses	(3,548)	(3,245)	(3,120)
Employees at the end of the year	65,583	61,111	58,760
Operating leases	139	114	104

Payroll expenses include salaries and related social security contributions, excluding retirement benefits.

Note 5. Depreciation, amortization and impairment of property, plant and equipment and intangible assets and provisions impacting operating income

<i>(in millions of euros)</i>	2007	2006	2005
Net amortization of intangible assets	(113)	(103)	(97)
Net depreciation of property, plant and equipment	(390)	(377)	(396)
Impairment of intangible assets	-	(17)	-
Impairment of property, plant and equipment	-	-	(1)
Impairment of goodwill	-	-	-

<i>(in millions of euros)</i>	2007	2006	2005
Provisions, net of reversals	(12)	(320)	(132)

Note 6. Restructuring, early retirement and other operating income and expenses

Restructuring and early retirement costs

<i>(in millions of euros)</i>	2007	2006	2005
Restructuring and early retirement costs	(57)	(131)	(138)
<i>including Nuclear division</i>	(26)	(70)	(36)
<i>including Transmission & Distribution division</i>	(31)	(61)	(102)

Other non-current operating income and expenses

<i>(in millions of euros)</i>	2007	2006	2005
Operating income and expenses directly related to operating activities	(139)	(91)	(4)
Goodwill impairment losses	-	-	-
Impairment of other assets	-	(17)	(1)
Gains (losses) on disposals of equity interests and assets other than financial assets	4	51	(8)
Other extraordinary income and expenses	13	1	(47)
Other non-current operating income and expenses	(123)	(56)	(61)

As of December 31, 2007, operating income and expenses directly related to operating activities include in particular the impact of revised cost estimates for end-of-life-cycle operations.

At December 31, 2005, other non-current income and expenses included mostly:

- expenses relating to items valued in connection with the T&D business acquisition, but which are not related to current operations;
- a contingency provision regarding a possible penalty for violation of competition rules in the Transmission & Distribution division.

Note 7. Net financial income

<i>(in millions of euros)</i>	2007	2006	2005
Net borrowing costs	(73)	(29)	16
Income from cash and cash equivalents	37	50	59
Gross borrowing costs	(110)	(78)	(43)
Other financial income and expenses	138	126	(29)
Share related to end-of-life-cycle operations	107	17	(32)
Income from disposal of securities earmarked for end-of-life-cycle operations	154	107	26
Dividends received	21	16	33
Interest income on receivables from the CEA	6	9	5
Impairment of securities	-	-	-
Impact of revised schedules	38	(1)	-
Discount reversal on end-of-life-cycle operations	(112)	(114)	(96)
Share not related to end-of-life-cycle operations	31	109	3
Foreign exchange gain (loss)	(4)	10	(5)
Income from disposals of securities and change in value of securities held for trading	3	118	92
Dividends received	63	73	29
Impairment of financial assets	(45)	8	5
Interest income on prepayments received (Back End contracts)	(50)	(41)	(42)
Other financial expenses	(36)	(22)	(26)
Other financial income	154	18	8
Financial income from pensions and other employee benefits	(55)	(56)	(59)
Net financial income (expense)	64	97	(13)

The €90 million improvement in financial income related to end-of-life-cycle operations reflects a gain of €47 million on the disposal of certain investments held in the earmarked portfolio and €38 million resulting from the revised schedule of end-of-life-cycle operations.

As of December 31, 2007, the net gain on sales of securities included in the share related to end-of-life-cycle operations includes €17 million, corresponding to the recapture of permanent impairment of securities sold, compared with €27 million as of December 31, 2006 and €16 million as of December 31, 2005.

Income from disposal of securities not related to end-of-life-cycle operations includes:

- as of December 31, 2006: €112 million from the disposal of Société Générale shares;
- as of December 31, 2005: €25 million from the disposal of Assystem shares and €59 million from the disposal of ERA shares.

Impairment of financial assets not related to end-of-life-cycle operations includes €40 million for impairment of Summit Resources shares as of December 31, 2007.

Other financial income as of December 31, 2007 primarily includes a €121 million gain in connection with the recognition of AREVA's put option on REpower shares, as provided in the agreement with the Suzlon group.

Note 8. Income taxes

Analysis of income tax expense

<i>(in millions of euros)</i>	2007	2006	2005
Current taxes (France)	(34)	(11)	15
Current taxes (other countries)	(186)	(98)	(102)
Total current taxes	(220)	(109)	(87)
Deferred taxes	139	58	(59)
Total income tax expense	(81)	(51)	(146)

Reconciliation of income tax expense and income before taxes

<i>(in millions of euros)</i>	2007	2006	2005
Net income attributable to equity holders of the parent	743	649	1,049
Less: income from discontinued operations	-	-	(598)
Minority interests	139	24	94
Share in net income of equity associates	(148)	(220)	(153)
Tax expense (income)	81	51	146
Income before tax	815	504	538
Theoretical tax income (expense)	(281)	(173)	(185)
<i>Reconciliation</i>			
Impact of tax consolidation	108	(69)	38
Transactions taxed at a reduced rate	83	51	39
Permanent differences	9	140	(38)
Effective tax income (expense)	(81)	(51)	(146)

Tax rates used in France

<i>(in percent)</i>	2007	2006	2005
Tax rate	34.43	34.43	34.43

5.5. Notes to the consolidated financial statements

Note 8. Income taxes

Permanent differences

<i>(in millions of euros)</i>	2007	2006	2005
Parent / subsidiary tax treatment and inter-company dividends	(4)	(4)	(4)
Impact of permanent differences for tax purposes	22	(14)	3
Impact of internal / inter-company transactions	(1)	(5)	(10)
Other permanent differences ⁽¹⁾	(8)	163	(27)
Total permanent differences	9	140	(38)
<i>(1) Other permanent differences for 2006 include mainly:</i>			
- the impact of the 2006 amended Finance Law:	-	-	75
- recognition of deferred tax assets on prior year losses:	-	-	68

Effective tax rate

<i>(in millions of euros)</i>	2007	2006	2005
Operating income	751	407	551
Net financial income (expense)	64	97	(13)
Other income	-	-	-
Total income subject to tax	815	504	538
Tax expense	(81)	(51)	(146)
Effective tax rate	9.94%	10.12%	27.14%

Deferred tax assets and liabilities

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	December 31, 2005
Deferred tax assets	604	873	892
Deferred tax liabilities	1,277	1,124	865
Net deferred tax assets and liabilities	(673)	(251)	27

Main categories of deferred tax assets and liabilities

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	December 31, 2005
Tax impact of temporary differences related to:			
Intangible assets, PP&E and non-current financial assets	(1,005)	(391)	(112)
Working capital assets	61	(114)	(31)
Employee benefits	268	262	274
Provisions for restructuring	27	42	54
Tax-driven provisions	(354)	(355)	(387)
Provisions for end-of-life-cycle operations	58	(372)	(331)
Valuation differences	(10)	(7)	17
Impact of loss carry-forwards	126	570	559
Other temporary differences	156	114	(16)
Net deferred tax assets and liabilities	(673)	(251)	27

Deferred tax asset and liability reversal schedule

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	December 31, 2005
Reversal after more than 12 months	(963)	(286)	3
Reversal in 12 months or less	290	35	24

Change in consolidated deferred tax assets and liabilities

<i>(in millions of euros)</i>	2007	2006
As of January 1	(251)	27
Tax on continuing operations, recognized in the income statement	139	58
Tax on discontinued operations	-	-
Tax recognized directly in equity	(92)	(307)
Change in consolidated group	(498)	(16)
Currency translation adjustments	26	(13)
Other	3	-
As of December 31	(673)	(251)

5.5. Notes to the consolidated financial statements

Note 9. Net income from discontinued operations

Deferred taxes recognized directly in equity

<i>(in millions of euros)</i>	2007	2006
IAS 32-39 impacts	(92)	(308)
Change in method	-	1
Net deferred taxes recognized directly in equity	(92)	(307)

Deferred tax assets not recognized

<i>(in millions of euros)</i>	2007	2006	2005
Tax credits	-	113	57
Tax losses	53	128	282
Other temporary differences	57	-	-
Total deferred tax assets not recognized	110	241	339

Note 9. Net income from discontinued operations

There were no significant disposals in 2007 and 2006.

Net income from discontinued operations for 2005 was €598 million, corresponding to the following items:

- net income from discontinued operations* (FCI) for the period January 1, 2005-November 3, 2005 (date of disposal): €70 million;
- gain on the disposal transaction itself: €109 million;
- tax impact: €419 million.

The consolidated gain of €109 million on the disposal transaction corresponds to the difference between the sale price (€582 million) and the fair value of the equity transferred to the buyer (€459 million), net of disposal expenses (€14 million).

The tax impact corresponds, firstly, to the recognition of the short-term tax loss as an asset (€382 million), available to offset profits from other operations of the group and, secondly, to the reversal of deferred tax liabilities related to tax consolidation (€37 million).

* Including release to income of currency translation reserves and retained earnings.

Note 10. Goodwill

The change in goodwill from December 31, 2006 to December 31, 2007 was as follows:

<i>(in millions of euros)</i>	December 31, 2006	Acquisitions	Disposals	Minority interest put options	Currency translation adjustments and other	December 31, 2007
Nuclear divisions	2,008	905	-	956	(40)	3,830
Front End	352	827	-	-	(45)	1,135
Reactors and Services	399	79	-	-	5	482
Back End	-	-	-	-	-	-
Other nuclear - AREVA	1,257	-	-	956	-	2,213
Transmission & Distribution division	507	31	-	-	10	547
Total	2,515	936	-	956	(30)	4,377

The increase in goodwill comes mainly from:

- in the nuclear divisions:
 - Front End sector: the acquisitions of the mining company Uramin (€715 million), of East Asia Mineral (€60 million), and of additional shares of Uranor (€31 million),
 - Reactors and Services sector: the acquisition of 51% of the share capital of Multibrid (€79 million) and adjustment of the goodwill related to the 2006 acquisition of Sfarsteel (€15 million),
 - recognition of an additional €956 million in goodwill to reflect the change in valuation of put options held by minority interests in AREVA NP as of December 31, 2007 (see note 25);
- in the Transmission & Distribution division: The acquisitions of Passoni & Villa (€17 million) and of VEI Power Distribution (€14 million).

The heading “Other nuclear – AREVA” corresponds, firstly, to goodwill recognized when AREVA was established in 2001 (€394 million) and, secondly, to the difference between the value of put options held by minority interests in AREVA NP and the value of the corresponding minority interests (€1.82 billion – see note 25).

As provided in IFRS 3, the fair value of identifiable assets and liabilities acquired during business combinations may be adjusted during a 12-month period following the date of acquisition.

Consequently, goodwill recognized on 2007 acquisitions is provisional and may be adjusted in 2008. This is the case for goodwill related to Multibrid In particular, with the allocation of goodwill ongoing at year-end closing and subject to adjustment.

The change in goodwill from December 31, 2005 to December 31, 2006 was as follows:

<i>(in millions of euros)</i>	December 31, 2005	Acquisitions	Disposals	Minority interest put options	Currency translation adjustments and other	December 31, 2006
Nuclear divisions	1,596	292	(1)	143	(22)	2,008
Front End	185	177	-	-	(9)	352
Reactors and Services	298	115	(1)	0	(14)	399
Back End	-	-	-	-	-	-
Other nuclear - AREVA (unallocated)	1,114	-	-	143	-	1,257
Transmission & Distribution division	499	5	-	-	3	507
Total	2,095	297	(1)	143	(19)	2,515

The increase in goodwill results mainly from:

- acquisition of 50% of the shares of ETC, a company which specializes in the design, fabrication and construction of uranium enrichment equipment and facilities using centrifuge technology (€161 million);
- acquisition of Sfarsteel, which specializes in forgings, machining and welding (€101 million as of December 31, 2006, raised to €116 million as of December 31, 2007 after completion of the purchase price allocation process);
- acquisition of shares of La Mancha (€15 million);
- acquisition of the high voltage measurement transformer business from Ritz (€6 million).

Goodwill impairment tests

The group performed goodwill impairment tests as of December 31, 2005, December 31, 2006 and December 31, 2007 for all cash-generating units with goodwill balances, except for:

- goodwill resulting from the recognition of put options held by minority shareholders of AREVA NP, since the options themselves are valued based on the recoverable value of the company;
- goodwill from acquisitions completed in 2007 for which the purchase price allocation was not completed at year-end and the corresponding final goodwill therefore not final at December 31, 2007.

As indicated in note 1.10, these tests compare the net carrying amount of cash-generating unit (CGU) assets with the recoverable amount, determined using the discounted cash flow method (value in use).

The following assumptions were used to determine the net present value of the cash flows to be generated by the CGUs:

	Discount rate	Standard annual growth rate	Number of years after tax growth rate of forecast data
As of December 31, 2007			
Front End division			
• Mining	10%	not applicable	9
• Enrichment, Fuel	8.75%	2%	10
Reactors and Services division			
Back End division	9.50%	2 to 2.5%	5 to 10
Transmission & Distribution division	7.75%	2%	10
As of December 31, 2006			
Front End division			
• Mining	10.25%	not applicable	8
• Fuel	8.25%	2%	5
Reactors and Services division			
Back End division	7.75%	2 to 2.5%	5
Transmission & Distribution division	8%	2%	10
As of December 31, 2005			
Front End division: Fuel	10%	2%	5
Reactors and Services division	8%	2 to 2.5%	5
Back End division	6.50%	2%	10
Transmission & Distribution division	9%	2%	3

Impairment tests for mining operations are based on forecast data for the entire period, from mining at existing mines to marketing of the corresponding products (i.e. through 2016 for gold mining operations), rather than on a pro forma year.

Impairment tests on goodwill allocated to AREVA NC and AREVA NC are performed by comparing:

- the consolidated net carrying value of these companies' assets, including goodwill; and

- the cumulated projected cash flows from their cash-generating units, discounted using the rates indicated above.

These tests did not lead to the recognition of impairment.

In addition, sensitivity analyses showed that a discount rate of 1% higher or the growth rate for the pro forma year of 1% lower than the abovementioned rates would not have led to the recognition of impairment, since the recoverable value of the cash-generating units is greater than the net carrying amount of their assets in all instances.

Note 11. Intangible assets

	December 31, 2007			December 31, 2006	December 31, 2005
	Gross	Amortization and impairment	Net	Net	Net
<i>(in millions of euros)</i>					
Pre-mining expenses	830	(265)	565	419	413
Research and development expenses	298	(45)	253	169	71
Mineral rights	1,358	(12)	1,346	-	-
Other	1,138	(574)	564	587	278
Total	3,624	(896)	2,729	1,175	761

2007

<i>(in millions of euros)</i>	Pre-mining expenses	R&D expenses	Mineral rights	Other	Total
Gross amount as of December 31, 2006	650	189	12	1,114	1,966
Internally generated assets	30	100	-	19	149
Acquired assets	125	17	-	32	174
Disposals	(1)	-	-	(10)	(11)
Currency translation adjustments	25	(10)	(92)	(9)	(86)
Change in consolidated group	(1)	2	1,438	1	1,441
Other changes	2	-	-	(9)	(8)
Gross amount as of December 31, 2007	830	298	1,358	1,138	3,624
Depreciation, depletion, amortization and provisions as of December 31, 2006	(231)	(20)	(12)	(528)	(791)
Net increase in depreciation / Impairment ⁽¹⁾	(28)	(25)		(59)	(113)
Disposals	-	-	0	9	10
Currency translation adjustments	(8)	1	-	3	(4)
Change in consolidated group	2	-	-	-	2
Other changes	-	-	-	-	-
Depreciation, depletion, amortization and provisions as of December 31, 2007	(265)	(45)	(12)	(574)	(896)
Net carrying amount as of December 31, 2006	419	169	-	587	1,175
Net carrying amount as of December 31, 2007	565	253	1,346	564	2,729

(1) No impairment of intangible assets was recognized as of December 31, 2007.

5.5. Notes to the consolidated financial statements

Note 11. Intangible assets

As a result of the acquisition of Uramin, the balance sheet as of December 31, 2007 includes €1.438 billion for new mineral rights in Namibia (Trekopje), South Africa (Ryst Kuil) and the Central African Republic (Bakouma). The fair value of these assets was determined during the purchase price allocation (see note 2).

New investments include capitalized mineral exploration expenses of €155 million, in particular for pre-development expenses relating to Canadian uranium assets.

Other intangible assets mainly include assets in progress (€369 million), concessions and patents (€93 million) and software (€42 million).

<i>(in millions of euros)</i>	Pre-mining expenses	R&D expenses	Other	Total
Gross amount as of December 31, 2005	630	81	782	1,493
Internally generated assets	-	109	3	112
Acquired assets	86	-	375	461
Disposals	(11)	-	(27)	(38)
Currency translation adjustments	(63)	(4)	(8)	(74)
Change in consolidated group	8	1	25	35
Other changes	-	2	(24)	(23)
Gross amount as of December 31, 2006	650	189	1,126	1,966
Depreciation, depletion, amortization and provisions as of December 31, 2005	(217)	(10)	(504)	(732)
Net increase in depreciation / Impairment ⁽¹⁾	(47)	(9)	(64)	(120)
Disposals	11	-	24	36
Currency translation adjustments	21	-	4	25
Change in consolidated group	(2)	-	-	(3)
Other changes	3	-	-	3
Depreciation, depletion, amortization and provisions as of December 31, 2006	(231)	(20)	(540)	(791)
Net carrying amount as of December 31, 2005	413	71	278	761
Net carrying amount as of December 31, 2006	419	169	587	1,175

(1) €(17) million in impairment of intangible assets was recognized as of December 31, 2006.

As of December 31, 2006, assets acquired principally in France, Canada and Kazakhstan concern the Enrichment business unit (€352 million) and the Mining business unit (€67 million).

These assets include the rights to ultracentrifugation technology, equipment and services needed for the design, construction, operation and dismantling of the new Georges Besse II enrichment plant, acquired within the framework of the ETC joint venture with Urenco, and capitalized mine development costs. The right to use the technology is amortized over 30 years.

Changes in the consolidated group pertain to the acquisitions of La Mancha and Sfarsteel.

Other intangible assets as of December 31, 2006 mainly include assets in progress (€361 million), R&D expenses (€169 million), concessions and patents (€99 million) and software (€41 million).

Capitalized pre-mining expenses

<i>(in millions of euros)</i>	NCA as of December 31, 2006	Additions	Disposals	Amortization / Impairment	Currency translation adjustments	Other changes	NCA as of December 31, 2007
Uranium	397	148	-	(27)	17	5	540
Gold	22	7	-	(1)	-	(3)	25
Total	419	155	-	(28)	17	2	565

<i>(in millions of euros)</i>	NCA as of December 31, 2005	Additions	Disposals	Amortization / Impairment	Currency translation adjustments	Other changes	NCA as of December 31, 2006
Uranium	400	81	-	(44)	(41)	-	397
Gold	12	5	-	(2)	(1)	8	22
Total	413	86	-	(47)	(42)	8	419

Exploration expenses (included in research and development expenses in the income statement)

<i>(in millions of euros)</i>	2007	2006	2005
Uranium	43	27	14
Gold	4	3	2
Total	47	30	16

Note 12. Property, plant and equipment

2007

<i>(in millions of euros)</i>	Land	Buildings	Plant, equipment and tooling	End-of-life- cycle asset – AREVA share	Other	In process	Total
Gross amount as of December 31, 2006	205	1,795	16,171	674	766	477	20,086
Additions	8	40	161	0	70	531	811
Disposals	(3)	(39)	(137)	(0)	(58)	(4)	(242)
Currency translation adjustments	1	(11)	(14)	(2)	(8)	(0)	(35)
Change in consolidated group	2	7	17	0	13	4	42
Other changes	5	59	135	3	73	(286)	(12)
Gross amount as of December 31, 2007	217	1,851	16,333	675	856	722	20,652
Depreciation and provisions as of December 31, 2006	(75)	(1,089)	(14,052)	(476)	(577)	(2)	(16,271)
Depreciation / Impairment ⁽¹⁾	(0)	(58)	(238)	(27)	(66)	0	(390)
Disposals	1	30	131	0	52	0	215
Currency translation adjustments	(0)	4	12	0	4	(0)	21
Change in consolidated group	0	0	(13)	0	(3)	0	(16)
Other changes	(0)	(1)	(0)	2	(5)	(1)	(6)
Depreciation and provisions as of December 31, 2007	(75)	(1,113)	(14,161)	(501)	(595)	(4)	(16,447)
Net carrying amount as of December 31, 2006	130	706	2,118	198	188	474	3,814
Net carrying amount as of December 31, 2007	142	737	2,172	174	261	718	4,204

(1) No impairment of PP&E was recognized as of December 31, 2007.

In 2007, the net value of finance lease contracts capitalized was €40 million (€33 million in 2006).

2006

<i>(in millions of euros)</i>	Land	Buildings	Plant, equipment and tooling	End-of-life- cycle asset – AREVA share	Other	In process	Total
Gross amount as of December 31, 2005	208	1,897	16,725	613	757	271	20,471
Additions	3	35	90	-	42	415	585
Disposals	(10)	(190)	(31)	-	(75)	(2)	(308)
Currency translation adjustments	(5)	(26)	(48)	(2)	(10)	(11)	(102)
Change in consolidated group	4	30	136	-	2	5	177
Other changes	5	49	(701)	62	50	(202)	(737)
Gross amount as of December 31, 2006	205	1,795	16,171	674	766	477	20,086
Depreciation and provisions as of December 31, 2005	(78)	(1,208)	(14,600)	(451)	(591)	(2)	(16,928)
Depreciation / Impairment ⁽¹⁾	(3)	(63)	(224)	(29)	(60)	-	(378)
Disposals	5	172	36	-	73	-	286
Currency translation adjustments	1	9	22	-	6	-	37
Change in consolidated group	(0)	1	(54)	-	-	-	(53)
Other changes	-	(1)	767	3	(5)	-	764
Depreciation and provisions as of December 31, 2006	(75)	(1,089)	(14,052)	(476)	(577)	(2)	(16,271)
Net carrying amount as of December 31, 2005	131	688	2,125	163	166	269	3,542
Net carrying amount as of December 31, 2006	130	706	2,118	198	188	474	3,814

(1) No impairment of PP&E was recognized as of December 31, 2006.

Other changes in 2006 relate mainly to an exchange with the CEA of land and buildings erected at the Marcoule and Pierrelatte sites.

In 2006, the net value of finance lease contracts capitalized was €33 million (€31 million in 2005).

Note 13. End-of-life-cycle operations

The table below summarizes the AREVA balance sheet accounts affected by the treatment of end-of-life-cycle operations and their financing.

ASSETS <i>(in millions of euros)</i>	December 31,	December 31,	December 31,	LIABILITIES	December 31,	December 31,	December 31,
	2007	2006	2005		2007	2006	2005
End-of-life-cycle asset - AREVA share ⁽¹⁾	174	198	163				
Assets earmarked for end-of-life-cycle operations	5,364	5,077	4,843	Provisions for end-of-life-cycle operations	5,075	4,585	4,490
• End-of-life-cycle asset – third party share ⁽²⁾	2,491	2,091	2,045	• funded by third parties ⁽²⁾	2,491	2,091	2,045
• Assets earmarked for end-of-life cycle operations ⁽³⁾	2,873	2,986	2,798	• funded by AREVA	2,584	2,494	2,444

(1) Amount of total provision to be funded by AREVA still subject to amortization.

(2) Amount of the provision to be funded by third parties.

(3) Portfolio of financial assets and receivables earmarked to fund AREVA's share of the total provision.

End-of-life-cycle asset

In addition to the value of its property, plant and equipment, AREVA recognizes the deferred portion of the group's share of end-of-life-cycle operations, such as nuclear facility dismantling, decontamination, etc. The group's share of this adjustment account asset is amortized according to the same schedule as

the underlying property, plant and equipment. An adjustment account asset is also recognized for the third party share of end-of-life-cycle operations, corresponding to the share of dismantling, waste retrieval and packaging operations to be financed by third parties. Conversely, a provision is recorded to cover total estimated end-of-life-cycle costs as soon as a facility starts up, including any share to be funded by third parties.

<i>(in millions of euros)</i>	Group share			Third party share	December 31, 2007	December 31, 2006	December 31, 2005
	Gross	Amortization	Net				
Dismantling	675	(501)	174	2,013	2,186	1,786	1,715
Waste retrieval and packaging	-	-	-	479	479	503	493
Total	675	(501)	174	2,491	2,665	2,289	2,208

2007

<i>(in millions of euros)</i>	NCA as of December 31, 2006	Increases	Decreases	Changes to and reversals of amortization and provisions	Discounting reversals	Other changes	NCA as of December 31, 2007
Group share	198	21	(18)	(27)	-	-	174
Third party share	2,091	294	0	-	107	-	2,491
Total	2,289	315	(19)	(27)	107	-	2,665

2006

<i>(in millions of euros)</i>	NCA as of December 31, 2005	Increases	Decreases	Changes to and reversals of amortization and provisions	Discounting reversals	Other changes	NCA as of December 31, 2006
Group share	163	69	(7)	(29)	-	1	198
Third party share	2,045	-	(48)	-	96	(2)	2,091
Total	2,208	69	(55)	(29)	96	(1)	2,289

The net end-of-life-cycle asset totaled €2.665 million as of December 31, 2007, compared with €2.289 billion as of December 31, 2006.

The third party share of the end-of-life-cycle asset mainly corresponds to funding expected from EDF for the La Hague site and from the CEA for the Pierrelatte site. This heading increases based on discounting reversals and decreases based on work performed.

The third party share of costs associated with waste retrieval and packaging correspond to the funding expected from EDF for its share of the commitment for the La Hague site. These assets will be recovered when AREVA and EDF sign an agreement finalizing the terms and conditions of payment. Accordingly, when waste retrieval and packaging obligations are covered by commitments from third parties regarding future costs, no liability or corresponding end-of-life-cycle asset is recognized. The share of waste retrieval and packaging work already completed and to be funded by EDF is included in work-in-process.

Provisions for end-of-life-cycle operations

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	December 31, 2005
Dismantling of nuclear facilities	3,881	3,371	3,262
Waste retrieval and packaging	1,194	1,215	1,228
Provisions for end-of-life-cycle operations	5,075	4,585	4,490

<i>(in millions of euros)</i>	NCA as of December 31, 2006	Reversals (when risk has materialized): expenses for the year	Discounting reversal	Change in assumptions, budgets, etc.	NCA as of December 31, 2007
Dismantling provision	3,371	(61)	168	404	3,881
Provision for waste retrieval and packaging	1,215	(14)	51	(58)	1,194
Total	4,585	(75)	218	346	5,075

The increase in provisions for dismantling in 2007 primarily reflects the third-party share at the Pierrelatte site and a revision in cost estimates for the dismantling of the La Hague site.

<i>(in millions of euros)</i>	NCA as of December 31, 2005	Reversals (when risk has materialized): expenses for the year	Discounting reversal	Change in assumptions, budgets, etc.	NCA as of December 31, 2006
Dismantling provision	3,262	(58)	155	13	3,371
Provision for waste retrieval and packaging	1,228	(11)	54	(57)	1,215
Total	4,490	(69)	209	(44)	4,585

Provisions for end-of-life-cycle operations of facilities covered by the Law of June 28, 2006 pertaining to the sustainable management of nuclear materials and nuclear waste were as follows as of December 31, 2007 and December 31, 2006:

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006
Dismantling of regulated nuclear facilities, excluding long-term radioactive waste management	3,321	2,831
Dismantling of used fuel, excluding long-term radioactive waste management	-	-
Retrieval and packaging of legacy waste, excluding long-term radioactive waste management	730	786
Long-term radioactive waste management	689	655
Post-closure disposal center monitoring costs	36	36
Total provisions for end-of-life-cycle operations of facilities covered by the Law of June 28, 2006	4,776	4,309
Provisions for end-of-life-cycle operations of facilities not covered by the Law of June 28, 2006	299	276
Total provisions for end-of-life-cycle operations	5,075	4,585

As of December 31, 2007, the use of a discount rate of 0.5% higher or 0.5% lower than the rate actually used changes the value of end-of-life-cycle provisions falling within the scope of the Law of June 28, 2006 by negative €422 million or positive €497 million, respectively.

Nature of the commitments

As a nuclear operator, the AREVA group has a legal obligation to secure and decommission its facilities when they are shut down permanently. The group must also retrieve and package, in accordance with prevailing standards, the various waste types generated by operating activities which could not be processed during treatment. Group facilities subject to these obligations include facilities in the front end of the fuel cycle, in particular the Pierrelatte plants and the fuel fabrication facilities, but they are predominantly facilities in the back end of the fuel cycle, including the treatment plants at La Hague and the Melox and Cadarache MOX fuel fabrication plants.

Under certain circumstances, essentially in the case of used fuel treatment services, customers have agreed to fund a portion of the cost related to decommissioning operations and to the disposal of final waste, of which they remain the owners. For AREVA, this has the effect of transferring the financial responsibility for decommissioning and for waste retrieval and packaging from the group to third parties.

In December 2004, the CEA, EDF and AREVA NC signed an agreement regarding the Marcoule plant. The CEA will assume the responsibilities of owner-operator of the site and will be responsible for funding the site cleanup effort. This agreement does not cover final disposal costs for long-lived high- and medium-level waste. Accordingly, provisions for the Marcoule site include only AREVA NC's share of waste removal and final waste disposal costs.

Determination of provisions for end-of-life-cycle operations

DISMANTLING

Dismantling obligations are calculated facility by facility as follows:

The group's dismantling standards correspond to the following final condition: buildings are decontaminated where they stand and all nuclear waste areas are decommissioned to conventional waste status.

Detailed decommissioning and waste management cost estimates for back-end facilities were prepared by SGN. As prime contractor for the construction of the majority of the group's treatment and recycling facilities, this engineering firm was judged to be the most qualified to select methods for the decommissioning of these facilities. To do so, SGN developed software to estimate dismantling operations to be performed at back-end plants of AREVA and the CEA. This software was certified by Veritas.

Eurodif prepared the decommissioning cost estimates for the enrichment business.

The estimates are revised annually to take inflation into account. These expenses are then allocated by year, adjusted for inflation and discounted to present value, as explained in note 1.18. A provision is then recognized based on the present value. The discounting reversal is recognized in "Net financial expense".

As of December 31, 2007 and December 31, 2006, the estimated rates applied to facilities located in France were the following:

- inflation rate: 2%;
- discount rate: 5%.

Cost estimates will be updated if applicable regulations change or substantial technological developments are anticipated. As required by French Program Law no. 2006-739 of June 28, 2006 on the sustainable management of radioactive materials and waste, the group will submit a report every three years on cost estimates and calculation methods for provisions, in addition to an annual report update.

5.5. Notes to the consolidated financial statements

Note 13. End-of-life-cycle operations

WASTE RETRIEVAL AND PACKAGING

Some waste from fuel treatment performed under older contracts could not be processed on site, as packaging facilities were not yet in service at that time. This waste must now be retrieved and packaged with methods and technologies approved by the French safety authorities.

Operations funded by third parties are handled in the same way as for other types of contracts. These operations are included in services to optimize waste packaging routinely performed for customers at the La Hague plant. The customers retain ownership of the packaged waste and must bear the cost of final disposal. In December 2004, the group executed an agreement with the CEA formalizing its obligations. The cost of these operations is thus not included in the provision for end-of-life-cycle operations or in the corresponding third party asset as of December 31, 2004. Upon receipt, the CEA's payment will be recognized as an advance. It will then be released to sales revenue as the work is performed. The same procedure will apply to EDF's share, once an agreement between the parties is signed.

Cost evaluations are based on technical assumptions and planning schedules.

Capital costs for waste retrieval are estimated based on a preliminary design and on group estimates of operating costs for waste retrieval and packaging. The provision recognized to cover these

expenses is calculated on a present value basis using the same principles and rates as for dismantling costs.

FINAL WASTE DISPOSAL

AREVA recognizes a provision for radioactive waste expenses for which the group is responsible.

These expenses include:

- the group's share of the cost of monitoring disposal facilities in the Manche and Aube regions, which receive or will receive low-level, short-lived waste;
- the shipment and underground disposal of low-level, long-lived waste (graphite) owned by the group;
- the shipment and disposal of medium- and high-level waste covered by the French law of December 30, 1991 (now included in articles L. 542-1 *et seq.* of the French Environmental Code). The provision is based on the assumption that a deep geological repository will be built.

Concerning this last heading, a working group established in 2004 at the request of the Ministry of Industry's Department of Energy and Raw Materials (DGEMP) issued its report during the second half of 2005. AREVA reviewed the report of the working group and adopted a reasonable cost estimate of €14.1 billion for the deep geological repository, including allowances for contingencies.

PROVISION FOR END-OF-LIFE-CYCLE OPERATIONS, BEFORE DISCOUNTING

Provisions for end-life-cycle operations before discounting (subject to escalation from the date of closing):

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	December 31, 2005
Dismantling of nuclear facilities	7,990	7,290	7,053
Waste retrieval and packaging	2,075	1,982	2,106
Total	10,065	9,272	9,159

EDF/AREVA NC NEGOTIATIONS

EDF and AREVA NC embarked on framework negotiations to establish:

- firstly:
 - the legal and financial terms of a transfer to AREVA NC of EDF's current financial obligations with respect to dismantling operations at the La Hague site (including, conceivably, payment of a lump sum to settle EDF's long-term commitment). At the end of September 2003, the parties reached agreement on their respective shares of funding for the dismantling costs for the La Hague plant,

- EDF's and AREVA NC's respective shares of obligations for the retrieval and packaging of waste at the La Hague and Saint-Laurent-des-Eaux sites;

- secondly:
 - the financial terms of the future used fuel treatment contract beyond 2007.

Considering the global nature of this negotiation, AREVA did not modify in its financial statements the respective shares of dismantling expenses allocated to the parties as of December 31, 2006. Based on available information, this is not expected to have any significant impact on the group's financial statements or financial position.

Assets earmarked for end-of-life-cycle operations

This heading consists of the following:

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	December 31, 2005
Receivables related to decommissioning	119	113	129
Earmarked assets	2,755	2,873	2,669
Total	2,873	2,986	2,798

Receivables related to decommissioning as of December 31, 2007 include a receivable resulting from the signature of a contract in December 2004 under which the CEA agreed to fund a share of facility decommissioning expenses at the La Hague and Cadarache plants. This receivable, which bears interest at a rate of approximately 5.3%, totaled €119 million as of December 31, 2007 (before value added tax). This receivable has no set due date.

Purpose of earmarked portfolio

To meet its share of the obligation, the group has segregated part of its liquidities to cover future facility decommissioning and waste disposal expenses. A portfolio of assets earmarked to pay for these expenses was thus established. This obligation has applied to all nuclear operators in France since the Law 2006-739 of June 28, 2006 and the implementing decree 2007-243 of February 23, 2007 came into force. This portfolio was constructed based on a budget of disbursements. These operations are scheduled to take place, for the most part, during the 2025-2060 timeframe. Accordingly, the portfolio is managed with long-term objectives. The portfolio is comprised of financial assets covering all of AREVA's commitments, whether in France as a result of the Law of June 28, 2006, or other commitments classified in the end-of-life-cycle category in the group's financial statements and located in France or abroad.

The group relies on independent consultants to study strategic target asset allocations to optimize the risk/return of the portfolio over the long term and to advise AREVA on the choice of asset classes and portfolio managers. These recommendations are submitted to the Cleanup and Decommissioning Fund Monitoring Committee.

The AREVA group modified the structure of the portfolio and fund administration to allocate the portfolio to assets matching the liabilities (bonds and money market funds) and to diversify assets (equities, high yield bonds, etc.), as required by the Committee in 2006 and to comply with rules of risk diversification and investment limits by type and amount, as required by the order of February 23, 2007.

In doing so, AREVA ensured that all AREVA NC and AREVA NP funds are held, registered and valued by a single custodian capable of performing the necessary control and valuation procedures independently, as required by the implementing order.

In addition, the equity component of the portfolio, which was initially invested in European equities via direct holdings in publicly traded French companies and independently managed mutual funds, was reorganized in 2007 and is now wholly independently. It consists of:

- a mandate for the management of Eurozone equities, with long term objectives and a slow rotation of assets;
- European equities mutual funds corresponding to three management styles:
 - indexed management,
 - active quant,
 - small and mid-caps.

The fixed component, comprising bond funds and money market funds, remains unchanged.

Portfolio performance is measured against the corresponding benchmarks: MSCI EMU equities, EMU + UK or MSCI Mid cap for the equity component of the portfolio, and a composite FTSE sovereign bond index for the fixed income component of the portfolio.

The portfolio of assets earmarked to fund end-of-life-cycle expenses includes the following:

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	December 31, 2005
At market value			
Publicly traded shares	846	718	570
Equity mutual funds	946	1,001	973
Bond and money market mutual funds	963	1,154	1,126
Total	2,755	2,873	2,669
By region			
Euro zone	2,358	2,381	2,164
Non-euro Europe	394	492	502
Other	3	-	2
Total	2,755	2,873	2,669

Management mandate for publicly traded equities

COMPOSITION

The mandate was established at the beginning of the year by contributing three equity investments –Michelin, Saint-Gobain and Schneider– valued at €718 million at year-end 2006, plus €50 million in cash. The manager's objective is to rotate the initial investments over time to diversify the portfolio over 30 to 40 Eurozone equities to produce long-term gains, with a slow rotation of assets.

As of December 31, 2007, the mandate includes 25 companies with a market value of €846 million, with 84% of the value concentrated in the three initial investments.

RISK ASSESSMENT

Although it is not a management guideline, the mandate will be assessed over the long term by reference to the MSCI EMU index, net of dividends reinvested. The nature of the long-term mandate is not compatible with an evaluation against a benchmark.

Dedicated equity funds (indexed management, active quant, small caps)

COMPOSITION

Some of the assets earmarked to fund future cleanup and dismantling operations are invested, with a long-term objective, in equity funds dedicated to AREVA. The combined value of the dedicated equity funds was €943 million at year-end 2007.

Three management strategies were chosen for three specific investment universes:

- to duplicate the performance of the benchmarks, indexed management based on large Eurozone capitalizations (EMU + UK) forms the base of dedicated equity funds;

- active quant management is the second component of the equity portfolio, with investments chosen in the universe of MSCI EMU + UK companies. The manager's objective is to outperform the benchmark with a limited tracking error;
- the third universe of the portfolio consists of actively managed small and mid caps chosen exclusively among companies in the MSCI Europe Small Cap universe.

RISK ASSESSMENT

The managers must follow strict rules of exposure, depending on the objectives of the fund involved, including limits on the amounts invested per issuer or in percentage of the net value of the portfolio, limits on exposures in currencies other than the euro, tracking error (relative risk compared with the benchmark), and limits on exposures to certain types of instruments. Together, these limits are designed to comply with investment rules established in the implementing order of the Law of June 28, 2006.

A single custodian was selected for all of the funds to verify that the managers apply the rules at all times and to perform independent valuations of the funds.

DERIVATIVES

Derivative instruments may be used for hedging or to acquire a limited exposure. They are subject to specific investment rules prohibiting leverage. Sales of puts and calls must be fully covered by underlying assets (and are prohibited on assets not included in the portfolio).

FUND VALUATION

The funds are valued based on their net asset value, corresponding to the market value of the securities held by each fund on the last day of the period.

5.5. Notes to the consolidated financial statements

Note 13. End-of-life-cycle operations

Dedicated bond funds**COMPOSITION**

AREVA NC bond funds must invest:

- a minimum of 80% of their assets in euro-denominated interest rate instruments;
- no more than 20% of their assets in interest rate instruments denominated in US dollars or in non-euro zone European Union currencies, in which case the foreign exchange risk must be hedged;
- no equities may be held by bond funds.

Mandates and bond funds matching disbursement flows exactly have been established specifically for Eurodif.

RISK ASSESSMENT

Excluding Eurodif's mandates and bond funds, whose sensitivity essentially matches liabilities, the sensitivity of AREVA NC Funds to interest rate fluctuations is currently between a minimum of 0 and a maximum of 5. The sensitivity was 2.5 as of December 31, 2007⁽¹⁾ and 2.8 if Eurodif's bond mandates and bond funds are included.

For AREVA NC funds, the securities selected must be rated by Moody's and/or Standard & Poor's in accordance with the table below:

	Moody's	S&P
0-1 year	P1	A1
1-4 years	Aa3	AA-
4-7 years	Aa1	AA+
>7 years	Aaa	AAA

DERIVATIVES

The sole purpose of derivatives is to hedge existing positions. Total nominal commitments may not exceed the fund's net assets.

FUND VALUATION

The bond funds' net asset value is determined by valuing the securities held by each fund at market value on the last day of the period.

Performance of various financial asset classes used to cover liabilities subject to the Law of June 28, 2006 (as classified in the law's implementing order 2007-243 of February 23, 2007)

	2007	2006	2005
AREVA NC			
I. 3° Eurozone equities	9.3%	29.3%	24.3%
AREVA NC			
I. 4° EU equity funds*	2.4%	17.3%	23.7%
I. 4° Euro bond funds*	3.2%	1.6%	2.7%
I. 4° Money market funds	4.0%	2.9%	2.5%
AREVA NP			
I. 4° Money market funds	4.1%	3.0%	2.1%
EURODIF			
I. 4° Mutual funds and mandates	3.0%	10.1%	19.0%

* Performance reported for this asset class includes that of mutual funds earmarked for end-of-life-cycle obligations of regulated nuclear facilities not subject to the Law of June 28, 2006.

⁽¹⁾ While portfolio sensitivity is currently limited, this may evolve towards a longer duration based on strategic research and tactical allocation of the portfolio's rate component.

Note 14. Equity associates

Investments in equity associates (by associate)

December 31, 2007 <i>(in millions of euros)</i>	% of control	Share in net income of equity associates	Investment in associates, excluding goodwill	Goodwill	Investment in associates, including goodwill
STMicroelectronics	11.04	(25)	748	43	791
Eramet	26.24	153	552	35	587
REpower	29.95	7	97	26	123
Other equity associates	-	14	57	-	57
Total		148	1,454	104	1,558

December 31, 2006 <i>(in millions of euros)</i>	% of control	Share in net income of equity associates	Investment in associates, excluding goodwill	Goodwill	Investment in associates, including goodwill
STMicroelectronics	10.91	98	862	43	905
Eramet	26.20	106	454	35	489
REpower	29.99	2	56	23	79
Other equity associates	-	13	48	-	48
Total		220	1,420	101	1,521

December 31, 2005 <i>(in millions of euros)</i>	% of control	Share in net income of equity associates	Investment in associates, excluding goodwill	Goodwill	Investment in associates, including goodwill
STMicroelectronics	10.94	38	788	43	831
Eramet	26.25	104	356	35	391
REpower	21.20	0	21	7	27
Other equity associates	-	11	38	-	38
Total		153	1,203	85	1,288

The final impact of STMicroelectronics' first-time adoption of IFRS is included in the share in net income of the company in 2006 (see note 1.2, *Accounting principles*) in the amount of €15 million.

The shareholders' agreement renewed on March 17, 2004, among AREVA, France Télécom (through August 2005) and Finmeccanica establishes the rules governing relations between the parties and seeks to improve the liquidity of their indirect investments in the company and preserve a stable and balanced shareholders' base. It provides AREVA with significant influence over STMicroelectronics.

Change in investments in equity associates

<i>(in millions of euros)</i>	2007	2006
Investments in equity associates as of January 1	1,521	1,288
Share in net income of equity associates	148	219
Dividends	(52)	(27)
Currency translation adjustments	(52)	(43)
Acquisitions	1	49
Disposals	-	-
Other changes	(8)	35
Investments in equity associates as of December 31	1,558	1,521

Agreement between AREVA and Suzlon concerning AREVA's equity interest in REpower

On February 22, 2007, AREVA made a public offer to acquire REpower shares on the market. A competing offer was subsequently made by Suzlon. On May 24, 2007, AREVA decided to keep its shares of REpower and entered into a cooperative agreement with Suzlon under which:

- AREVA retains its equity interest in REpower and continues to support the company;

- AREVA becomes a preferred supplier to Suzlon in the electricity transmission and distribution business;
- AREVA has an option to sell its shares at a guaranteed price, as indicated in commitments received by the group (see note 33).

The pricing of this option resulted in the recognition of financial income (see note 7).

Summary data on associates

<i>(in millions of euros)</i>	STMicroelectronics*	Eramet*	REpower*
Total assets	10,781	4,201	409
Total liabilities	3,380	2,062	221
Shareholders' equity	7,401	2,139	188
Sales revenue	7,848	3,056	459
Net income	623	319	7

* Information reported in accordance with IFRS (December 31, 2006).

Fair value of investments in publicly traded equity associates

<i>(in millions of euros)</i>	December 31, 2007			December 31, 2006			December 31, 2005		
	% of control	Investment in equity associates	Fair value at stock market price	% of control	Investment in equity associates	Fair value at stock market price	% of control	Investment in equity associates	Fair value at stock market price
STMicroelectronics	11.04	791	973	10.91	905	1,397	10.94	831	1,507
Eramet	26.24	587	2,365	26.20	489	820	26.25	391	547
REpower	29.95	123	336	29.99	79	190	21.20	27	40
Total		1,501	3,674		1,473	2,407		1,249	2,094

Note 15. Other non-current financial assets

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	December 31, 2005
Available-for-sale securities	2,269	2,096	1,976
Loans to equity associates	28	30	32
Other non-current financial assets	262	215	355
Derivatives on financing activities	29	34	2
Total	2,588	2,376	2,365

Available-for-sale securities

Changes during the year were as follows:

<i>(in millions of euros)</i>	
January 1, 2007	2,096
Acquisitions	131
Disposals	(4)
Lasting impairment	(44)
Changes in fair value recognized directly in equity	96
Change in consolidation scope, currency translation and miscellaneous	(7)
December 31, 2007	2,269

Available-for-sale securities are as follows:

<i>(in millions of euros)</i>	Number of shares as of December 31, 2007	December 31, 2007	December 31, 2006	December 31, 2005
Publicly traded shares (at market value)				
• Total	7,350,064	418	402	390
• Alcatel	2,597,435	13	28	27
• Société Générale	-	-	-	176
• Suez	27,627,000	1,287	1,084	727
• Safran (formerly Sagem)	30,772,945	432	541	622
• Summit	20,659,641	38	-	-
• Northern Uranium	8,500,000	4	-	-
Investment in privately held companies	-	77	41	34
Total		2,269	2,096	1,976

5.5. Notes to the consolidated financial statements

Note 16. Inventories and in process

In particular, AREVA acquired shares in 2007 representing 10% of the share capital of Summit.

Summit is a junior uranium exploration company traded on the Australian Securities Exchange. A provision for impairment of this investment was recognized to reflect a significant loss in value after acquisition.

Changes in investments in Total, Alcatel, Suez and Safran correspond solely to changes in their market prices. AREVA did not buy or sell any shares in these companies during the reporting period.

The shares of Société Générale were sold in 2006.

As of December 31, 2007, the heading "Investments in privately held companies" includes mostly investments in companies owning interests in mineral deposits.

Other non-current financial assets

As of December 31, 2007, this heading includes mostly deposits with the US Customs Service in connection with alleged the Usec dispute in the amount of €145 million.

USEC

In 2001, the United States Department of Commerce (DOC) ordered that countervailing duties be levied on enrichment services imported to the United States from France, Germany, the Netherlands and the United Kingdom. This action followed complaints filed in December 2000 by the United States Enrichment Corporation (USEC) against Eurodif and Urenco for dumping and unfair subsidies. The level of countervailing duties applied to Eurodif exports to the United States led to \$213 million being deposited with the US Customs Service at the end of 2007, recoverable once the case has been adjudicated (see note 35). Considering the group's degree of confidence regarding the outcome of the case, no provision has been recognized in connection with this litigation.

As of December 31, 2006, this heading includes mostly deposits with the US Customs Service in connection with the USEC dispute in the amount of €141 million.

As of December 31, 2005, this heading included mostly:

- a €150 million down-payment to the shareholders of Urenco for the acquisition of an interest in ETC paid in 2006; and
- a €159 million deposit to the US Customs Service in connection with alleged dumping.

Note 16. Inventories and in process

<i>(in millions of euros)</i>	December 31, 2007			December 31, 2006			December 31, 2005		
	Gross	Impairment	Net	Gross	Impairment	Net	Gross	Impairment	Net
Raw materials and other supplies	855	(163)	691	713	(162)	551	692	(171)	521
Goods in process	711	(26)	685	655	(42)	613	546	(19)	527
Services in process	692	(110)	581	566	(100)	466	577	(89)	488
Intermediate and finished products	889	(29)	860	698	(22)	676	765	(28)	737
Total	3,146	(329)	2,817	2,633	(326)	2,306	2,580	(307)	2,273
Inventories and work-in-process									
• at cost	-	-	2,465	-	-	2,038	-	-	2,048
• at fair value net of disposal expenses	-	-	353	-	-	268	-	-	225
	-	-	2,817	-	-	2,306	-	-	2,273

Note 17. Accounts receivable and related accounts

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	December 31, 2005
Gross	3,932	3,654	3,856
Impairment	(48)	(50)	(63)
Net carrying amount	3,884	3,604	3,793

Change in impairment of accounts receivable and related accounts

January 1, 2007	(50)
Change in consolidated group	(2)
Charge	(12)
Reversal (when risk has materialized)	9
Reversal (when risk has not materialized)	6
Other (currency translation adjustments)	-
December 31, 2007	(48)

The gross value of "Trade accounts receivable and related accounts" includes €752 million in receivables maturing in more than one year.

As of December 31, 2007, "Trade accounts receivable and related accounts" include receivables in the amount of €1.121 billion on contracts recognized according to the percentage of completion method (€1.141 billion as of December 31, 2006).

Trade accounts receivable and related accounts (gross)*

Trade accounts receivable and related accounts <i>(in millions of euros)</i>	Gross	Including maturing in the future	Including impaired and past due	Including not impaired, maturing in the future					
				Less than 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	More than 1 year
As of December 31, 2007	2,812	2,480	38	114	78	29	31	30	12
As of December 31, 2006	2,512	2,176	42	142	45	27	35	27	18

* Excluding accounts receivable recognized according to the percentage of completion method.

Note 18. Other operating receivables

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	December 31, 2005
French State	426	323	263
Advances and down payments to suppliers	340	275	220
Miscellaneous accounts receivable	456	380	334
Financial instruments	153	122	77
Other	27	20	20
Total	1,402	1,121	914

“Miscellaneous accounts receivable” include receivables from employees and benefit management organizations.

Other operating receivables include €110 million in receivables maturing in more than one year.

The heading “Financial instruments” includes the fair value of derivatives hedging commercial transactions and fair value of the firm commitments hedged.

Note 19. Cash and cash equivalents

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	December 31, 2005
Cash equivalents	346	690	1,227
Cash and current accounts	288	272	257
Net value	634	962	1,484

Cash equivalents consist chiefly of short-term marketable securities and money market funds in euros.

Note 20. Other current financial assets

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	December 31, 2005
Securities held for trading	69	248	245
Puts and calls	124	-	-
Other current financial assets and derivatives on financing activities	86	44	19
Total	279	292	264

Securities held for trading include bonds and negotiable mid-term instruments, some of which serve as security for expenses to be incurred under sales contracts for which customer advances have been received, and balanced equity/bond funds.

Puts and calls mainly include the put option on REpower shares in the amount of €121 million.

This option has a fixed strike price. As a result, the fair value of the option varies inversely to the change in price of REpower shares at the Frankfurt stock exchange. For instance, the fair value of the option decreases by €15 million for every €5.00 increase in the price of the share (and vice versa).

Other current financial assets include €40 million for the Framépargne liquidity guarantee (see note 31).

Note 21. Equity

Share capital

As of December 31, AREVA's share capital was held as follows:

December 31	2007	2006	2005
CEA	78.9%	78.9%	78.9%
French State	5.2%	5.2%	5.2%
Caisse des dépôts et consignations	3.6%	3.6%	3.6%
Erap	3.2%	3.2%	3.2%
Total	1.0%	1.0%	1.0%
Calyon and employee shareholders	1.6%	1.6%	1.6%
EDF	2.5%	2.5%	2.5%
Holders of shares with voting rights	96.0%	96.0%	96.0%
Holders of investment certificates	4.0%	4.0%	4.0%
Total	100.0%	100.0%	100.0%

The par value of the AREVA SA share and the investment certificate is €38.00.

Currency translation reserves

Currency translation reserves totaled negative €138 million in 2007 (negative €25 million in 2006). This decrease reflects changes in the value of the US dollar exchange rate for the most part.

Earnings per share

The average number of shares and investment certificates used to calculate earnings per share in 2007 was 35,442,701 (including 1,429,108 investment certificates), unchanged from previous years.

Dilutive instruments

The group does not have a stock option plan and has not issued any instrument convertible into equity.

Note 22. Minority interests

The largest minority interests were as follows:

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	December 31, 2005
Eurodif	233	166	141
Uramin	70	-	-
AREVA T&D India Ltd	30	20	15
Other	137	108	72
Total	470	294	228

As provided in IAS 32 and mentioned in note 1.19.1, put options held by Siemens in respect of its investment in AREVA NP are recognized as borrowings (see note 25), and the corresponding

minority interests are canceled. The difference between the value of these options and the minority interests canceled is recognized as goodwill (see note 10).

Note 23. Employee benefits

Group companies, in accordance with laws and practices prevailing in the various countries in which they operate, may pay retirement bonuses to their retiring employees based on their compensation and seniority. Long-service jubilee payments and early retirement pensions are sometimes due in France and in Germany, while supplemental pensions may contractually guarantee a given level of income to certain employees. Certain group companies also grant other post-retirement benefits, such as the reimbursement of medical expenses.

These defined benefit plans are recognized in accordance with the accounting method defined in note 1.16.

Each year, independent actuaries determine the group's commitments as of the year-end.

In some companies, these obligations are covered in whole or in part by insurance policies or external retirement funds. In such cases, the obligations and the covering assets are valued independently. The difference between the obligation and the assets is either a funding surplus or a deficit. A provision is recognized in the event of a deficit and an asset is recognized in the event of a surplus, subject to specific conditions.

Provisions recognized on the balance sheet

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004
Total provisions for pension obligations and other employee benefits	1,175	1,122	1,096	1,031
Including pension plan assets	(0)	(0)	(1)	(10)
Including local pension plan assets	(24)	(28)	(42)	(33)
Including plans reviewed by the group's actuaries	1,151	1,094	1,053	988
Retirement bonuses	207	179	157	146
Supplemental retirement benefits	179	180	184	239
Early retirement benefits	543	511	490	418
Medical expenses and accident / disability insurance	194	200	196	162
Job-related awards	28	24	26	24

The information below concerns plans reviewed by the group's actuaries. CATS, CASA and CASAIC plans are included in early retirement plans.

The main actuarial assumptions used in determining the group's obligations are as follows:

	2007	2006	2005
Inflation	2%	2%	2%
• Discount rate			
• Euro zone	5%	4.25%	4.25%
• US dollar zone	5.75%	5.5%	6%
• Canadian dollar zone	5.25%	5%	5.5%
Expected average return on plan assets			
• Euro zone	5 to 6.25%	5 to 6.25%	5 to 6.25%
• US dollar zone	7.5%	7%	7%
• Canadian dollar zone	7.4%	7.4%	7.4%
Pension benefit increases			
• Euro zone	1.95%	1.96%	1.96%
• US dollar zone	0%	0%	0%
Annual social security ceiling increase (before inflation)	+0.5%	+0.5%	+0.5%

• Mortality tables.

	2007	2006
France		
• Annuity	Mortality tables	Mortality tables
• Lump sum payment	INSEE Men / Women 2000-2002	INSEE Men / Women 2000-2002
Germany	Heubeck 2005	Heubeck 2005
USA	GAM 94	GAM 94

- Retirement age: 63 for management personnel, 61 for non-management personnel (in France).
- Average attrition is assumed to occur among employees in each group company at a declining rate reflecting age brackets.
- Salary increase assumptions, net of inflation (weighted average based on the number of employees in each company).

France	Management personnel		Non-management personnel	
	2007	2006	2007	2006
<30 years	2.13%	2.62%	1.34%	1.98%
30-39 years	1.78%	2.02%	1.30%	1.75%
40-49 years	1.32%	1.42%	1.07%	1.50%
50-54 years	0.88%	1.02%	0.95%	1.38%
55 years or more	0.62%	0.78%	0.67%	1.24%
Germany				
			2007	2006
<35 years			1.61%	1.60%
>35 years			1.22%	1.19%

5.5. Notes to the consolidated financial statements

Note 23. Employee benefits

USA	2007	2006
	1.75%	1.75%

The assumed rate of salary increase reflects changes in the consolidated group.

- Assumed rate of increase in medical expenses in the United States.

Year	2007	8.5%
2008		8%
2009		7.5%
2010		7%
2011		6.5%
2012+		6%

- Contributions/benefits anticipated for defined benefit plans in 2008.
The contributions/benefits paid by the company are estimated at €110 million.

Plan assets

Europe

Type of asset	2007	2006
Cash	10%	6%
Bonds	59%	63%
Equities	28%	29%
Real estate	3%	2%

United States

Type of asset	2007	2006
Cash	2%	3%
Bonds	41%	39%
Equities	57%	58%
Real estate	0%	0%

Effective return on plan assets	2007	2006
Europe	1.90%	6.32%
United States	11.20%	11.15%

The returns expected on assets are calculated taking into account:

- financial asset allocations by type of investment;
- average future return assumptions by category of asset.

The group's pension assets do not include financial instruments of the AREVA group. The pension plans' real estate assets do not include real property owned by AREVA.

Net carrying amount of retirement obligations

	Retirement bonuses	Supplemental retirement benefits		Early retirement benefits		Medical expenses	Job-related awards	Total	Total	Total
	Out sourced	Out sourced	In-house management	Out sourced	In-house management	In-house management	In-house management	Out sourced	In-house management	
Au 31 décembre 2007 <i>(en millions d'euros)</i>										
Benefit obligation	363	764	153	781	333	188	28	1,908	702	2,610
Fair value of plan assets	(71)	(729)	-	(361)	-	-	-	(1,161)	-	(1,161)
Unrecognized actuarial gains/losses	(84)	(25)	(13)	(68)	(28)	(4)	-	(177)	(45)	(222)
Unrecognized past service cost	(1)	(4)	(1)	(90)	(24)	10	-	(95)	(15)	(110)
Plan assets recognition limit	-	34	-	-	-	-	-	34	-	34
Total net obligation	207	40	139	262	281	194	28	509	642	1,151

2008 Social Security budget law

The impact of the Social Security budget law published in the *Journal Officiel* no. 296 of December 21, 2007 was estimated and is included in the figures above. This impact represents a €58 million increase in actuarial debt corresponding to an actuarial loss of €49 million and a €9 million loss in respect of past services.

Swiss pension plans

In accordance with Swiss rules, pension plans previously considered defined contribution plans are considered defined benefit plans as of 2007. As a result of this change, pension liabilities estimated at €136 million and pension assets of an estimated €169 million are now consolidated. However, overfunding cannot be recovered by the company and is not recognized on the balance sheet, as provided under the asset ceiling rule.

Historical data <i>(in millions of euros)</i>	December 31, 2006	December 31, 2005	December 31, 2004	January 1, 2004
Benefit obligation	2,517	2,364	2,304	1,773
Fair value of plan assets	(978)	(875)	(874)	(851)
Unrecognized actuarial gains / losses	(331)	(309)	(291)	-
Unrecognized past service cost	(114)	(127)	(151)	(159)
Plan assets recognition limit	-	-	-	-
Total net obligation	1,094	1,053	988	763

Actual experience gains and losses since IFRS adoption

Actuarial losses (gains) by year, in millions of euros

2004	Benefit obligations	36
	Plan assets	26
	Total	62
2005	Benefit obligations	(24)
	Plan assets	(6)
	Total	(30)
2006	Benefit obligations	6
	Plan assets	(12)
	Total	(6)
2007	Benefit obligations	50
	Plan assets	13
	Total	63

Total expense for the year

2007 (in millions of euros)	Retirement bonuses	Supplemental retirement benefits	Early retirement benefits	Medical expenses	Job-related awards	Total
Current service cost	17	24	34	6	1	82
Interest on obligation	15	42	48	10	1	116
Expected return on plan assets	(4)	(43)	(18)	-	-	(65)
Actuarial gains or losses recognized in the year	4	1	27	(6)	4	30
Past service cost	1	2	13	(1)	-	15
Plan curtailment or termination	(2)	1	-	-	-	(1)
Impact of limit on recognition of assets	-	10	-	-	-	10
Total expense for the year	31	37	104	9	2	187

Historical data

(in millions of euros)

	2006	2005	2004
Current service cost	80	87	107
Interest on obligation	107	103	113
Expected return on plan assets	(51)	(45)	(52)
Actuarial gains or losses recognized in the year	7	18	11
Past service cost	10	10	13
Plan curtailment or termination	(22)	24	(8)
Total expense for the year	131	197	183

Change in the defined benefit obligation

As of December 31, 2007 (in millions of euros)	Retirement bonuses	Supplemental retirement benefits	Early retirement benefits	Medical expenses	Job-related awards	Total	2006
DBO as of December 31, 2006	325	815	1,135	218	24	2,517	2,364
Current service cost	17	24	34	6	1	82	80
Cost escalation	15	42	48	10	1	116	107
Employee contributions	-	11	-	-	-	11	6
Past service cost	8	1	2	-	-	11	(8)
Acquisitions and disposals	1	-	-	-	-	1	58
Change in consolidation scope	-	148	-	-	-	148	40
Curtailements / terminations	(1)	1	-	-	-	-	(32)
Benefits paid during the year	(19)	(37)	(85)	(7)	(2)	(150)	(123)
Actuarial gains and losses	15	(60)	(18)	(34)	4	(93)	54
Currency translation adjustments	2	(28)	(2)	(5)	-	(33)	(29)
DBO as of December 31, 2007	363	917	1,114	188	28	2,610	2,517

Changes in plan assets

(in millions of euros)	2007	2006
Changes in asset values		
Opening balance	978	875
Expected return	65	51
Actuarial differences	(14)	12
Employer contributions	128	112
Employee contributions	11	6
Benefits paid	(150)	(123)
Acquisitions and disposals	(1)	36
Change in consolidation scope	167	26
Currency translation adjustments	(23)	(17)
Net carrying value as of December 31	1,161	978

Change in provision estimated by the group's actuaries

<i>(in millions of euros)</i>	2007	2006	2005	2004
Change in the provision				
Restated opening balance	1,094	1,053	988	549
First-time adoption of IFRS (actuarial gains or losses restated to zero)	-	-	-	214
Currency translation adjustment	(11)	(13)	17	(12)
Change in consolidated group	9	35	(46)	164
Total expense	187	131	197	183
Contributions collected / benefits paid	(128)	(112)	(103)	(109)
Benefit obligation as of December 31	1,151	1,094	1,053	988

Changes in the consolidated group in 2007 include the following:

- the acquisition of Passoni & Villa;
- inclusion of actuarial gains and losses for two companies that were not previously estimated by the group's actuaries (total of €6 million).

Note 24. Other provisions

<i>(in millions of euros)</i>	January 1, 2007	Charge*	Reversal (when risk has materialized)	Reversal (when risk has not materialized)	Reclassifications, changes in consolidated group / currency translation adjustment	December 31, 2007
Restoration of mining sites and mill decommissioning	63	9	(12)	0	10	71
Provision for site clean-up and reclamation of other industrial sites	49	7	0	(7)	1	50
Other non-current provisions	112	16	(13)	(7)	11	121
Restructuring and layoff plans	128	30	(60)	(14)	(3)	81
Provisions for ongoing cleanup	81	13	(6)	(1)	3	91
Provisions for customer warranties	241	109	(55)	(44)	(9)	241
Provisions for losses to completion	570	361	(331)	(26)	5	579
Accrued costs	455	118	(72)	(19)	14	497
Other	313	147	(80)	(45)	(1)	334
Current provisions	1,788	777	(603)	(149)	10	1,823
Total provisions	1,900	793	(616)	(156)	21	1,943

* Including a discount reversal of €17 million as of December 31, 2007.

<i>(in millions of euros)</i>	January 1, 2006	Charge*	Reversal (when risk has materialized)	Reversal (when risk has not materialized)	Reclassifications, changes in consolidated group / currency translation adjustment	December 31, 2006
Restoration of mining sites and mill decommissioning	66	13	(17)	-	1	63
Provision for site clean-up and reclamation of other industrial sites	25	16	(1)	-	9	49
Other non-current provisions	91	29	(18)	-	10	112
Restructuring and layoff plans	165	74	(67)	(5)	(39)	128
Provisions for ongoing cleanup	67	11	(4)	(5)	12	81
Provisions for customer warranties	236	98	(52)	(45)	4	241
Provisions for losses to completion	93	452	(26)	(4)	55	570
Accrued costs	417	112	(108)	(41)	75	455
Other	353	169	(118)	(34)	(57)	313
Current provisions	1,331	916	(375)	(134)	50	1,788
Total provisions	1,422	945	(393)	(134)	60	1,900

* Including a discount reversal of €7 million at December 31, 2006.

As of December 31, 2007, other provisions were as follows:

	2007	2006	2005
Contingencies on contracts	16	21	27
Provisions for litigation	41	55	43
Provisions for tax risk	31	16	37
Provisions for fines and penalties	49	41	92
Other loss provisions	114	82	44
Other contingency provisions	84	98	110
Total	334	313	353

Provisions for restructuring and layoff plans

The provisions for restructuring total €81 million in 2007. They include €35 million for layoff plans and €45 million for site closures and related expenses.

These provisions, including a layoff plan spending schedule and the personnel involved, are indicated below:

<i>(in millions of euros)</i>	Site closure and related costs	Layoff plan	Layoff plan, spending forecast		
Division			2008	2009	2010
Front End division	4	0	0	0	0
Reactors and Services division	1	1	1	0	0
Back End division	0	1	0	0	0
AREVA T&D division	33	33	15	8	10
Corporate division	6	0	0	0	0
Total	45	35	16	9	10

5.5. Notes to the consolidated financial statements

Note 25. Borrowings

Layoff provisions are generally recognized when plans are presented to employee representatives. Layoff plans may concern total or gradual activity terminations, changes in employee assignments or, to a lesser extent, negotiated departures.

Provisions for losses to completion

This heading primarily includes losses to completion related to the OL3 EPR construction contract.

Contract to build the Oikiluoto 3 EPR

Construction progressed in 2007.

However, performance of the OL3 project remains difficult, mainly due to the following:

- management of the technical documentation approval process by the customer and the safety authorities prior to manufacturing;
- modifications required to satisfy specific requests by the customer and the safety authorities.

The AREVA / Siemens consortium is engaged in discussions with the customer to define measures to strengthen and extend their cooperation.

In December 2007, the consortium also exercised its right to indemnification by submitting a claim for payment of cost overruns it deems attributable to TVO. This claim supplements a similar claim submitted in 2006.

TVO made its position known at the end of the first half of 2007. First, TVO objected to the claim presented by the consortium in 2006. Secondly, TVO filed a counterclaim.

The consortium and its counsel consider the allegations made in the counterclaim are unfounded and without merit under the contract terms and Finnish law.

The December 2007 claim notified by the AREVA/SIEMENS consortium also requested that the contract deadlines be extended.

The provision for losses to completion recognized by the group was increased to take into account new cost estimates and a revised assessment of risk resulting from contract performance conditions.

Remaining uncertainties regarding the cost to completion relate chiefly to contractual risks, claims and the difficulties inherent in the construction of the first EPR.

Provisions for contract completion

Provisions for contract completion related to future expenses in the amount of €497 million as of December 31, 2007. These expenses relate to ancillary tasks yet to be performed, such as waste treatment and storage.

Note 25. Borrowings

<i>(in millions of euros)</i>	Long-term borrowings	Short-term borrowings	December 31, 2007	December 31, 2006	December 31, 2005
Put options of minority shareholders	2,049	-	2,049	1,117	1,076
Interest-bearing advances	651	1	652	548	497
Loans from financial institutions	1,542	467	2,009	316	286
Short-term bank facilities and non-trade current accounts (credit balances)	-	113	113	61	65
Derivative financial instruments	-	27	27	21	38
Miscellaneous debt*	60	5	65	56	55
Total borrowings	4,302	613	4,915	2,119	2,016
* Including finance lease obligations	43	5	48	42	39

Put options of minority shareholders

The shareholders' agreement signed in 2001 between Framatome SA (absorbed by AREVA in 2001) and Siemens provides for the exercise of a put option by Siemens in respect of shares it holds in AREVA NP, representing 34% of the share capital, and a call option by AREVA in respect of AREVA NP shares held by Siemens, under the following terms and conditions.

First, the put and call may be exercised after a deadlock, as defined in the shareholders' agreement, in particular if it becomes impossible to make certain decisions, such as shutting down a site, changing the bylaws, etc., or if Siemens does not approve the financial statements for two consecutive years.

Secondly, the shareholders' agreement provides that after 11 years, i.e. from 2012, the parties may exercise the put and the call unconditionally.

Accordingly, Siemens will be free to exercise a put option enabling it to sell all its shares to AREVA, based on an expert valuation, and AREVA will be free to exercise a call option enabling it to buy all AREVA NP shares held by Siemens, based on an expert valuation.

Commitments to purchase minority interests held by Siemens in AREVA NP SAS are included in borrowings at the put option exercise price, estimated at the net present value of future cash flows. This value is adjusted on December 31 of each year.

The following assumptions were used to value the option held by Siemens as of December 31, 2005, December 31, 2006 and December 31, 2007:

	After-tax discount rate	Growth rate of pro forma year	Number of years of forecast data
As of December 31, 2007			
Fuel sector	8.50%	2%	13
Reactors and Services sector	9.75%	2%	13
As of December 31, 2006	7.77%	2%	5
As of December 31, 2005	7.48%	2%	5

The valuation at December 31, 2007 is based on projected data derived from the Strategic Action Plan for the period 2008-2020 approved by the Supervisory Board on December 20, 2007 using discount rates specific to the Fuel sector and the Reactors and Services sector.

Five-year year projections had been used for the valuations at December 31, 2005 and December 31, 2006, with a single discount rate for all AREVA NP sectors.

The use of a discount rate of 0.5% higher or 0.5% lower than the rates actually used changes the option value by negative €224 million or positive €261 million respectively, compared with negative €118 million or positive €141 million as of December 31, 2006.

Borrowings by maturity, currency and type of interest rate:

<i>(in millions of euros)</i>	December 31, 2007
Maturing in one year or less	613
Maturity 1-2 years	634
Maturity 2-3 years	1,299
Maturity 3-4 years	244
Maturity 4-5 years	2,054
Maturing in more than one year	71
Total	4,915

5.5. Notes to the consolidated financial statements

Note 25. Borrowings

<i>(in millions of euros)</i>	December 31, 2007
Euro	2,863
US dollar	1,734
Canadian dollar	245
Other	73
Total	4,915

<i>(in millions of euros)</i>	December 31, 2007
Fixed rate borrowings	202
Floating rate borrowings	2,661
Total	2,863
Siemens put option	2,049
Financial instruments	3
Total	4,915

The maturities of the group's financial assets and borrowings as of December 31, 2007 are presented in note 31.

Payment schedule

<i>(in millions of euros)</i>	Balance sheet value	Total payment flows	<1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Put options of minority shareholders	2,049	2,049	-	-	-	-	2,049	-
Interest-bearing advances	652	652	1	605	-	-	-	46
Loans from financial institutions	2,009	2,009	467	14	1,291	237	-	-
Short-term bank facilities and non-trade current accounts (credit balances)	113	113	113	-	-	-	-	-
Miscellaneous debt	65	65	5	15	8	7	5	25
Future interest on financial liabilities		278	115	82	65	12	1	3
Total borrowings (excluding derivatives)	4,888	5,166	701	716	1,364	256	2,055	74
Derivatives - assets	(318)	-	-	-	-	-	-	-
Derivatives - liabilities	80	-	-	-	-	-	-	-
Total net derivatives	(238)	(238)	(209)	(24)	(5)	-	-	-
Total	4,650	4,928	492	692	1,359	256	2,055	74

Guarantees and covenants

No assets have been pledged to secure borrowings or debt, except for assets financed under finance lease arrangements.

Covenants

There were no significant financial commitments with financial covenants as of December 31, 2007.

Note 26. Advances and prepayments received

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	December 31, 2005
Advances and prepayments on orders	3,311	3,248	3,631
Customer advances and prepayments invested in non-current assets	861	937	1,040
Total	4,172	4,185	4,671

This account comprises non-interest bearing operating and Capex advances received from customers pursuant to contractual commitments. The advances are reimbursed by deduction from sales invoiced under these contracts, which primarily concern sales of fuel, used fuel treatment and recycling services, and AREVA T&D's Systems operations. Interest-bearing advances are recognized in Borrowings.

Only advances and prepayments effectively collected are recognized as a liability.

Trade advances and prepayments comprise amounts received from customers under contracts which do not provide financing

for major non-current assets. In the case of long-term contracts, the amount recognized in the balance sheet represents the net balance of advances and prepayments received and sales invoiced or recognized on a percentage of completion basis; it also includes interest income calculated on cash surpluses generated by these advances and prepayments, the amount of which is determined on an individual contract basis.

Customer advances and prepayments invested in non-current assets comprise amounts received from customers and used to finance capital expenditures for the performance of long-term contracts to which they have subscribed.

Note 27. Other liabilities

Operating liabilities

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	December 31, 2005
Taxes and social security liabilities (excluding income tax)	1,131	1,052	1,031
Financial instruments	156	107	121
Other operating liabilities	635	490	492
Total	1,921	1,650	1,644

The heading "Financial instruments" includes the fair value of derivatives hedging commercial transactions and fair value of the firm commitments hedged.

As of December 31, 2007, operating liabilities by maturity were as follows:

- maturity <1 year: €1.741 billion;
- maturity 1-5 years: €96 million;
- maturity >5 years: €84 million.

5.5. Notes to the consolidated financial statements

Note 28. Net cash from operating activities and net cash flow from discontinued operations

Non-operating liabilities

<i>(in millions of euros)</i>	December 31, 2007	December 31, 2006	December 31, 2005
Total	41	23	1

Note 28. Net cash from operating activities and net cash flow from discontinued operations

Change in working capital requirement (WCR)

<i>(in millions of euros)</i>	2007	2006	2005
Change in inventories and work-in-process	(522)	(14)	(228)
Change in accounts receivable and other receivables	(415)	(270)	(486)
Change in accounts payable and other liabilities	710	440	172
Change in customer advances and prepayments received	(123)	(383)	239
Change in advances and prepayments made	(64)	(61)	(14)
Change in Forex hedge of WCR	(2)	(55)	31
Total	(416)	(344)	(286)

Net cash from discontinued operations (FCI)

As of December 31, 2005, this item includes:

<i>(in millions of euros)</i>	2005
Proceeds from FCI disposal, net of disposal expenses	568
Negative FCI cash position transferred	285
Total	853

The cash position transferred was as follows:

<i>(in millions of euros)</i>	2005
FCI cash position as of January 1, 2005	(283)
Cash from operating activities	60
Cash from (used in) investing activities	(63)
Cash from (used in) financing activities	(19)
Currency translation impact	20
FCI cash position at the date of disposal	(285)

Note 29. Related party transactions

Transactions between the parent company and its subsidiaries, which are related parties, were eliminated on consolidation and are not presented in this note.

The CEA is the principal related party of the group and is also AREVA's main shareholder.

Transactions between the group and the CEA are as follows:

<i>(in millions of euros)</i>	CEA		
	December 31, 2007	December 31, 2006	December 31, 2005
Sales	609	543	574
Purchases	86	90	24
Loans to / receivables from related parties	346	529	532
Borrowings from related parties	103	381	240
Guarantees given to related parties	-	-	1
Guarantees received from related parties	-	-	-

There were no material transactions between the group and equity associates.

Relations with government-owned companies

The group has business relationships with government-owned companies, in particular EDF. Transactions with EDF include

sales of uranium, enrichment services and nuclear fuel, maintenance and sales of equipment for nuclear reactors, and used fuel transportation, storage, treatment and recycling services. Ongoing negotiations with EDF are described in note 13, End-of-life-cycle operations.

Compensation of key executives

<i>(in thousands of euros)</i>	2007	2006	2005
Short-term benefits	3,539	3,127	3,214
Termination allowances	847	-	702
Post-employment benefits	44	69	66
Other long-term benefits	-	-	-
Total	4,431	3,196	3,982

Key executives include members of the Executive Board and the Supervisory Board. Short-term benefits and termination allowances include compensation paid for the year by the group and by the

CEA (€539 thousand in 2007, €517 thousand in 2006). In 2005, they also included an allowance recognized in provisions during the year and paid out in 2006.

Note 30. Greenhouse gas emission allowances

The table below shows the CO₂ allowances received by AREVA group companies in 2007, actual emissions, and allowances sold on the Powernext market.

<i>(in metric tons of CO₂)</i>	2007	2006	2005
Allowances received by AREVA	128,440	128,440	173,518
Actual emissions	92,877	97,765	133,703
Excess of allowances over emissions	35,563	30,675	39,815
Allowances sold on the Powernext market	10,000	23,000	39,500

Note 31. Risk management

General objectives

The group has an organization dedicated to implementing market risk management policies approved by the Executive Committee for centralized management of exposure to foreign exchange, commodity, rate and liquidity risks.

In the Finance Department, the Department of Financial Operations and Treasury Management makes transactions on financial markets and acts as a central desk that provides services and manages the group's financial exposure. This department is organized with a front, middle and back office, ensuring the separation of duties, and has access to all the human, technical, and information system resources necessary to accomplish its mission. Proprietary software is used to manage all treasury operations, from the recording of transactions initiated by the trading desk to confirmation and accounting. Transactions cover foreign exchange and commodities trading, interest rates, centralized cash management, inter-company financing, bank borrowings, investments and asset management.

To report on financial risk and exposure limits, the Department of Financial Operations and Treasury Management prepares a monthly report presenting the group's positions and the performance of its financial transactions. This report is submitted once a month to the Treasury Management Committee, which is composed of the group's CFO, representatives of first-tier subsidiaries, and the Department of Treasury Management. The reporting system also includes weekly reports to the group's CFO.

As of December 31, 2007, derivative financial instruments used by the group to manage its financial risks were as follows:

Foreign exchange risk management

The group trades currencies on forward markets and uses derivative products (foreign exchange swaps, currency swaps, and exchange rate options) to hedge the following foreign exchange risks:

- **balance sheet risk:** the group finances its subsidiaries in their accounting currencies to minimize the balance sheet foreign exchange risk from financial assets and liabilities. Loans and advances granted to subsidiaries by the Department of Treasury Management, which centralizes financing, are then systematically converted into euros through currency swaps;
- **trade exposure:** the principal foreign exchange exposure concerns fluctuations in the euro/US dollar exchange rate. As a uranium producer in Canada, the group is also sensitive to fluctuations in the Canadian dollar against the US dollar, in which uranium prices are denominated. Exposure to other currencies (pound sterling, Swiss franc, Japanese yen and Southeast Asian and Middle Eastern currencies), mainly connected with the Transmission & Distribution business, is secondary in nature.

The group's policy, approved by the Executive Committee, is systematically to hedge foreign exchange risk generated by the business, whether certain or potential (during the proposal phase) so as to minimize the impact of exchange rate fluctuations on consolidated net income.

5.5. Notes to the consolidated financial statements

Note 31. Risk management

The group acquires derivative instruments (mostly currency futures) or insurance contracts (issued by Coface) to hedge its foreign exchange exposure from trade, including accounts receivable and payable, confirmed off-balance sheet commitments (orders received from customers or placed with suppliers), highly probable future cash flows (budgeted sales or purchases, anticipated margins on contracts) and proposals submitted in foreign currencies. These hedges are backed by underlying transactions for identical amounts and maturities and, generally, are documented and eligible for hedge accounting (except for hedges of proposals submitted in foreign currencies).

As provided by group policies, each operating entity responsible for identifying foreign exchange risk must hedge exposure to currencies other than its own accounting currency by initiating a transaction exclusively with the group's trading desk, except as otherwise required by specific circumstances or regulations. The Department of Financial Operations and Treasury Management centralizes the exposure of all entities and hedges the net position directly with banking counterparties. A rigorous system limits the foreign exchange positions that may be taken by the trading desk. The results are marked to market on a daily basis by specialized teams responsible for the valuation of the transactions. In addition, analyses of sensitivity to changes in exchange rates are periodically performed.

5.5. Notes to the consolidated financial statements

Note 31. Risk management

As of December 31, 2007, derivative financial instruments used by the group to manage foreign exchange risk were as follows:

AREVA group Foreign exchange instruments	Notional amounts of contracts by maturity as of December 31, 2007							Market value
	2008	2009	2010	2011	2012	>5 years	Total	
Currency swaps – borrower								
US dollars for euros	572	78	5	-	0	0	656	23
Australian dollars for euros	85	-	-	-	-	-	85	0
Canadian dollars for euros	84	7	-	-	-	-	90	2
Pounds sterling for euros	125	3	0	-	-	-	128	2
Mexican pesos for euros	49	-	-	-	-	-	49	0
Qatar riyals for euros	17	-	-	-	-	-	17	(0)
Other currencies	78	9	0	0	-	-	87	1
Currency swaps - lender								
US dollars for euros	257	28	2	-	-	-	287	(7)
Swiss francs for euros	64	30	-	-	-	-	94	(0)
Pounds sterling for euros	76	2	-	-	-	-	78	(1)
Australian dollars for euros	59	-	-	-	-	-	59	(0)
Singapore dollars for euros	41	-	-	-	-	-	41	(1)
Canadian dollars for euros	21	-	0	-	-	-	21	(0)
Other currencies	60	-	-	-	-	-	60	(1)
Forward transactions – buyer								
US dollars for euros	181	49	10	0	0	-	242	(11)
Swiss francs for euros	75	16	-	-	-	-	92	(2)
Indian rupees for US dollars	44	3	-	-	-	-	47	1
Yens for euros	21	12	12	23	3	1	73	(5)
Pounds sterling for euros	37	3	-	-	-	-	41	(2)
Australian dollars for euros	40	-	-	-	-	-	40	(0)
US dollars for Indian rupees	32	-	-	-	-	-	32	0
Turkish liras for euros	31	-	-	-	-	-	31	(1)
Singapore dollars for euros	22	1	-	-	-	-	23	(1)
Swedish krona for euros	11	5	-	-	-	-	17	(0)
Other currencies	120	20	1	1	0	-	142	(1)
Forward transactions – seller								
US dollars for euros	335	79	26	12	8	1	460	29
Qatar riyals for euros	55	90	28	1	9	-	182	3
Pounds sterling for euros	71	14	1	0	-	-	85	5
Qatar riyals for US dollars	21	35	10	0	3	0	70	(0)
Saudi Arabian riyals for US dollars	41	27	-	-	-	-	68	(1)
US dollars for euros (Coface contracts)	74	22	-	-	-	-	96	15
US dollars for Brazilian reais	63	34	5	0	1	0	103	10
Swiss francs for euros	31	15	-	-	-	-	46	1
US dollars for Swiss francs	31	9	-	-	-	-	40	1
US dollars for pounds sterling	16	20	2	-	-	-	38	5

AREVA group	Notional amounts of contracts by maturity as of December 31, 2007							Market value
	2008	2009	2010	2011	2012	>5 years	Total	
Foreign exchange instruments								
United Arab Emirates dirhams for euros	16	14	7	2	-	-	38	2
Saudia Arabian riyals for euros	13	21	-	-	-	-	33	2
Canadian dollars for euros (Coface contracts)	3	-	-	-	-	-	3	(0)
Other currencies	134	46	12	2	2	0	197	(0)
Currency options								
Calls – buyer								
Swedish krona for pounds sterling	1	-	-	-	-	-	1	(0)
Yens for pounds sterling	0	-	-	-	-	-	0	0
Canadian dollars for pounds sterling	0	-	-	-	-	-	0	0
Calls - seller								
Euros for US dollars	7	-	-	-	-	-	7	(0)
Puts – buyer								
US dollars for euros	31	23	-	-	-	-	54	0
Puts – seller								
Euros for pounds sterling	10	-	-	-	-	-	10	0
US dollars for Swiss francs	5	-	-	-	-	-	5	0
Euros for US dollars	2	-	-	-	-	-	2	
Collars								
Put – buyer US dollars/Call – seller euros	82	-	-	-	-	-	82	2
Currency swaps								
Variable rate swap borrower US dollars	87	73	-	-	-	-	161	18
Variable rate swap borrower Canadian dollars	58	107	164	-	-	-	329	6

Notional amounts in foreign currency have been converted into euros based on year-end closing exchange rates, and are expressed in absolute amounts.

5.5. Notes to the consolidated financial statements

Note 31. Risk management

Derivative financial instruments used by the group to hedge foreign currency exposure were as follows as of December 31, 2007 and December 31, 2006:

As of December 31, 2007	Nominal value of contracts	Nominal value of contracts			Market value of contracts			Total
		Cash flow hedges	Fair value hedges	Not formally documented	Cash flow hedges	Fair value hedges	Not formally documented	
<i>(in millions of euros)</i>								
Forward Forex transactions								
US dollars for euros	(315)	(54)	(262)	1	3	28	1	32
Qatar riyals for euros	(182)	0	(182)	0	0	3	0	3
Pounds sterling for euros	(45)	0	(31)	(14)	0	2	1	2
Swiss francs for euros	46	0	49	(4)	0	(1)	(0)	(1)
US dollars for Brazilian reais	(89)	0	(89)	0	0	9	0	9
Qatar riyals for US dollars	(70)	0	(70)	0	0	(0)	0	(0)
Other	(27)	35	(56)	(7)	1	3	0	4
Total	(683)	(19)	(641)	(23)	4	42	3	48
Currency swaps								
US dollars for euros	(369)	(34)	(112)	(223)	1	6	9	16
Canadian dollars for euros	(69)	0	(71)	2	0	2	0	2
Australian dollars for euros	(26)	0	(26)	0	0	(0)	0	(0)
Pounds sterling for euros	(50)	0	(45)	(5)	0	1	(0)	0
Other	41	0	(17)	59	0	0	(1)	(1)
Total	(473)	(34)	(271)	(168)	1	9	7	17
Currency options								
Euros for US dollars	(5)	(5)	0	0	(0)	0	0	(0)
US dollars for euros	(54)	(54)	0	0	0	0	0	0
Other currencies	17	17	0	0	0	0	0	0
Collars								
US dollars for euros	(82)	(82)	0	0	2	0	0	2
Total	(124)	(124)	0	0	2	0	0	2
Currency swaps*								
Variable rate swap - Borrower – US dollars for euros	(161)	0	(161)	0	0	18	0	18
Variable rate swap - Borrower – Canadian dollars for euros	(329)	0	(329)	0	0	6	0	6
Total	(489)	0	(489)	0	0	24	0	24
Grand total	(1,770)	(177)	(1,402)	(191)	7	74	10	91

* Convention for currency swap signs: Borrower currency swaps for euros are in parentheses.

As of December 31, 2006 <i>(in millions of euros)</i>	Nominal value of contracts				Market value of contracts			Total
	Nominal value of contracts	Cash flow hedges	Fair value hedges	Not formally documented	Cash flow hedges	Fair value hedges	Not formally documented	
Forward Forex transactions								
US dollars for euros	(453)	(35)	(341)	(77)	3	15	3	21
Pounds sterling for euros	(62)	30	(67)	(25)	(0)	(1)	(0)	(2)
Swiss francs for euros	60	4	43	13	0	(1)	(1)	(2)
Brazilian reais for US dollars	(41)	-	(41)	-	-	1	-	1
Singapore dollars for euros	18	-	18	-	-	(0)	-	(0)
Other	(176)	23	(208)	10	(0)	8	(1)	7
Total	(654)	22	(597)	(80)	3	22	1	26
Currency swaps								
US dollars for euros	(549)	(219)	(336)	6	1	3	1	5
Mexican pesos for euros	(48)	-	(48)	-	-	(0)	-	(0)
Pounds sterling for euros	(27)	-	(22)	(6)	-	(0)	0	(0)
Canadian dollars for euros	(21)	(1)	(21)	0	0	1	(0)	1
Australian dollars for euros	53	-	53	-	-	0	-	0
Other	(53)	-	(61)	9	-	0	(0)	(0)
Total	(645)	(220)	(434)	10	1	4	1	6
Currency options								
Euros for US dollars	29	29	-	-	0	-	-	0
Other currencies	(5)	(5)	-	-	(0)	-	-	(0)
Total	25	25	0	0	0	0	0	0
Currency swaps*								
Variable rate swap - Borrower – US dollars	(149)	-	(149)	-	-	8	-	8
Variable rate swap - Borrower – Canadian dollars	(220)	-	(220)	-	-	16	-	16
Total	(368)	0	(368)	0	0	24	0	24
Grand total	(1,643)	(174)	(1,399)	(70)	4	50	2	56

* Convention for currency swap signs: Borrower currency swaps for euros are in parentheses.

A significant share of undocumented financial instruments in 2007 and 2006 relates to derivatives used to hedge foreign exchange risk on short-term financial assets and liabilities. Financial instruments transacted to hedge calls for tenders in foreign currencies comprise the bulk of the hedge positions reported as “Not formally documented” in accordance with IFRS.

Based on market data at the date of closing, the impact of undocumented currency hedging instruments on the group's consolidated income at year-end 2007 would be +€1 million in the case of a 5% instantaneous increase in exchange rates against the euro, or minus €2 million in the case of a 5% decrease in exchange rates. Using these same assumptions, the impacts were +€9 million and -€11 million at year-end 2006.

Based on market data at the date of closing, the impact on AREVA's consolidated equity at year-end 2007 of currency derivative instruments qualified as cash flow hedges would be +€2 million in the case of a 5% instantaneous increase in exchange rates against the euro, or minus €3 million in the case of a 5% decrease in exchange rates. Using these same assumptions, the impacts were +€2 million and -€2 million at year-end 2006.

In addition, taking into consideration AREVA's exposure to the following elements at year-end 2007 and 2006:

- first, financial assets and liabilities recognized on the balance sheet in a currency other than the functional currency of the entity holding such assets or liabilities, or assets or liabilities that are not hedged according to the criteria provided under IAS 39; and

5.5. Notes to the consolidated financial statements

Note 31. Risk management

- secondly, currency derivatives that do not qualify as hedges according to the criteria provided under IAS 39,

The sensitivity of consolidated income before tax to a +5% or -5% change in the exchange rates of the main foreign currencies to which AREVA is exposed against the euro is as follows:

- as of December 31, 2007:
 - US dollar: +€1 million and -€1 million,
 - Australian dollar: +€2 million and -€2 million,
 - Swiss franc: +€2 million and -€2 million,
 - UK pound sterling: -€2 million and +€2 million;
- as of December 31, 2006:
 - US dollar: -€3 million and +€3 million,
 - Australian dollar: +€1 million and -€1 million,
 - Swiss franc: +€1 million and -€1 million,
 - UK pound sterling: -€2 million and +€2 million.

Commodity risk management

The group is exposed to long-term and short-term changes in the prices of commodities used in its production processes, either as a result of the procurement of finished products or, more directly, when buying raw materials priced by reference to the trading price on a commodity market.

Aside from energy, commodities that may have a significant impact on the group's production costs primarily include copper and nickel; aluminum and silver play a lesser role. Most of the group's exposure is concentrated in the Transmission & Distribution and Reactors and Services divisions.

Each division implements policies to manage exposure to commodity risks which aim to limit the impact of price changes on consolidated net income by identifying and neutralizing the risk as soon as possible, in some instances as early as the proposal phase.

Hedges are initiated based on a global budget (T&D division) with graduated coverage reflecting the likeliness of the exposure, or based on long-term sales contracts after a specific analysis of the commodities risk (Reactor and Services division).

As for currency exposure, commodity risk management is initiated by the operating entities and centralized with the group's Department of Treasury Management using derivatives, including options and firm contracts (forwards and swaps). The Department of Treasury Management hedges the subsidiaries' position with market counterparties without taking any speculative position.

Commodity hedges are fully eligible for accounting as cash flow hedges. Accordingly, any change in the value of derivatives would impact the group's equity.

As of December 31, 2007, derivative financial instruments used by the group to hedge its exposure to commodities were as follows:

Commodities <i>(in millions of euros)</i>	Notional amount of contracts by maturity as of December 31, 2007						Total	Market value
	2008	2009	2010	2011	2012	>5 years		
Nickel								
Forward transactions – buyer	1	0	-	-	-	-	2	0
Forward transactions – seller	-	-	-	-	-	-	-	-
Copper								
Forward transactions – buyer	68	13	-	-	-	-	81	(11)
Forward transactions – seller	0	1	1	1	1	-	3	0
Silver								
Forward transactions – buyer	1	-	-	-	-	-	1	0
Forward transactions – seller	-	-	-	-	-	-	-	-
Aluminum								
Forward transactions – buyer	17	1	-	-	-	-	18	(1)
Forward transactions – seller	-	-	-	-	-	-	-	-

Derivative financial instruments used by the group to hedge commodity exposure were as follows, by type of strategy as of December 31, 2007 and December 31, 2006:

December 31, 2007 (in millions of euros)	Market value of contracts ⁽¹⁾				Total
	Nominal value of contracts	Cash flow hedges	Fair value hedges	Non-allocated (Trading)	
Forward transactions					
Aluminum	18	(1)	-	-	(1)
Silver	1	0	-	-	0
Copper	78	(11)	-	-	(11)
Nickel	2	0	-	-	0
Grand total	99	(12)	-	-	(12)

(1) Gain/(loss).

December 31, 2006 (in millions of euros)	Market value of contracts ⁽¹⁾				Total
	Nominal value of contracts	Cash flow hedges	Fair value hedges	Non-allocated (Trading)	
Forward transactions					
Aluminum	18	2	-	-	2
Silver	0	0	-	-	0
Copper	90	4	-	-	4
Gold	-	-	-	-	-
Grand total	108	6	-	-	6

(1) Gain/(loss).

Based on market data at the date of closing, the impact on AREVA's consolidated equity at year-end 2007 of commodity derivatives qualifying as cash flow hedges would be +€9 million in the case of a 10% instantaneous increase in commodity prices, or - €9 million in the case of a 10% decrease.

Interest rate risk management

Rate risk management is entirely centralized in the Department of Financial Operations and Treasury Management, which consolidates the subsidiaries' current or stable cash surpluses or requirements and arranges external financing as appropriate, except as otherwise required by regulations or specific circumstances.

The group uses several types of derivative instruments, as required by market conditions, to allocate its borrowings between fixed rates and floating rates and to manage its investment portfolio, with the goal being mainly to reduce its borrowing costs while optimizing the management of its cash surpluses.

As of December 31, 2007, the group primarily uses rate swaps for active management of its external debt and rate futures contracts to manage medium-term investments of advances received on contracts.

The amount of the commitments and the sensitivity of the positions taken by the trading desk in the framework of AREVA's rate management policy are subject to limits based on the type of transaction involved.

5.5. Notes to the consolidated financial statements

Note 31. Risk management

As of December 31, 2007, the following financial instruments were used to hedge interest rate exposure:

<i>(in millions of euros)</i>	Notional amount of contracts by maturity as of December 31, 2007						Total	Market value
	2008	2009	2010	2011	2012	>5 years		
Interest rate instruments								
Interest rate swaps - fixed receiver – US dollars	68	-	272	-	-	-	340	(1)
Interest rate futures	276	-	-	-	-	-	276	(1)

As of December 31, 2007, the group used the following derivative financial instruments to hedge interest rate exposure:

December 31, 2007 <i>(in millions of euros)</i>	Nominal value of contracts	Market value of contracts ⁽¹⁾			Total
		Cash flow hedges	Fair value hedges	Not formally documented (Trading)	
Interest rate instruments					
Cancellable interest rate swaps - fixed receiver – US dollars	136	-	-	-	0
Interest rate swaps - fixed receiver – US dollars	204	(1)	-	-	(1)
Interest rate futures	276	-	-	275	275
Grand total	616	(1)	-	275	274

(1) Gain/(loss).

Based on market data at the date of closing, the impact of interest rate derivatives qualified as cash flow hedges on AREVA's consolidated equity at year-end 2007 would be +€5 million in the case of a 1% instantaneous increase in interest rates, or - €5 million in the case of a 1% decrease.

Based on market data at the date of closing, the impact of undocummented interest rate derivatives (swaps) on the group's financial income at year-end 2007 would be +€2 million in the case of a 1% instantaneous increase in interest rates, or - €2 million in the case of a 1% decrease.

The following tables summarize the group's net rate risk exposure at the end of 2006 and 2007 before and after rate management transactions.

Based on the breakdown of fixed and floating rates at year-end 2007, the group is mainly exposed to the risk of a change in future cash flows related to floating rate borrowings.

Maturities of financial assets and borrowings as of December 31, 2007 ⁽¹⁾

	Less than 1 year	1-2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Financial assets (II)	913	0	0	0	0	0	913
including fixed rate assets	1	0	0	0	0	0	1
including floating rate assets (III)	733	0	0	0	0	0	733
including non interest-bearing assets	180	0	0	0	0	0	180
(Borrowings)	(613)	(634)	(1,299)	(244)	(2,054)	(71)	(4,915)
including fixed rate borrowings	(96)	(23)	(7)	(7)	(4)	(65)	(202)
including floating rate borrowings	(514)	(611)	(1,291)	(237)	(1)	(6)	(2,661)
including interest free borrowings	(3)	0	0	0	(2,049)	0	(2,052)
Net exposure before hedging	300	(634)	(1,299)	(244)	(2,054)	(71)	(4,002)
share exposed to fixed rates	(95)	(23)	(7)	(7)	(4)	(65)	(201)
share exposed to floating rates	218	(611)	(1,291)	(237)	(1)	(6)	(1,928)
non interest-bearing share	177	0	0	0	(2,049)	0	(1,872)
Off-balance sheet hedging	276	0	0	0	0	0	276
on borrowings: fixed rate swaps	68	-	272	-	-	-	340
on borrowings: floating rate swaps	(68)	-	(272)	-	-	-	(340)
on borrowings: futures on fixed rate exp.	276	-	-	-	-	-	276
Exposure after hedging	576	(634)	(1,299)	(244)	(2,054)	(71)	(3,726)
share exposed to fixed rates	(27)	(23)	265	(7)	(4)	(65)	139
share exposed to floating rates	150	(611)	(1,563)	(237)	(1)	(6)	(2,268)
non interest-bearing share	453	0	0	0	(2,049)	0	(1,596)

(I) Nominal amounts translated into euros.

(II) Cash and other current financial assets.

(III) Maturities <3 months are considered floating rate.

Maturities of financial assets and borrowings as of December 31, 2006 (I)

	Less than 1 year	1-2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Financial assets (II)	1,063	136	33	0	0	23	1,255
including fixed rate assets	0	136	33	0	0	23	192
including floating rate assets (III)	1,007	0	0	0	0	0	1,007
including non interest-bearing assets	56	0	0	0	0	0	56
(Borrowings)	(712)	(19)	(6)	(5)	(237)	(1,139)	(2,119)
including fixed rate borrowings	(125)	(19)	(6)	(5)	(5)	(17)	(177)
including floating rate borrowings	(584)	0	0	0	(232)	(5)	(821)
including interest free borrowings	(3)	0	0	0	0	(1,117)	(1,120)
Net exposure before hedging	351	117	27	(5)	(237)	(1,116)	(864)
share exposed to fixed rates	(126)	117	27	(5)	(5)	6	14
share exposed to floating rates	423	0	0	0	(232)	(5)	186
non interest-bearing share	53	0	0	0	0	0	53
including Siemens' minority put option	0	0	0	0	0	(1,117)	(1,117)
Off-balance sheet hedging	219	0	0	0	0	0	219
on borrowings: fixed rate swaps	0	0	0	0	0	0	0
on borrowings: floating rate swaps	0	0	0	0	0	0	0
on borrowings: futures on fixed rate exp.	219	0	0	0	0	0	219
Exposure after hedging	570	117	27	(5)	(237)	(1,116)	(645)
share exposed to fixed rates	93	117	27	(5)	(5)	6	234
share exposed to floating rates	423	0	0	0	(232)	(5)	186
non interest-bearing share	53	0	0	0	0	0	53
including Siemens' minority put option	0	0	0	0	0	(1,117)	(1,117)

(I) Nominal amounts translated into euros.

(II) Cash and other current financial assets.

(III) Maturities <3 months are considered floating rate.

Based on the group's exposure at year-end 2007, we estimate that a 1% increase in interest rates would have a negative impact of €23 million on borrowing costs on a full-year basis and, therefore, on the group's consolidated income. The impact of a similar increase was €2 million at year-end 2006.

As of December 31, 2007, the group had limited exposure related to fixed rate financial assets or liabilities recognized at fair value through profit and loss. Accordingly, we estimate that the impact of a change in interest rates on the fair value of financial assets and liabilities would not result in a material change in financial income.

Risk from equity investments

AREVA holds publicly traded shares that are exposed to the volatility inherent in equity markets.

These include:

- investments in associates: these are currently primarily STMicroelectronics, Eramet and REpower (see note 14);
- equities held in the portfolio of financial assets earmarked for future end-of-life-cycle operations (see note 13);
- other long-term investments: this concerns AREVA's 7.38% equity interest in Safran, a 2.11% equity interest in Suez, and equity interests in other publicly traded companies, including Total and Alcatel (see note 15).

The risk of a decrease in the price of shares of equity associates and other non-current financial assets is not hedged.

The risk on shares held in the portfolio of assets earmarked to fund end-of-life-cycle operations is an integral component of AREVA's asset management program, which includes equities to increase long-term returns as part of a program to allocate assets between bonds and equities (see note 13). Exposure to European equities

is managed both through a mandate given to an investment firm and through dedicated mutual funds, with management guidelines limiting the tracking error compared with an index.

The sensitivity of the value of equity investments to variations in the equity markets and/or interest rates is as follows:

Upper scenario (10% increase in the value of equity investments)

December 31, 2007 <i>(in millions of euros)</i>	Available-for-sale securities	Securities recognized at fair value through profit and loss
Balance sheet position	4,061	55
Income statement impact		5
Impact on shareholders' equity	406	-

Lower scenario (10% decrease in the value of equity investments)

December 31, 2007 <i>(in millions of euros)</i>	Available-for-sale securities	Securities recognized at fair value through profit and loss
Balance sheet position	4,061	55
Income statement impact	-	(5)
Impact on shareholders' equity	(406)	-

Upper scenario (10% increase in the value of equity investments)

December 31, 2006 <i>(in millions of euros)</i>	Available-for-sale securities	Securities recognized at fair value through profit and loss
Balance sheet position	3,816	59
Income statement impact	-	6
Impact on shareholders' equity	382	-

Lower scenario (10% decrease in the value of equity investments)

December 31, 2006 <i>(in millions of euros)</i>	Available-for-sale securities	Securities recognized at fair value through profit and loss
Balance sheet position	3,816	59
Income statement impact	-	(6)
Impact on shareholders' equity	(382)	-

Counterparty risk

The group uses different types of financial instruments to manage its exposure to foreign exchange and interest rate risks, and its exposure to risks on commodities and publicly traded shares. The group primarily uses forward buy/sell currency and commodity contracts and rate derivative products such as futures or options to cover these types of risk. These transactions involve exposure to counterparty risk when the contracts are concluded over the counter.

To minimize this risk, the group's trading desk deals only with diversified, top quality counterparties rated A1/P1 or higher for short term maturities or A/A2 for long term maturities in the Standard & Poor's and Moody's rating systems.

The limits allowed for each counterparty are determined based on its rating and the type and maturity of the instruments traded. The limits are reviewed at least once a year and validated by the Chief Financial Officer. The limits are verified in a specific report produced by the internal control team of the Department of Treasury Management.

Liquidity risk

The group's Department of Treasury Management is in charge of liquidity risk management and provides the subsidiaries with appropriate long term and short term financing resources.

Cash management optimization is based on a centralized system to provide liquidity and manage the cash surpluses of the subsidiaries, regardless of AREVA's equity stake. Management is provided by the group's Department of Treasury Management, chiefly through cash pooling agreements and intercompany loans, subject to local regulations. The group's consolidated cash surpluses are managed to optimize financial returns while ensuring that the financial instruments used are liquid.

Borrowings are centralized by the Department of Treasury Management to optimize borrowing costs and facilitate access to the banking system.

The group set up two confirmed syndicated lines of credit in 2007:

- a 7-year syndicated credit facility for a total amount of €2 billion. This facility had not been used as of December 31, 2007 and constitutes a significant liquidity reserve;

- a 3-year syndicated loan for a total of \$2.5 billion, including \$600 million repayable in one year. This loan was used to finance AREVA's acquisition of Uramin. It was fully drawn as of the end of December 2007.

These two lines of credit are not subject to any financial covenant.

There were no significant financial commitments with financial covenants as of December 31, 2007.

Market value of financial instruments

The market value of financial instruments pertaining to currency, rate and commodity transactions are calculated based on market data as of the closing date, on discounted future cash flows, or on prices provided by financial institutions. The use of different market assumptions could have a significant impact on estimated market values.

Framépargne liquidity guarantee

The Framépargne mutual fund included in the AREVA group savings plan held 243,492 shares of the company as of December 31, 2007. The liquidity of these shares, which are not publicly traded, is guaranteed as provided by the law on employee savings plans. This guarantee is given to Framépargne by an independent financial institution. To allow this commitment to take effect, AREVA gave a value guarantee to the financial institution covering the same period. As of December 31, 2007, this guarantee covers 317,083 shares sold by Framépargne to the financial institution. As required by IAS 32 and 39 on financial instruments, this commitment is recognized as a derivative on treasury shares and revalued to fair value at the balance sheet date. A financial asset of €40 million was recognized for this purpose under the heading "Other current financial assets" in the financial statements for the year ended December 31, 2007. This derivative does not qualify for hedge accounting and, accordingly, all changes in value are recognized through the income statement.

This financial asset is equal to the difference between the average purchase price of the shares acquired by the independent financial institution and the sale price, estimated based on the latest available expert valuation. As AREVA's commitment is valued based on the latest available price determined by the expert, no additional off-balance sheet commitment is recognized for the balance of the guarantee.

Note 32. Additional information on financial instruments

Financial assets and liabilities by category

2007

ASSETS

<i>(in millions of euros)</i>	Including							
	Balance sheet value	Non financial assets and liabilities	Loans and receivables	Liabilities at amortized cost	Fair value through profit and loss	Assets available for sale	Derivative instruments	Fair value
Non-current assets	21,425	15,975	397	-	-	5,023	29	5,450
Goodwill on consolidated companies	4,377	4,377	-	-	-	-	-	-
Intangible assets	2,729	2,729	-	-	-	-	-	-
Property, plant and equipment	4,204	4,204	-	-	-	-	-	-
End-of-life-cycle asset (third party share)	2,491	2,491	-	-	-	-	-	-
Assets earmarked to finance end-of-life-cycle operations	2,873	-	119	-	-	2,755	-	2,873
Investments in associates	1,558	1,558	-	-	-	-	-	-
Other non-current financial assets	2,588	11	278	-	-	2,269	29	2,576
Pension fund assets	-	-	-	-	-	-	-	-
Deferred tax assets	604	604	-	-	-	-	-	-
Current assets	9,251	5,065	3,792	-	105	-	289	4,186
Inventories and work-in-process	2,817	2,817	-	-	-	-	-	-
Trade accounts receivable and related accounts	3,884	1,121	2,764	-	-	-	-	2,764
Other operating receivables	1,402	920	356	-	-	-	126	482
Current tax assets	94	94	-	-	-	-	-	-
Other non-operating receivables	141	110	31	-	-	-	-	31
Cash and cash equivalents	634	4	594	-	36	-	-	630
Other current financial assets	279	-	48	-	69	-	162	279
Assets of operations held for sale	-	-	-	-	-	-	-	-
Total assets	30,676	21,041	4,189	-	105	5,023	318	9,635

5.5. Notes to the consolidated financial statements

Note 32. Additional information on financial instruments

2007

<i>(in millions of euros)</i>	Including							
	Balance sheet value	Non financial assets and liabilities	Loans and receivables	Liabilities at amortized cost	Fair value through profit and loss	Assets available for sale	Derivative instruments	Fair value
Equity and minority interests	7,464	7,464	-	-	-	-	-	-
Share capital	1,347	1,347	-	-	-	-	-	-
Consolidated premiums and reserves	3,925	3,925	-	-	-	-	-	-
Deferred unrealized gains and losses on financial instruments	1,117	1,117	-	-	-	-	-	-
Currency translation reserves	(138)	(138)	-	-	-	-	-	-
Net income attributable to equity holders of the parent	743	743	-	-	-	-	-	-
Minority interests	470	470	-	-	-	-	-	-
Non-current liabilities	11,951	7,648	-	4,302	-	-	-	4,305
Employee benefits	1,175	1,175	-	-	-	-	-	-
Provisions for end-of-life-cycle operations	5,075	5,075	-	-	-	-	-	-
Other non-current provisions	121	121	-	-	-	-	-	-
Long-term borrowings	4,302	-	-	4,302	-	-	-	4,305
Deferred tax liabilities	1,277	1,277	-	-	-	-	-	-
Current liabilities	11,261	7,419	-	3,762	-	-	80	3,842
Current provisions	1,823	1,823	-	-	-	-	-	-
Short-term borrowings	613	-	-	589	-	-	24	613
Advances and prepayments received	4,172	4,172	-	-	-	-	-	-
Trade accounts payable and related accounts	2,565	522	-	2,043	-	-	-	2,043
Other operating liabilities	1,921	769	-	1,096	-	-	56	1,152
Current tax liabilities	127	127	-	-	-	-	-	-
Other non-operating liabilities	41	7	-	34	-	-	-	34
Liabilities of operations held for sale	-	-	-	-	-	-	-	-
Total liabilities and equity	30,676	22,542	-	8,064	-	-	80	8,147

2006

<i>(in millions of euros)</i>	Including							
	Balance sheet value	Non financial assets and liabilities	Loans and receivables	Liabilities at amortized cost	Fair value through profit and loss	Available for sale	Derivative instruments	Fair value
Non-current assets	17,350	11,992	354	-	-	4,970	34	5,358
Goodwill on consolidated companies	2,515	2,515	-	-	-	-	-	-
Intangible assets	1,175	1,175	-	-	-	-	-	-
Property, plant and equipment	3,814	3,814	-	-	-	-	-	-
End-of-life-cycle asset (third party share)	2,091	2,091	-	-	-	-	-	-
Assets earmarked to finance end-of-life-cycle operations	2,986	-	113	-	-	2,874	-	2,986
Investments in associates	1,521	1,521	-	-	-	-	-	-
Other non-current financial assets	2,376	3	241	-	-	2,096	34	2,372
Pension fund assets	-	-	-	-	-	-	-	-
Deferred tax assets	873	873	-	-	-	-	-	-
Current assets	8,543	4,384	3,760	-	288	-	110	4,158
Inventories and work-in-process	2,306	2,306	-	-	-	-	-	-
Trade accounts receivable and related accounts	3,604	1,141	2,463	-	-	-	-	2,463
Other operating receivables	1,121	704	318	-	-	-	99	417
Current tax assets	116	116	-	-	-	-	-	-
Other non-operating receivables	142	116	26	-	-	-	-	26
Cash and cash equivalents	962	1	921	-	40	-	-	961
Other current financial assets	292	-	33	-	248	-	11	292
Assets of operations held for sale	-	-	-	-	-	-	-	-
Total assets	25,893	16,377	4,114	-	288	4,970	144	9,517

5.5. Notes to the consolidated financial statements

Note 32. Additional information on financial instruments

2006

<i>(in millions of euros)</i>	Including							
	Balance sheet value	Non financial assets and liabilities	Loans and receivables	Liabilities at amortized cost	Fair value through profit and loss	Assets available for sale	Derivative instruments	Fair value
Equity and minority interests	7,016	7,016	-	-	-	-	-	-
Share capital	1,347	1,347	-	-	-	-	-	-
Consolidated premiums and reserves	3,619	3,619	-	-	-	-	-	-
Deferred unrealized gains and losses on financial instruments	1,131	1,131	-	-	-	-	-	-
Currency translation reserves	(25)	(25)	-	-	-	-	-	-
Net income attributable to equity holders of the parent	649	649	-	-	-	-	-	-
Minority interests	294	294	-	-	-	-	-	-
Non-current liabilities	8,352	6,945	-	1,407	-	-	-	1,407
Employee benefits	1,122	1,122	-	-	-	-	-	-
Provisions for end-of-life-cycle operations	4,585	4,585	-	-	-	-	-	-
Other non-current provisions	113	113	-	-	-	-	-	-
Long-term borrowings	1,407	-	-	1,407	-	-	-	1,407
Deferred tax liabilities	1,124	1,124	-	-	-	-	-	-
Current liabilities	10,526	7,028	-	3,435	-	-	63	3,498
Current provisions	1,788	1,788	-	-	-	-	-	-
Short-term borrowings	712	-	-	692	-	-	20	713
Advances and prepayments received	4,185	4,185	-	-	-	-	-	-
Trade accounts payable and related accounts	2,093	371	-	1,723	-	-	-	1,723
Other operating liabilities	1,650	610	-	997	-	-	43	1,040
Current tax liabilities	74	74	-	-	-	-	-	-
Other non-operating liabilities	23	-	-	23	-	-	-	23
Liabilities of operations held for sale	-	-	-	-	-	-	-	-
Total liabilities and equity	25,893	20,989	-	4,842	-	-	63	4,906

Net gains and losses on financial instruments

Available-for-sale securities

2007

<i>(in millions of euros)</i>	Interest income and dividends	Other income and expenses	Subsequent valuation		Gain or (loss) from disposal
			Changes in fair value and foreign exchange impact	Impairment	
Shareholders' equity*	-	-	128	-	(79)
Net income	83	3	-	(44)	157
Total	83	3	128	(44)	78

* Excluding tax impact.

2006

<i>(in millions of euros)</i>	Interest income and dividends	Other income and expenses	Subsequent valuation		Gain (loss) from disposal
			Changes in fair value and foreign exchange impact	Impairment	
Shareholders' equity*	-	-	591	-	(148)
Net income	88	-	-	-	223
Total	88	-	591	-	75

* Excluding tax impact.

Loans and receivables

2007

<i>(in millions of euros)</i>	Interest	Impairment	Debt forgiveness
Net income	40	2	(1)

2006

<i>(in millions of euros)</i>	Interest	Impairment	Debt forgiveness
Net income	48	16	(4)

Financial assets and liabilities at fair value through profit and loss

Income from financial assets and liabilities at fair value through profit and loss as of December 31, 2007 was +€3 million, compared with +€13 million as of December 31, 2006.

Financial liabilities at amortized cost

2007

<i>(in millions of euros)</i>	Interest expense and commissions	Other income and expenses
Net income	(96)	3

2006

<i>(in millions of euros)</i>	Interest expense and commissions	Other income and expenses
Net income	(46)	3

5.5. Notes to the consolidated financial statements

Note 33. Commitments given or received

Financial derivatives used for hedging

As of December 31, 2007, the ineffective share of financial derivatives used for hedging recognized through profit and loss is as follows:

- cash flow hedge: €(5) million;
- fair value hedge: €(18) million;
- total €(23) million.

Cash flow hedges

<i>(in millions of euros)</i>	Value before tax as of December 31, 2006	New transactions	Change in value	Recognized through profit and loss	Value before tax as of December 31, 2007
Cash flow hedging instruments	16	(9)	2	(6)	3

Note 33. Commitments given or received

<i>(in millions of euros)</i>	December 31, 2007	Less than one year	1 to 5 years	More than 5 years	December 31, 2006	December 31, 2005
Commitments given	3,502	1,329	1,382	791	2,975	3,030
Operating commitments given	3,185	1,214	1,210	761	2,566	2,644
Contract guarantees given	2,864	1,152	1,035	677	2,414	2,417
Other operating guarantees	321	62	175	84	152	227
Commitments given on financing	30	4	10	16	49	49
Other commitments given	287	111	162	14	360	337
Commitments received	1,191	303	486	402	883	900
Operating commitments received	675	290	234	151	436	427
Commitments received on collateral	6	4	1	1	13	36
Other commitments received	510	9	251	250	434	437
Reciprocal commitments	2,932	291	463	2,177	781	907

The group's off-balance sheet commitments are presented by economic purpose: operating commitments, commitments related to financing, and other types of commitments. "Reciprocal commitments" correspond to commitments given by the group in consideration for a warranty from a third party.

The amounts above only include commitments that the group considers valid as of the date of closing. Accordingly, these commitments do not include construction contracts currently under negotiation.

Commitments given

Operating commitments represent 90% of all commitments given. Two-thirds of such guarantees are performance guarantees.

The group discontinued the reporting of repayment guarantees under commitments given. Accordingly, the 2006 data was adjusted by €109 million and the 2005 data by €45 million.

The group gave a parent-company guarantee to TVO for the full value of the contract for the construction of an EPR reactor in Finland. The group received a counter-guarantee from Siemens corresponding to this supplier's share of the TVO contract. The net commitment given by the group is in the range of €1.5 billion to €2 billion. It is not included in the summary table.

AREVA gave a specific guarantee in respect of ownership of FCI shares sold to Bain Capital. This amount, which is capped at the sale price of €582 million, is not included in the summary table.

Commitments received

Commitments received as of December 31, 2007 include:

- the maximum value of environmental guarantees received from Alstom in connection with the group's acquisition of the Transmission & Distribution division;
- the guarantee received from Suzlon for AREVA's put option for REPower shares (see note 14).

Reciprocal commitments as of December 31, 2007 include in particular future minimum payments to be made on operating leases, as follows:

(in millions of euros)

December 31, 2007	Less than one year	1 to 5 years	More than 5 years	December 31, 2006	December 31, 2005
551	77	323	150	547	266

- AREVA–Siemens shareholders' agreement

The shareholders' agreement signed in 2001 between Framatome SA (absorbed in 2001 by AREVA) and Siemens provides for the exercise of a put option (by Siemens in respect of Framatome ANP shares held by it) and a call option (by Framatome in respect of AREVA NP shares held by Siemens) under the following terms and conditions.

First, the put and call may be exercised after a deadlock, as defined in the shareholders' agreement, in particular if it becomes impossible to make certain decisions, such as shutting down a site, changing the bylaws, etc., or if Siemens does not approve the financial statements for two consecutive years.

Reciprocal commitments

In February 2007, the group established a €2 billion revolving line of credit available in euros and dollars over a 7 year period.

Secondly, the shareholders' agreement provides that after 11 years, i.e. from 2012, the parties may exercise the put and the call unconditionally. Siemens will be free to exercise a put option enabling it to sell all its shares to AREVA, based on an expert valuation, and AREVA will be free to exercise a call option enabling it to buy all AREVA NP shares held by Siemens, based on an expert valuation. For this reason, Siemens' put option has been reported under the heading "Borrowings" (see note 25).

Note 34. Disputes and contingent liabilities

ISF2

A settlement was reached on March 29, 2007, bringing this contract to a close. No further claim or legal procedure may be initiated by any of the parties.

USEC litigation

In 2001, the United States Department of Commerce (DOC) ordered that countervailing duties be levied on enrichment services imported to the United States from France, Germany, the Netherlands and the United Kingdom. This action followed complaints filed in December 2000 by the United States Enrichment Corporation (USEC) against Eurodif and Urenco for dumping (AD) and unfair subsidies (CVD). The level of counter-

vailing duties applied to Eurodif exports to the United States led to a deposit of \$213 million with the US Customs Service at the end of 2007, recoverable once the case has been adjudicated.

Eurodif's defense included an administrative proceeding before the US DOC and a legal proceeding before the U.S. courts, in the first instance before the Court of International Trade (CIT), with a subsequent appeal to the Court of Appeals for the Federal Circuit (CAFC).

The CAFC ruled in favor of Eurodif in March 2005, September 2005 and February 2007, and the DOC has complied with these decisions on the order of the CIT.

The order imposing countervailing duties (CVD) was cancelled on May 25, 2007. After the decision, Eurodif petitioned the DOC, the CIT and the U.S. Customs Administration for reimbursement of CVD deposits in the amount of \$62 million plus interest. To

5.5. Notes to the consolidated financial statements

Note 35. Events subsequent to year end

date, the U.S. Treasury has reimbursed \$9.6 million, which were deposited in 2001.

USEC and the DOC appealed the anti-dumping (AD) ruling in Eurodif's favor. The CAFC denied the request on September 21, 2007. USEC and the DOC appealed this latest ruling on February 15, 2008. The U.S. Supreme Court has sixty days to decide whether to hear the appeal.

The general administrative proceeding on anti-dumping (AD deposits, the 2005 request to postpone the revision, the 2007 request for revision, and the establishment of revised countervailing duties) continue pending completion of the legal proceeding.

Ongoing investigations

In May 2004, the European Commission initiated an investigation following a request for immunity submitted by ABB in connection with anticompetitive practices in the gas insulated switchgear market (GIS). The European Commission's January 24, 2007 decision imposed fines on the companies involved in the total amount of €750 million. Alstom and AREVA T&D SA were held jointly liable for the payment of a fine in the amount of €54 million. AREVA SA, AREVA T&D Holding and AREVA T&D AG are jointly liable with AREVA T&D SA for the payment of this fine in the amount of up to €25.5 million. The companies have appealed the Commission's decision. The appeal is being examined by the Court of First Instance of the European Communities.

This investigation generated additional, although less critical, investigations by competition authorities in Hungary, the Czech Republic, Slovakia, South Africa, Brazil and other countries, which are currently less active. In Hungary, authorities ruled in favor of AREVA's position. The Czech Republic levied a fine of €5.6 million on AREVA T&D in early February 2007. The fine was partially reduced to approximately €360,000 on April 26, 2007; this decision is under appeal. The Slovak competition authorities also imposed a fine of approximately €1.5 million on December 27, 2007. The parties are reviewing their options for a potential appeal of this recent decision.

In April 2007, Alstom and AREVA entered into an agreement related to warranty obligations and in particular to the assumption by Alstom of the financial consequences of the inquiries into anti-competitive practices.

Administrative sanctions against a Mexican subsidiary of AREVA T&D

In July 2004, the *Secretaria de la Funcion Publica* (SFP) ordered AREVA T&D SA de C.V., a Mexican subsidiary of AREVA T&D, to pay a fine in the maximum amount of 341,000 pesos (approximately \$34,000) and prohibited the company from participating in calls for tender in the public sector for a two-year period. AREVA T&D SA disputed this decision in an "amparo" proceeding aimed at challenging its constitutionality.

On August 23, 2007, the judiciary ruled on a second "amparo" proceeding initiated by AREVA T&D SA de C.V. The court voided the administrative order against AREVA T&D de C.V. on the basis of the statute of limitation applicable to one of the two calls for tender under review and ordered the SFP to issue a new decision on the second call for tender.

Pursuant to this decision, the SFP ordered a new sanction against AREVA T&D de C.V. in September 2007 prohibiting the company from participating in calls for tender in the public sector for a period of one year, eleven months and thirteen days and levying a fine of 310,050 pesos.

AREVA T&D SA de C.V. petitioned the Federal Court on Tax and Administrative matters to set aside the SFP decision. The temporary suspension of the sanction, which had been agreed until a ruling is made in the action for nullity, was rejected on October 18, 2007. This decision was appealed.

AREVA T&D de C.V. also petitioned the Second District Court to order the SFP to amend its decision in a manner consistent with the ruling made in the second "amparo" procedure. This petition was rejected on September 21, 2007 and AREVA T&D SA de C.V. appealed in October 2007.

More generally, AREVA T&D de C.V. has taken all possible measures to avoid the sanctions ordered by the SFP.

Note 35. Events subsequent to year end

No significant event with a potential impact on AREVA's financial situation has taken place since January 1, 2008.

Note 36. Main consolidated companies

Name of unit or controlling entity Company name, legal form, corporate office	Country	Business reg. no.	December 31, 2007		December 31, 2006	
			Method	%	Method	%
Nuclear Power						
AREVA NC SA	France	305 207 169	FC	100	FC	100
AREVA NP SAS - 92400 Courbevoie	France	428 764 500	FC	66	FC	66
AREVA NP GMBH - 91058 Erlangen	Germany	-	FC	66	FC	66
AREVA NP, Inc. - Corporate	USA	-	FC	66	FC	66
AREVA TA SA - 91190 Gif-sur-Yvette	France	772 045 879	FC	83.58	FC	83.58
CEZUS SA - 92400 Courbevoie	France	71 500 763	FC	66	FC	66
Euriware SA	France	320 585 110	FC	100	FC	100
Eurodif SA - 78140 Vélizy-Villacoublay	France	723 001 889	FC	59.65	FC	59.65
FBFC SNC - 92400 Courbevoie	France	300 521 754	FC	66	FC	66
Melox 78140 Vélizy-Villacoublay	France	378 783 237	FC	100	FC	100
Uramin Inc.	British Virgin Islands		FC	100	-	-
Transmission & Distribution						
AREVA T&D de Energia Ltda	Brazil	-	FC	100	FC	100
AREVA T&D Energietechnik GmbH	Germany	-	FC	100	FC	100
AREVA T&D Enerji Endustrisi A.S	Turkey	-	FC	100	FC	100
AREVA T&D Inc.	USA	-	FC	100	FC	100
AREVA T&D India Ltd	India	-	FC	72.18	FC	66
AREVA T&D SA	France	389 191 800	FC	100	FC	100
AREVA T&D AG	Switzerland	-	FC	100	FC	100
AREVA T&D UK Ltd	UK	-	FC	100	FC	100
Holding company and other operations - investments						
AREVA SA - 75009 Paris	France	712 054 923	FC	100	FC	100
Eramet	France	632 045 381	EM	26.24	EM	26.20
STMicroelectronics	Netherlands	-	EM	11.04	EM	10.91

FC: full consolidation.

EM: equity method.

5.6. | Annual financial statements 2007

5.6.1. Statutory Auditors' Report on the parent company financial statements

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the company financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the company financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the company financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2007 on:

- the audit of the financial statements of AREVA attached to this report,
- the justification of our assessments, and
- the specific procedures and disclosures required by law.

These financial statements have been approved by the Executive Board. Our role is to express an opinion on these financial statements, based on our audit.

I - Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the company as at December 31, 2007, and the results of its operations for the year then ended in accordance with rules and accounting principles generally accepted in France.

II - Justification of assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code governing the justification of our assessments, we draw your attention to the following:

- Equity associates were valued in accordance with the accounting methods described in the note "Accounting policies, rules and methods – Long-term investments" to the financial statements. As part of our procedures, we reviewed the appropriateness of these accounting methods as well as the reasonableness of the assumptions adopted and of the resulting valuations.

These assessments were performed as part of our audit approach for the financial statements taken as a whole and therefore contribute to the expression of the unqualified opinion expressed in the first part of this report.

III - Specific procedures and disclosures

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.

We have no comment to make as to:

- the fair presentation and consistency with the financial statements of the information given in the report to the Executive Board and in the documents addressed to the shareholders with respect to the financial position and the financial statements;
- the fair presentation of information given in the management report relating to compensation and benefits paid to executive officers as well as to commitments given in their favor upon taking, leaving or changing functions or subsequent thereto.

Pursuant to French law, we assured ourselves that the information relating to the identity of the holders of share capital was presented in the management report.

Neuilly-sur-Seine and Paris-La Défense, February 27, 2008

The Statutory Auditors

Deloitte & Associés
Pascal Colin Jean-Paul Picard

Mazars & Guérard
Jean-Luc Barlet

Salustro Reydel
Member of KPMG International
Denis Marangé

5.6.2. Balance sheet

Assets

<i>(in thousands of euros)</i>	2007			2006
	Gross	Depreciation/Amortization provisions	Net	Net
Subscribed capital not issued				
Non-current assets				
Intangible assets				
Start-up costs	-	-	-	-
Research and development expenses	-	-	-	-
Concessions, patents, licenses, software and similar rights	5,285	2,768	2,517	415
Goodwill ⁽¹⁾	-	-	-	-
Other intangible assets	-	-	-	-
Intangible assets in progress	-	-	-	-
Advances and prepayments	-	-	-	-
Property, plant and equipment				
Land	303	99	204	204
Buildings	3185	3008	177	238
Plant, equipment and tooling	296	269	27	40
Other PP&E	35,271	7,715	27,556	9,238
PP&E in progress	21,986	-	21,986	12,926
Advances and prepayments	-	-	-	-
Long-term investments⁽²⁾				
Equity associates	2,951,189	4,496	2,946,693	2,898,040
Loans to equity associates	2,722,361	-	2,722,361	897,090
Long-term financial portfolio	-	-	-	-
Other long-term securities	9,663	3,714	5,949	5,518
Loans	5	-	5	5
Other long-term investments	16,495	-	16,495	14,459
Total fixed assets	5,766,039	22,069	5,743,970	3,838,173
Current assets				
Inventories and work-in-process				
Raw materials and other supplies	-	-	-	-
Goods and services in process	-	-	-	-
Intermediate and finished products	-	-	-	-
Goods	-	-	-	-
Prepayments and advances on orders				813
Accounts receivable				
Trade accounts receivable and related accounts	118,227	6	118,221	58,968
Other accounts receivable	293,233	10,057	283,176	165,267
Subscribed capital – issued and not paid	-	-	-	-
Marketable securities				
Treasury shares	-	-	-	-
Other securities	349,318	-	349,318	761,921
Cash instruments	3,354	-	3,354	813
Cash and cash equivalents	1,868,146	-	1,868,146	1,081,184
Prepaid expenses	7,770	-	7,770	10,474
Total current assets	2,640,048	10,063	2,629,985	2,079,440
Deferred charges	-	-	-	-
Loan redemption premium	-	-	-	-
Unrealized foreign exchange losses	449	-	449	159
Grand total	8,406,535	32,132	8,374,403	5,917,772
<i>(1) Including lease agreements</i>	-	-	-	-
<i>(2) Including maturities of less than one year (gross)</i>	-	-	14,022	4,431

“Cash and cash equivalents” consists of the debit balances of non-trade current accounts in the amount of €1,586,165K, short term receivables in the amount of €243,951K, and bank balances and cash in the amount of €38,030K.

Shareholders' equity and liabilities

	2007	2006
(in thousands of euros)	Net	Net
Shareholders' equity		
Share capital (including capital issued and paid: 1,346,823)	1,346,823	1,346,823
Additional paid-in capital, merger premiums, share premiums	328,289	328,289
Revaluation adjustments	-	-
Equity method adjustment	-	-
Reserves	-	-
• Legal reserve	134,682	134,682
• Reserves provided in the by-laws or by contract	-	-
• Regulated reserves	3,304	3,304
• Other reserves	6,403	6,403
Retained earnings	163,013	182,649
Net income for the year	726,612	280,209
Investment subsidies	-	-
Tax-driven provisions	1,339	7
Total shareholders' equity	2,710,464	2,282,366
Other shareholders' equity-		
Proceeds from issue of participating shares	-	-
Advances subject to covenants	-	-
Other shareholders' equity	-	-
Total other shareholders' equity	0	0
Provisions for contingencies and losses		
Provisions for contingencies	15,229	18,087
Provisions for losses	59,655	178,700
Total provisions for contingencies and losses	74,884	196,787
Debt⁽¹⁾		
Convertible bond issues	-	-
Other bond issues	-	-
Bank borrowings ⁽²⁾	1,747,823	18,836
Miscellaneous loans and borrowings	3,655,121	3,302,982
Trade advances and prepayments on orders in progress	-	-
Trade accounts payable and related accounts	66,049	63,461
Taxes and social security taxes	31,595	22,023
Accounts payable on non-current assets and related accounts	4,070	5,687
Other liabilities	76,405	23,579
Cash instruments	7,982	1,979
Deferred income	-	-
Total borrowings	5,589,045	3,438,546
Unrealized foreign exchange gains	10	72
Total shareholders' equity and liabilities	8,374,403	5,917,772
(1) Including maturities of more than one year (a)	1,291,357	354
(1) Including maturities of less than one year (a)	4,297,688	3,438,192
(2) Short-term bank facilities and bank credit balances	38,007	18,836
(a) Excluding trade advances and prepayments.		

Miscellaneous loans and borrowings include non-trade current liabilities totaling €3,323,259K and short-term debt of €331,815K.

5.6.3. Income statement

(in thousands of euros)	2007			2006
	France	Export	Total	Total
Operating income⁽¹⁾				
Sales of goods	-	-	-	-
Sales of products	-	-	-	-
Sales of services	117,938	25,709	143,647	114,423
Net sales	117,938	25,709	143,647	114,423
Production in inventory			-	-
Self-constructed assets			-	-
Net partial proceeds from long-term transactions			-	-
Operating subsidies			-	-
Reversal of provisions and transfer of expenses			8,893	342
Other income			2,358	24
Total operating income			154,898	114,789
Operating expenses⁽²⁾				
Purchases of goods			-	-
Change in inventory			-	-
Purchases of raw materials and other supplies			-	-
Change in inventory			-	-
Other purchases and expenses ^(a)			250,092	165,139
Taxes and related expenses			5,015	(689)
Salaries and other compensation			21,861	18,917
Social security taxes			12,551	11,101
Amortization, depreciation and provisions:				
• On non-current assets: depreciation and amortization			4,265	2,141
• On non-current assets: charge to provisions			-	-
• On current assets: charge to provisions			0	2,622
• For contingencies and losses: charge to provisions			2,954	10,075
Other expenses			3,119	1,046
Total operating expenses			299,856	210,352
Current operating loss			(144,958)	(95,563)
Share of net income from joint operations				
Profit allocated or loss transferred			-	-
Loss allocated or profit transferred			-	-
Financial income				
From equity associates ⁽³⁾			319,608	240,830
From other marketable securities and capitalized receivables ⁽³⁾			49,601	3,693
Other interest and related income ⁽³⁾			136,518	243,758
Reversal of provisions and transfer of expenses			2,340	14,424
Foreign exchange gains			396,840	213,844
Net income from disposals of marketable securities			-	5,572
Total financial income			904,907	722,121
Financial expenses				
Amortization and provisions			3,850	6,871
Interest and related expenses ⁽⁴⁾			252,546	157,723
Foreign exchange losses			374,952	211,964
Net loss on disposal of marketable securities			0	91
Total financial expenses			631,348	376,649
Net financial income			273,559	345,472
Income before exceptional items and tax			128,600	249,909

Income statement (continued)

	2007	2006
Exceptional items		
From financial management transactions	2,608	2,451
From capital or non-current asset transactions	3,044	41,424
Reversal of provisions and transfer of expenses	119,818	36,848
Total exceptional items	125,470	80,723
Exceptional expenses		
From financial management transactions	527	20,615
From capital or non-current asset transactions	1,182	47,182
Amortization, depreciation and provisions	2,082	75,441
Total exceptional expenses	3,791	143,238
Exceptional items	121,678	(62,515)
Employee profit-sharing	0	0
Income tax	476,333	92,816
Total income	1,185,274	1,010,448
Total expenses	458,662	730,239
Net income	726,612	280,209
(a) Including:		
- finance lease payments (property);		
- finance lease payments (real estate).		
(1) Including income from prior years	-	-
(2) Including expenses from prior years	-	-
(3) Including income from related entities	385,564	320,402
(4) Including interest paid to related entities	141,164	93,842

5.6.4. Cash flow statement

<i>(in millions of euros)</i>	2007	2006
Cash flow from operating activities		
Net income for the year	727	280
Net depreciation and amortization	5	2
Net provisions	(121)	55
Gain on disposals of non-current assets and investment securities	(2)	(3)
Non-deductible interest on perpetual subordinated bonds	-	(3)
Change in trade advances and prepayments	1	4
Change in trade accounts receivable and other receivables	(172)	8
Change in trade accounts payable and other operating liabilities	61	14
Other	-	(95)
Total cash flow from operating activities (I)	499	263
Cash flow from investing activities		
Investment in PP&E and intangible assets	(34)	(13)
Investment in long-term notes and investments	(5,921)	(921)
Repayment of loans to equity associates	4,043	438
Loans and security deposits	-	(11)
Disposals of PP&E and intangible assets	-	4
Disposals and reduction of long-term notes and investments	3	188
Net change in non-current asset receivables and debt	-	6
Other	-	-
Total cash flow used in investing activities (II)	(1,909)	(311)
Cash flow from financing activities		
Dividends paid by AREVA	(300)	(350)
Change in borrowings	1,710	-
Total cash flow used in financing activities (III)	1,410	(350)
Change in investment securities	-	-
Change in net cash (I + II + III)	-	(398)
Net cash at the beginning of the year (A)	(1,624)	(1,226)
Net cash at the end of the year (B)	(1,624)	(1,624)
Change in net cash (B - A)	-	(398)
Change in investment securities	-	-
Net change in cash position	-	(398)

5.7. | Notes to the corporate financial statements

The notes hereunder supplement the balance sheet, before appropriation of earnings for the year ended December 31, 2007, showing total assets of €8,374,403K, and the income statement, showing net income of €726,612K. These statements are for the twelve-month period beginning January 1 and ending December 31, 2007.

These notes include:

Highlights of the year and

- accounting policies, rules and methods;

- notes to the balance sheet;
- notes to the income statement;
- additional information.

These notes and tables are an integral component of the financial statements approved by AREVA's Supervisory Board.

5.7.1. Scope of business

AREVA is a services and financial holding company. Services provided include centralized cash management and consulting and support services for the group.

5.7.2. Highlights of the year

5.7.2.1. Agreement between AREVA and Suzlon concerning AREVA's equity interest in REpower

On February 22, 2007, AREVA made a public offer to acquire REpower shares on the market. A competing offer was subsequently made by Suzlon. On May 24, 2007, AREVA decided to keep its shares of REpower and entered into a cooperative agreement with Suzlon under which:

- AREVA retains its equity interest in REpower and continues to support the company;
- AREVA becomes a preferred supplier to Suzlon in the electricity transmission and distribution business;
- Suzlon grants an option to AREVA to sell its REpower shares at a guaranteed price, as indicated in the section on commitments received by the Group.

5.7.2.2. Syndicated lines of credit

The group set up two confirmed syndicated lines of credit in 2007:

- a €2 billion syndicated line of credit for general purposes, which had not been used as of December 31, 2007 and constitutes a significant liquidity reserve;
- a \$2.5 billion line of credit, which was fully drawn as of the end of December 2007 to finance the acquisition of Uramin Inc.

5.7.3. Accounting policies, rules and methods

5.7.3.1. Rules and methods concerning balance sheet accounts

The financial statements of AREVA SA for the year ended December 31, 2007 were prepared in accordance with French accounting standards as defined and amended by regulation 99-03 of April 29, 1999 published by the French accounting board.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets appear on the balance sheet at cost, in accordance with regulation 2004-06 of the French accounting board.

These assets are depreciated based on the method considered the most appropriate.

The maximum depreciation periods are as follows:

- 3 years for off-the-shelf software;
- 25 years for buildings;
- 10 years for building improvements and office furniture; and
- 5 years for office equipment, computers and transportation equipment.

A provision may be recorded when a specific asset's book value exceeds its value in use.

Long-term investments

Long-term investments are recognized on the balance sheet at cost on the day of contribution or acquisition. The acquisition cost includes the purchase price plus costs directly related to the purchase, such as commissions paid to acquire securities.

A provision for impairment of equity associates is recorded when their original cost exceeds their value in use, determined security by security.

The provision is computed based on the group's interest in each associate's equity (or consolidated equity for first-tier companies) as of year-end. However, this valuation also takes into account events or positions subsequent to year-end, when they are known before closing, as well as each subsidiary's estimated profitability or market value.

Receivables and debt

Receivables and debt are recorded at nominal value. Receivables may be written down to reflect potential collection difficulties based on information available at closing.

Receivables and debt in foreign currencies are translated and recorded in euros based on exchange rates in effect at year-end.

Unrealized gains and losses are recorded on the balance sheet as currency translation differences.

Receivables and debt in foreign currencies whose exchange rates have been hedged are recorded in euros based on the hedged rate. Unrealized foreign exchange losses are recognized through a contingency provision.

Marketable securities

Marketable securities are valued at the lower of acquisition cost and current value. A provision for impairment is recorded when the valuation as of the end of the period shows an overall loss by class of securities. The current value is equal to the average closing market price of the securities for the last month of the period.

A provision for impairment of other cash investments, such as debt instruments that are not publicly traded, is recorded separately when warranted.

Provisions for contingencies and losses

AREVA SA records provisions for contingencies and losses, for instance to cover restructuring or litigation expenses.

Contingent liabilities represent obligations that are neither probable nor certain at the date of closing, or obligations that are probable but where no resource is likely to be expended. Contingent liabilities are not recognized in provisions, but rather disclosed in the notes (see note 5.7.6.7).

AREVA recorded a provision for deferred tax liability to recognize the expected use of tax losses that the French subsidiaries are entitled to apply against future profits, as provided under French tax consolidation rules (see note 5.7.3.3).

AREVA's provisions for contingencies and losses are consistent with French accounting board rules on liabilities dated December 7, 2000 (CRC 2000-06).

Pension commitments

The financial statements reflect all of AREVA's pension, retirement and related benefit commitments, both for active personnel and for retirees, net of any plan assets and unrecognized gains covering the liabilities.

For defined contribution plans, payments by the group are recorded as expenses for the period to which they relate.

For defined benefit plans, benefit costs are estimated using the projected credit unit method. Under this method, accrued pension benefits are allocated among service periods based on the plan vesting formula. If services in subsequent years result in accrued benefit levels that are substantially higher than those of previous years, the company must allocate the accrued benefits

on a straight-line basis. The amount of future benefit payments to employees is determined based on salary trend assumptions, retirement age and mortality, discounted to present value based on interest rates for long-term bonds from AAA issuers.

Actuarial gains and losses are spread out over the average expected remaining working life of personnel taking part in these plans for the portion exceeding the largest of the following values by more than 10%:

- the present value of the defined benefit obligation at the balance sheet opening date;
- the fair value of plan assets at the balance sheet opening date.

The costs of plan changes are allocated over the vesting period.

5.7.3.2. Cash flow statement

AREVA has adopted the indirect method of presentation, which starts with net income for the period. Cash consists of the following items: cash and cash equivalents, bank debit balances, short-term investments with initial maturities of less than three months, non-trade current accounts, and short-term non-trade receivables or liabilities.

5.7.3.3. Tax data

AREVA has decided not to renew its global consolidated tax regime (article 209-5 of the French Tax Code).

Companies approved for the global consolidated tax regime are allowed to calculate their taxable income based on their consolidated income, calculated according to French tax rules, including income from French and foreign subsidiaries that are at least 50% owned by the parent.

AREVA's current approval, granted by ministerial order, covers the 2005-2007 tax years. The consolidated regime will therefore apply in 2007 for the last time.

AREVA has also elected to adopt the provisions of articles 223A *et seq.* of the French Tax Code concerning tax consolidation. The provisions of the tax consolidation agreements signed between AREVA and its tax-consolidated subsidiaries are subject to ordinary law.

As provided in article 39-1-2 of the French Tax Code, depreciation is deductible for tax purposes only if properly recognized in the company's accounting records. To encourage capital spending, tax law may allow companies to recognize amortization that would otherwise not be required under reporting standards. Due to discrepancies between tax and accounting rules, AREVA recognizes accelerated depreciation in a manner that is consistent with accounting rules providing for minimum cumulative straight-line amortization (see 5.7.4.9).

5.7.4. Notes to the balance sheet

5.7.4.1. Non-current assets

Box A		Gross value at the beginning of the year	Increases	
			Revaluations	Additions
Intangible assets				
	Start-up costs and R&D expenses	-	-	-
	Total I	-	-	-
	Other intangible assets	2,193	-	3,092
	Total II	2,193	-	3,092
Property, plant and equipment				
	Land	303	-	-
	Buildings erected on owned land	1,723	-	-
	Buildings erected on third party land	-	-	-
	Building facilities, fixtures and improvements			
	Plant, equipment and tooling	1,462	-	-
	Miscellaneous facilities, fixtures and improvements	296	-	-
	Transportation equipment	10,063	-	15,038
	Office equipment, computer equipment and furniture	124	-	1
	Property, plant and equipment in progress	3,563	-	6,482
	Advances and prepayments	12,926	-	9,060
	Total III	30,460	-	30,581
Long-term investments				
	Equity associates	2,904,095	-	48,281
	Other long-term securities	7,590	-	2,073
	Loans and other long-term investments	911,699	-	5,872,442
	Total IV	3,823,384	-	5,922,793
	Grand total	(I + II + III + IV)	3,856,037	-
				5,956,466

Box B		Decreases		Gross value at the end of the year	Revaluation of initial value
		Reclassifications	Disposals		
Intangible assets					
	Start-up costs and R&D expenses	Total I	-	-	-
	Other intangible assets	Total II	-	-	5,285
Property, plant and equipment					
	Land		-	-	303
	Buildings erected on owned land		-	-	1 723
	Buildings erected on third party land		-	-	-
	Building facilities, fixtures and improvements		-	-	1,462
	Plant, equipment and tooling		-	-	296
	Miscellaneous facilities, fixtures, and improvements		-	-	25,101
	Transportation equipment		-	-	125
	Office equipment, computer equipment and furniture		-	-	10,045
	Recyclable packaging and miscellaneous		-	-	-
	Property, plant and equipment in progress		-	-	21,986
	Advances and prepayments		-	-	-
		Total III	-	-	61,041
Long-term investments					
	Equity associates		-	1,187	2,951,188
	Other long-term securities		-	-	9,663
	Loans and other long-term investments		-	4,045,280	2,738,861
		Total IV	-	4,046,467	5,699,713
Grand total		(I + II + III + IV)	-	4,046,467	5,766,039

Property, plant and equipment

The increase primarily reflects the establishment of corporate offices at rue Lafayette in central Paris and at the AREVA Tower in Paris-La Défense.

Long-term investments

Equity associates in the amount of €2,951,188K are essentially comprised of the following holdings:

- AREVA NC €703,929K;
- SUEZ €646,303K;
- AREVA T&D Holding €500,000K;
- ERAMET €291,693K;
- AREVA NP €277,638K;
- CERE €251,541K.

The heading “Loans and other long-term investments” includes:

	December 31, 2006	Increases	Decreases	December 31, 2007
Loans to equity associates	897,235	5,868,502	4,043,376	2,722,361
Loans	5	-	-	5
Other long-term investments	14,459	3,940	1,904	16,495

Loans to equity associates concern medium-term loans made to certain group companies, mainly, as of December 31, 2007:

- €501,339K to AREVA T&D Holding;
- €48,570K (USD71,500K) to AREVA NC Inc. Corporate;
- €65,974K (USD97,120K) to UG Germany;
- €349,955K (CAD505,651K) to AREVA Resources Canada Inc.;
- €46,879K (GBP34,379K) to AREVA T&D UK;
- €78 060K to AREVA Renewable;

- €24,777K (CAD35,800K) to CFMM;
- €1,592,700K (USD2,344,613K) to Cogema Développement 1.

Other long-term investments mainly include:

- security deposits related to regular leases for the AREVA Tower in Courbevoie and the rue Lafayette offices in central Paris representing €9,200K as of December 31, 2007;
- AREVA's equity interest in European Liability Insurance for the Nuclear Industry (Elini), a mutual insurance company, representing €6.741 million as of December 31, 2007.

5.7.4.2. Depreciation and amortization

Balance and transactions during the year

Box A Depreciable assets		Gross value at the beginning of the year	Charge	Reversals	Gross value at the end of the year
Intangible assets					
Start-up costs and R&D expenses	Total I	-	-	-	-
Other intangible assets	Total II	1,778	990	-	2,768
Property, plant and equipment					
Land		99	0	-	99
Buildings erected on owned land		1,576	19	-	1,595
Buildings erected on third party land		-	-	-	-
Building facilities, fixtures and improvements		1,371	42	-	1,413
Plant, equipment and tooling		256	13	-	269
Miscellaneous facilities, fixtures and improvements		2,823	1,976	-	4,799
Transportation equipment		69	17	-	86
Office equipment, computer equipment and furniture		1,621	1,209	-	2,830
Recyclable packaging and miscellaneous		-	-	-	-
	Total III	7,815	3,276	-	11,091
Total General	(I + II + III)	9,593	4,266	-	13,859

Allocation of depreciation and amortization				Prov., accelerated dep.		
				Box B		Box C
		Straight-line depreciation	Declining balance	Exceptional depreciation	Charge	Reversal
Depreciable assets						
Intangible assets						
Start-up costs and R&D expenses	Total I	-	-	-	-	-
Other intangible assets	Total II	990	-	-	1,337	-
Property, plant and equipment						
Land		0	-	-	-	-
Buildings erected on owned land		19	-	-	-	-
Buildings erected on third party land		-	-	-	-	-
Miscellaneous facilities, fixtures & improvements		42	-	-	-	-
Plant, equipment and tooling		13	-	-	-	1
Miscellaneous facilities, fixtures & improvements		1,976	-	-	-	-
Transportation equipment		17	-	-	-	4
Office equipment, computer equipment & furniture		1,209	-	-	-	-
Recyclable packaging and miscellaneous		-	-	-	-	-
	Total III	3 276	-	-	0	5
Grand total	(I + II + III)	4 266	-	-	1,337	5

5.7.4.3. Cash and marketable securities

Headings	December 31, 2007	December 31, 2006
Investment securities - equities (gross book value)	143,075	143,075
Investment securities - equities (impairment)	-	-
Other marketable securities (gross book value)	206,243	618,846
Other marketable securities (impairment)	-	-
Cash instruments	3,353	813
Cash and cash equivalents	1,868,146	1,081,184
Total	2,220,817	1,843,918

Marketable securities, comprised mainly of negotiable debt instruments and Total shares, totaled €349,318K as of December 31, 2007.

Unrealized gains on marketable securities totaled €274,629K at year-end.

Cash and cash equivalents include current accounts totaling €1,586,165K and short-term debt of €243,951K.

5.7.4.4. Provisions recorded on the balance sheet

	Amount at the beginning of the year	Charge	Decrease (utilized)	Decrease (not utilized)	Amount at year-end
Tax-driven provisions					
Provisions for capital investment	0	-	-	-	0
Accelerated depreciation subject to favored tax status	7	1,337	-	5	1,339
Other tax-driven provisions	0	-	-	-	0
Total I	7	1,337	0	5	1,339
Provisions for contingencies and losses					
Provisions for litigation	267	-	-	-	267
Provisions for foreign exchange losses	159	449	159	-	449
Provisions for pensions and similar benefits	1,617	333	6	-	1,944
Provisions for taxes	167,221	-	115,920	-	51,301
Other provisions for contingencies and losses	27,523	3,471	6,551	3,519	20,924
Total II	196,787	4,253	122,636	3,519	74,885
Provisions for impairment					
Intangible assets	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-
Investment in equity securities	-	-	-	-	-
Equity associates	6,054	438	895	1,101	4,496
Other long-term investments	2,217	1,682	185	-	3,714
Inventories and work-in-process	-	-	-	-	-
Trade accounts receivable	2,628	-	2,622	-	6
Other provisions for impairment	8,879	1,178	-	-	10,057
Total III	19,778	3,298	3,702	1,101	18,273
Grand total (I + II + III)	216,572	8,888	126,338	4,625	94,497
Including charges / reversals					
• operating	-	2,954	8,805	-	-
• financial	-	3,850	1,239	1,101	-
• exceptional	-	2,080	116,294	3,524	-

Provisions for contingencies and losses

The provisions include mostly a deferred liability related to AREVA's use of certain of its subsidiaries' tax losses in the consolidated tax return. As of December 31, 2007, this provision was reduced to €51,301K after reversal of provisions of €115,920K for deferred tax.

Provisions for impairment

Provisions for impairment of "Equity associates" reflect the recapture of €895K after disposal of Sodern shares.

5.7.4.5. Statement of receivables and liabilities

Statement of receivables

Box A	Gross amount	Maturity <1 year	Maturity >1 year
Non-current assets			
Loans to equity associates	2,722,361	14,022	2,708,339
Loans	5	-	5
Other long-term investments	16,495	-	16,495
Current assets			
Doubtful trade accounts	8	8	-
Other trade accounts receivable	118,219	118,219	-
Loans of securities	-	-	-
Accounts receivable from employees and related accounts	40	40	-
Social security administration and other social institutions	-	-	-
Income tax	5,001	5,001	-
Value added tax	35,363	35,363	-
Other taxes and similar payments	28,689	28,689	-
Miscellaneous	0	0	-
Associates	0	0	-
Miscellaneous accounts receivable	224,140	224,140	-
Prepaid expenses	7,770	7,770	-
Total	3,158,091	433,252	2,724,839

Statement of liabilities

Box B	Gross amount	Maturity <1 year	Maturity 1-5 years	Maturity >5 years
Convertible bond issues	-	-	-	-
Other bond issues	-	-	-	-
Bank borrowings:				
• maturity at inception: one year or less	1,747,823	456,820	1291,003	-
• maturity at inception: more than one year	-	-	-	-
Miscellaneous loans and borrowings	-	-	-	-
Trade accounts payable and related accounts	66,049	66,049	-	-
Accounts payable to employees and related accounts	9,324	9,324	-	-
Social security administration and other social institutions	4,636	4,636	-	-
Income tax	439	439	-	-
Value added tax	15,071	15,071	-	-
Covered bonds	-	-	-	-
Other taxes and similar payments	2,125	2,125	-	-
Accounts payable on non-current assets and related accounts	4,070	4,070	-	-
Associates	3,655,121	3,655,121	-	-
Other liabilities	84,387	84,033	354	-
Loans of securities	-	-	-	-
Unearned income	-	-	-	-
Total	5,589,045	4,297,688	1,291,357	-

“Bank borrowings” include bank credit balances and \$2.5 billion drawn on a syndicated line of credit.

Other liabilities include €62,341K corresponding to debt related to French consolidated tax regime current accounts.

5.7.4.6. Accrued income

(Order 83-1020 of November 29, 1983 – Article 23)

Accrued income included in the following balance sheet accounts

	December 31, 2007	December 31, 2006
Loans to equity associates	11,556	35,337
Other long-term securities	-	-
Loans	-	-
Other long-term investments	-	-
Trade accounts receivable and related accounts	18,368	8,157
Other accounts receivable	55,235	43,142
<i>including State – other accounts receivable</i>	<i>39,553</i>	<i>41,325</i>
Marketable securities	220	188
Cash and cash equivalents	-	-
Total	85,379	86,824

5.7.4.7. Accrued expenses

(Order 83-1020 of November 29, 1983 – Article 23)

Accrued expenses included in the following balance sheet accounts

	December 31, 2007	December 31, 2006
Convertible bond issues	-	-
Other bond issues	-	-
Bank borrowings	94	-
Miscellaneous loans and borrowings	250	959
Trade accounts payable and related accounts	51,822	32,985
Taxes and employee-related liabilities	13,823	11,301
Accounts payable on non-current assets and related accounts	3,843	4,903
Other liabilities	6,555	6,837
Total	76,387	56,985

Accrued expenses included in “Miscellaneous loans and borrowings” represent interest payable on non-trade current accounts.

5.7.4.8. Share capital

(Order 83-1020 of November 29, 1983 – Article 24-12)

Category	Par value	Beginning of year	Number of shares		At year-end
			Issued during the year	Redeemed during the year	
Shares	0.04	34,013,593	0	0	34,013,593
Investment certificates	0.04	1,429,108	0	0	1,429,108

5.7.4.9. Shareholders' equity excluding share capital

<i>(in thousands of euros)</i>	As of December 31, 2006	Increases	Decreases	As of December 31, 2007
Merger premiums	184,357	-	-	184,357
Consolidation goodwill	143,932	-	-	143,932
Legal reserve	134,682	-	-	134,682
Regulated reserves	2	-	-	2
Blocked reserves	3,302	-	-	3,302
Available reserves	6,403	-	-	6,403
Retained earnings	182,649	-	19,636	163,013
Net income for the year	280,209	726,612	280,209	726,612
Tax-driven provision	7	1337	5	1,339
Total	935,543	727,949	299,850	1,363,642

On May 3, 2007, the Annual General Meeting of Shareholders decided to distribute dividends in the amount of €299,845K out of 2006 net income (€280,209K) and retained earnings (€19,636K).

5.7.4.10. Data on related parties

(Order 83-1020 of November 29, 1983 – Article 24-15)

Balance sheet accounts

	Transactions with		Debt or receivables materialized by an instrument
	Related parties	Equity investments	
Long-term investments			
Equity associates	1,892,442	-	-
Loans to equity associates	2,722,361	-	-
Loans	1	-	-
Other long-term securities	-	-	-
Other long-term investments	18	-	-
Total long-term notes and investments	4,614,822	-	-
Accounts receivable			
Trade accounts receivable and related accounts	116,231	-	-
Other accounts receivable	190,481	-	-
Subscribed capital – issued and not paid	-	-	-
Total accounts receivable	306,712	-	-
Marketable securities			
Non-trade current accounts	1,789,292	-	-
Liabilities			
Non-trade current accounts	-	-	-
Trade advances and prepayments on orders in progress	3 621 961	-	-
Trade accounts payable and related accounts	40,579	-	-
Other liabilities	53,844	-	-
Total liabilities	3,716,384	-	-

Income statement accounts

	Transactions with		Debt or receivables materialized by an instrument
	Related parties	Equity investments	
Financial income and expenses			
Financial income	483,371	-	-
Financial expenses	381,469	-	-
Total	864,840	-	-

5.7.4.11. Five-Year financial summary

Income and other items characterizing performance over the past five years

<i>(in thousands of euros)</i>	2003	2004	2005	2006	2007
Share capital at year-end					
Share capital	1,346,823	1,346,823	1,346,823	1,346,823	1,346,823
Number of ordinary shares outstanding	34,013,593	34,013,593	34,013,593	34,013,593	34,013,593
Number of shares with preferred dividend rights	1,429,108	1,429,108	1,429,108	1,429,108	1,429,108
Activities and income for the year					
Sales revenue before tax	36,046	86,585	97,983	114,423	143,647
Income before tax, employee profit-sharing and calculated expenses (depreciation, depletion, amortization and provisions)	598,720	306,817	(1,952,579)	298,559	368,091
Income tax	(56,566)	(30,444)	(97,489)	92,816	476,333
Employee profit-sharing					
Income after tax, employee profit-sharing and calculated expenses (depreciation, depletion, amortization and provisions)	372,444	301,555	347,951	280,209	726,612
Net income distributed	219,745	339,896	349,819	299,845	(*)
Earnings per share					
Income after tax, employee profit-sharing and before calculated expenses	18	10	(53)	9	17
Income after tax, employee profit-sharing and calculated expenses (depreciation, depletion, amortization and provisions)	11	9	10	8	21
Dividend per share	6	10	10	8,5	(*)
Personnel					
Number of salaried employees	197	161	184	144	139
Total compensation for the year	17,726	16,582	17,751	17,715	19,922
Payroll taxes and other benefit expenses	8,005	8,526	9,073	8,172	9,718

(*) For 2007: pending decision by the Annual General Meeting of Shareholders.

5.7.5. Notes to the income statement

5.7.5.1. Current operating income

Reported sales include:

- charge allocations to subsidiaries, corresponding to shared services and the right to use a trademark, for a total of €88,265K.

The trademark license fee is charged to all group entities at the rate of 0.5% of contributions to consolidated sales. The shared services fee is charged only to French consolidated entities, at the rate of 0.6% of contributions to consolidated sales:

- proceeds from real estate operations (€33,671K);
- charge allocation for personnel expenses (€3,619K);
- charge allocations for computer services (€12,013K).

Operating expenses reflect holding company activities and services provided to subsidiaries. The operating loss thus came to €144,958K.

5.7.5.2. Net financial income

Net financial income includes, among other items:

• dividends from equity interests	€232,726K;
• dividends from other equity investments (including Total and Suez)	€49,601K;
• investment income	€13,745K;
• net expense on current accounts	€(12,132)K;
• reversal of provisions of a financial nature	€1,510K;
• interest expense on borrowings	€(40,698)K;
• foreign exchange gain	€21,887K.

5.7.5.3. Exceptional items

Exceptional items include:

- the charge to provisions for deferred tax for the year of €115,920K;
- the gain on the disposal of the equity interest in Brevatome (€2,801K).

5.7.5.4. Income tax

AREVA's income tax for 2007, determined in accordance with the rules specific to global tax consolidation, represented income of €476,334K. This includes tax income for 2007, adjustments to the tax expense reported for 2006, and taxes paid by tax-consolidated subsidiaries.

AREVA recognized €1,958,188K in taxable consolidated income for the year, before offset of tax losses carried forward in the amount of €1,484,035K. The consolidated tax calculated after offset of tax losses carried forward, i.e. €158,051K, is paid by offset of credits for taxes paid by foreign operations taken into consideration for the calculation of taxable consolidated income.

Accordingly, AREVA is not liable for any income tax for the year.

AREVA will record income corresponding primarily to tax savings under the tax integration and consolidation regimes, which accrue to AREVA as ultimate parent company.

The tax savings generated by the French and global tax consolidation regimes are:

- French tax consolidation regime: €465,252K;
- Global tax consolidation regime: €9,928K.

Other items, totaling €1,154K, relate to adjustments to the 2006 tax position.

The tax income for the year therefore came to €476,334K.

The total impact of corporate income tax-related events is €592,232K, after recognition of a net charge to provisions of €115,920K for deferred tax (see 5.7.5.3).

5.7.6. Additional information

5.7.6.1. Employees

The company employed 139 people on December 31, 2007, as indicated in the following table:

	2007	2006	2005	2004
Management	100	102	125	111
Supervisors	35	38	24	14
Support staff	4	4	35	36
Total	139	144	184	161

5.7.6.2. Pensions and other employee benefits

AREVA SA pays retirement bonuses to its retiring employees, based on their compensation and seniority.

This defined benefit plan is recorded in accordance with accounting methods defined in note 5.7.3.1.

Each year, independent actuaries determine AREVA's commitments as of year-end.

Balance sheet reconciliation

<i>(in thousands of euros)</i>	2007	2006
Provision for pension obligations and other employee benefits	1,944	1,617

The main actuarial assumptions used in determining the group's obligations are as follows:

	2007	2006
Inflation	2.00%	2.00%
Discount Rate	5.00%	4.25%

- Mortality tables used: INSEE 2000-2002 Men/Women.
- Retirement age: 63 for management personnel, 61 for non-management personnel.
- Average attrition.

	Management	Non-management
<30 years	1.60%	1.60%
30-39 years	1.60%	1.60%
40-49 years	1.60%	1.60%
50-54 years	1.60%	1.60%
55 years and above	0.00%	0.00%

- Assumed rate of salary increase, net of inflation.

	Management	Non-management
<30 years	1.50%	0.50%
30-39 years	1.50%	0.50%
40-49 years	1.50%	0.50%
50-54 years	1.50%	0.50%
55 years and above	1.50%	0.50%

Net book value of benefit obligations

<i>(in thousands of euros)</i>	2007	2006
Benefit obligation	2,465	1,978
Fair value of plan assets	-	-
Unrecognized actuarial losses	(697)	(361)
Unrecognized past service gains	176	-
Total benefit obligation	1,944	1,617

Past service gains recognized in 2007 reflect the application of the Social Security law of 2007 modifying the rights to retirement benefits, among other things.

Change in the provision

<i>(in thousands of euros)</i>	2007	2006
Change in the provision		
Restated opening balance	1,617	1,404
Total expense	333	213
Contributions and benefits paid	(6)	0
Net book value as of December 31	1,944	1,617

Total expense for the year

<i>(in thousands of euros)</i>	2007	2006
Current service cost	194	135
Interest cost	104	74
Expected return on plan assets	-	-
Amortization of actuarial gains or losses	50	4
Past service cost	(15)	-
Plan creation, curtailment or liquidation	-	-
Total expense for the year	333	213

5.7.6.3. Information on lease arrangements

No lease arrangements were recorded in 2007.

5.7.6.4. Company exposure to market risk

General objectives

The AREVA group has a department in charge of implementing market risk management policies approved by the Executive Committee for a centralized management of exposure to foreign exchange risk, commodities, rates and liquidity risk.

Within the Finance Department, the Department of Financial Operations and Treasury Management operates on financial markets, acts as a central desk to manage the group's financial exposure on behalf of the subsidiaries, except for a few companies operating under their own name due to specific agreements or regulatory constraints in some countries. This department is organized with a front, middle and back office to ensure the separation of functions and has access to all the human, technical, and information system resources necessary to accomplish its mission. Proprietary software is used to manage all treasury operations, including transactions initiated by the trading desk, transaction records, confirmations and accounting. Transactions cover foreign exchange and commodities trading, interest rates, centralized cash management, inter-company financing, borrowings and investments, and asset management.

The group uses derivatives to manage its exposure to currency and interest rate risk, fluctuations in commodity prices, and changes in the price of certain publicly traded securities. Excluding specific situations (notably comprehensive foreign exchange hedges during proposals), these derivative instruments are generally considered hedges for accounting purposes.

Foreign exchange risk management

The group primarily trades currencies on forward markets and uses derivative products (foreign exchange swaps, currency swaps, and exchange rate options) to hedge the following foreign exchange risks:

- **balance sheet risk:** the group finances its subsidiaries in their accounting currencies to minimize the balance sheet foreign exchange risk from financial assets and liabilities. Loans and advances granted to subsidiaries by the Department of Treasury Management, which centralizes financing, are then systematically hedged using currency swaps;
- **trade exposure:** the group's policy, which was approved by the Executive Committee, is to hedge all foreign exchange risks generated by sales transactions, whether confirmed or potential (during proposals), in order to minimize the impact of exchange rate fluctuations on consolidated net income.

The group acquires derivative instruments (mostly currency futures) or insurance contracts (issued by Coface) to hedge its foreign exchange exposure from trade, including accounts receivable and payable, confirmed off-balance sheet commitments (orders received from customers or placed with suppliers), highly probable future cash flows (budgeted sales or purchases, anticipated margins on contracts) and proposals submitted in foreign currencies. These hedges are backed by underlying transactions for identical amounts and maturities and, generally, are documented and eligible for hedge accounting (except for hedges of proposals submitted in foreign currencies).

As provided by group policies, each operating entity responsible for identifying foreign exchange risk must hedge exposure to currencies other than its own accounting currency by initiating a transaction with the group's trading desk only, except as otherwise required by specific circumstances or regulations. The Department of Financial Operations and Treasury Management centralizes the exposure of all entities and hedges the net position directly with banking counterparties. A rigorous system limits the foreign exchange positions that may be taken by the trading desk. The results are marked to market on a daily basis by specialized teams responsible for the valuation of the transactions. In addition, analyses of sensitivity to changes in exchange rates are periodically performed.

AREVA Foreign exchange instruments <i>(in millions of euros)</i>	Notional amounts by maturity as of December 31, 2007						Total
	2008	2009	2010	2011	2012	>5 years	
Currency swaps – Borrower							
US dollars for euros	411	78	5	-	0	0	494
Canadian dollars for euros	84	7	-	-	-	-	91
Australian dollars for euros	85	-	-	-	-	-	85
Pounds sterling for euros	78	3	0	-	-	-	81
Mexican pesos for euros	49	-	-	-	-	-	49
Qatar riyals for euros	18	-	-	-	-	-	18
Other currencies	85	9	0	0	-	-	94
Currency swaps – Lender							
US dollars for euros	403	28	2	-	-	-	434
Swiss francs for euros	64	30	-	-	-	-	94
Pounds sterling for euros	76	2	-	-	-	-	78
Australian dollars for euros	60	-	-	-	-	-	60
Singapore dollars for euros	42	-	-	-	-	-	42
Canadian dollars for euros	21	-	0	-	-	-	21
Other currencies	61	0	0	-	-	-	61
Forward transactions – Buyer							
US dollars for euros	551	94	42	12	8	1	707
Qatar riyals for euros	74	91	28	1	9	-	202
Pounds sterling for euros	125	18	1	0	-	-	144
Australian dollars for euros	125	-	-	-	-	-	125
Swiss francs for euros	94	18	0	-	-	-	112
US dollars for pounds sterling	62	20	2	-	-	-	83
Japanese yen for euros	25	12	12	23	3	1	77
Saudi Arabian riyals for US dollars	47	27	-	-	-	-	74
Qatar riyals for US dollars	21	35	10	0	3	0	70
Other currencies	381	112	20	4	3	0	520
Forward transactions – Seller							
US dollars for euros	423	102	37	12	8	1	582
Qatar riyals for euros	57	91	28	1	9	-	185
Swiss francs for euros	107	25	0	-	-	-	133
Pounds sterling for euros	102	15	1	0	-	-	118
Japanese yen for euros	28	12	12	23	3	1	79
Qatar riyals for US dollars	21	35	10	0	3	0	70
Saudi Arabian riyals for US dollars	41	27	-	-	-	-	68
Singapore dollars for euros	53	1	-	-	-	-	54
US dollars for pounds sterling	29	20	2	-	-	-	51
Other currencies	353	103	20	4	3	0	483
Currency options							

AREVA Foreign exchange instruments <i>(in millions of euros)</i>	Notional amounts by maturity as of December 31, 2007						Total
	2008	2009	2010	2011	2012	>5 years	
Calls – Buyer							
Swedish krona for pounds sterling	1	-	-	-	-	-	1
Japanese yen for pounds sterling	0	-	-	-	-	-	0
Canadian dollars for pounds sterling	0	-	-	-	-	-	0
US dollars for euros	82	-	-	-	-	-	82
Calls – Seller							
Euros for US dollars	7	-	-	-	-	-	7
Canadian dollars for pounds sterling	0	-	-	-	-	-	0
Japanese yen for pounds sterling	0	-	-	-	-	-	0
Swedish krona for pounds sterling	1	-	-	-	-	-	1
US dollars for euros	82	-	-	-	-	-	82
Puts – Buyer							
US dollars for euros	108	23	-	-	-	-	131
Puts – Seller							
US dollars for euros	108	23	-	-	-	-	131
Euros for pounds sterling	10	-	-	-	-	-	10
US dollars for Swiss francs	5	-	-	-	-	-	5
Euros for US dollars	2	-	-	-	-	-	2
Currency swaps							
Variable rate swap – Borrower US dollars	87	73	-	-	-	-	161
Variable rate swap – Lender US dollars	87	51	-	-	-	-	139
Variable rate swap – Borrower Canadian dollars	58	107	164	-	-	-	329
Rate instruments							
Rate swaps – Fixed receivers							
Variable lender – US dollars	68	-	272	-	-	-	340

Notional amounts in foreign currency have been translated into euros based on year-end closing exchange rates

Interest rate risk management

Rate risk management is entirely centralized in the Department of Financial Operations and Treasury Management, which consolidates the subsidiaries' current or stable cash surpluses or requirements and arranges external financing as appropriate, except as otherwise required by regulations or specific circumstances.

The group uses several types of derivative instruments, as required by market conditions, to allocate its debt between fixed rates and floating rates and to manage its investment portfolio, with the goal of reducing its financing cost and to optimize the management of cash surpluses.

The group primarily uses swaps for active management of its debt and short term cash surpluses. Rate futures are used to manage medium term investments of advances received on contracts.

Commodity management risk

The group is exposed to long term and short term changes in the prices of commodities used in its production processes, either as a result of the procurement of finished products or, more directly, when buying raw materials priced by reference to the trading price on a commodity market.

Aside from energy, commodities that may have a significant impact on the group's production costs primarily include copper and nickel; aluminum and silver play a lesser role. Most of the group's exposure is concentrated in the Transmission & Distribution and Reactors and Services divisions.

Each division implements policies to manage exposure to commodity risks that aim to limit the impact of price changes on consolidated net income by identifying and neutralizing the risk as soon as possible, in some instances as early as the proposal phase.

Hedges are initiated based on a global budget (T&D division) with graduated coverage reflecting the likeliness of the exposure, or based on long-term sales contracts after a specific analysis of the commodities risk (Reactor and Services division).

As for currency exposure, commodity risk management is initiated by the operating entities and centralized with the group's

Department of Treasury Management using derivatives, including options and firm contracts (forwards and swaps). The Department of Treasury Management hedges the subsidiaries' position with market counterparties without taking any speculative position.

Commodity hedges are fully eligible for accounting as cash flow hedges.

AREVA Commodities <i>(in millions of euros)</i>	Notional amounts by maturity as of December 31, 2007						Total	Market value
	2008	2009	2010	2011	2012	>5 years		
Nickel								
Forward transactions – buyer	1	0	-	-	-	-	2	0
Forward transactions – seller	1	0	-	-	-	-	2	0
Copper								
Forward transactions – buyer	69	13	1	1	1	-	84	(11)
Forward transactions – seller	69	13	1	1	1	-	84	11
Silver								
Forward transactions – buyer	1	-	-	-	-	-	1	0
Forward transactions – seller	1	-	-	-	-	-	1	0
Aluminum								
Forward transactions – buyer	17	1	-	-	-	-	18	(1)
Forward transactions – seller	17	1	-	-	-	-	18	1

Equity risk

To manage its long-term investment positions, the group may elect to use puts and calls backed by portfolio equities. No such transaction was pending as of the end of the year.

Counterparty risk

The group uses different types of financial instruments to manage its exposure to foreign exchange and interest rate risks, and its exposure to commodities and publicly traded shares. The group primarily uses currency and commodity forward contracts and interest rate derivatives such as futures or options to cover these types of risk. These transactions involve exposure to counterparty risk when the contracts are concluded over the counter.

To minimize the risk of default, the group's trading desk deals only with diversified, top quality counterparties rated A1/P1 or higher for short term maturities or A/A2 for long term maturities in the Standard & Poor's and Moody's rating systems.

The limits allowed for each counterparty are determined based on its rating and the type and maturity of the instruments traded. The limits are reviewed at least once a year and approved by the Chief Financial Officer. The limits are verified in a specific report produced by the internal control team of the Department of Treasury Management.

Market value of financial instruments

The market value of financial instruments pertaining to currency, rate and commodity transactions are calculated based on market data as of the closing date, on discounted future cash flows, or on prices provided by financial institutions. The use of different market assumptions could have a significant impact on estimated market values.

5.7.6.5. Off-balance sheet commitments, excluding leases

The group has established a procedure to identify and confirm off-balance sheet items disclosed in these notes. This procedure includes a definition of the main categories of commitments and their valuation methods. It also includes a method to collect and control the data, relying largely on confirmations from third parties.

5.7.6.5.1. Commitments given

Type of commitment	Total	<1 year	1-5 years	>5 years
Total operating commitments given	332,150	150,575	168,261	13,315
Bid guarantees	178	178	-	-
Performance guarantees	306,759	128,124	165,321	13,315
Down payment guarantees	9,022	9,022	-	-
After-sales warranties	6,294	3,354	2,940	-
Other contract guarantees	9,897	9,897	-	-
Total financing commitments given	1,625,370	767,361	841,681	16,328
Guarantees and surety	1,624,684	766,676	841,681	16,328
Guarantees for waivers of warranty retentions	685	685	-	-
Total other commitments given	297,052	106,564	190,488	-
Vendor warranties given	267,270	106,564	160,706	-
Guarantee pertaining to rental obligations	1,142	-	1,142	-
Guarantees pertaining to compensation and benefits	109	-	109	-
Environmental commitments	28,531	-	28,531	-
Total reciprocal commitments	5,000	-	5,000	-
Reciprocal commitments	5,000	-	5,000	-
Total	2,259,572	1,024,500	1,205,430	29,642

The group gave a parent company guarantee to TVO for the full value of the contract for construction of an EPR reactor in Finland. The group received a counter-guarantee from Siemens corresponding to this supplier's share of the TVO contract. The net commitment given by the group is in the range of €1.5 billion to €2 billion. This amount is not included in the summary table.

AREVA gave a guarantee in respect of ownership of FCI shares sold to Bain Capital. This amount, which is capped at the sale price of €582 million, is not included in the summary table.

5.7.6.5.2. Commitments received

(in thousands of euros)	Total	<1 year	1-5 years	>5 years
Syndicated credit lines not drawn	2,000,000	-	-	2,000,000
Vendor warranties received	250,000	-	-	250,000
Put option	471,037	471,037	-	-
Other commitments received	677	677	-	-
Total commitments received	2,721,714	471,714	0	2,250,000

Commitments received include the following:

- the capped amount of vendor warranties received from Alstom pursuant to acquisition of the Transmission & Distribution division.

The vendor warranties to be provided under the AREVA T&D acquisition contract are as follows:

- a 10-year environmental warranty with a €12 million deductible,
- a tax warranty for periods during which returns may be audited,
- a warranty for specific contracts, litigation or technical defects providing for full indemnification by Alstom, item by item;
- an option to sell REpower shares held by AREVA;
- an unused syndicated line of credit for €2 billion.

5.7.6.6. Executive officer compensation

Total compensation and benefits in kind paid to executive officers (members of the Executive and Supervisory Boards) during the year by the company and companies under its control (as defined under Article L. 225-102-1 of the French Commercial Code, introduced by the New Economic Regulations Law of May 15, 2001 and amended by the Financial Security Act of August 1, 2003) totaled €2,325K.

5.7.6.7. Events subsequent to year-end

No significant event with a potential impact on AREVA's financial situation has taken place since January 1, 2008.

5.7.6.8. Litigation and potential liabilities

European Commission investigation into anti-competition practices in the Gas Insulated Switchgears (GIS) market

In May 2004, the European Commission initiated an investigation following a request for immunity submitted by ABB in connection with anti-competitive practices in the gas-insulated switchgear (GIS) market. On January 24, 2007, the European Commission imposed fines on the companies involved in the total amount of €750 million. Among them, ALSTOM and AREVA T&D SA were held jointly liable for the payment of a fine in the amount of €54 million. AREVA SA, AREVA T&D Holding and AREVA T&D AG were held jointly liable with AREVA T&D SA for the payment of this fine, up to €25.5 million. These companies have appealed the Commission's decision. The appeal is being examined by the Court of First Instance of the European Communities.

This investigation triggered additional, although less critical, investigations by competition authorities in Hungary, the Czech Republic, Slovakia, South Africa, Brazil and other countries, which are currently less active. In Hungary, authorities ruled in favor of AREVA's position. The Czech Republic levied a fine of €5.6 million on AREVA T&D in early February 2007. The fine was partially reduced to approximately €360,000 on April 26, 2007; this decision is under appeal. The Slovak competition authority also imposed a fine in the amount of approximately €1.5 million on December 27, 2007. The parties are reviewing their options for appealing this recent decision.

In April 2007, Alstom and AREVA entered into an agreement related to warranty obligations and in particular to the assumption by Alstom of the financial consequences of the inquiries into anti-competitive practices.

5.7.6.9. Detailed financial information on subsidiaries and associates

(in thousands of euros unless other indicated)

Financial information									
Subsidiaries and associates	Share capital	Premiums, reserves and retained earnings	Interest held in share capital (percent)	Gross carrying amount of shares held	Net carrying amount of shares held	Unpaid loans and advances	Sales (before tax) of last fiscal year	Income (loss) of last fiscal year	Dividends received in fiscal year 2007
A. Detailed financial information on subsidiaries and associates (net carrying amount exceeds 1% of AREVA's share capital)									
1. Subsidiaries (AREVA holds more than 50% of the share capital)									
Cédec 33, rue La Fayette - 75009 Paris	36,532	3,073	90.00	33,466	33,466	-	-	12,362	9,659
Compagnie d'Étude et de Recherche pour l'Énergie (CERE) 33, rue La Fayette - 75009 Paris	247,500	17,101	100.00	251,541	251,541	-	-	22,472	73,920
AREVA NC 33, rue La Fayette - 75009 Paris	100,259	166,983	100.00	703,929	703,929	-	2,616,701	1,020,908	100,259
AREVA NP s.a.s. Tour AREVA - 92084 Paris-La Défense Cedex	400,000	(45,105)	66.00	277,638	277,638	-	1,218,162	(71,609)	-
FTICI 33, rue La Fayette - 75009 Paris	54,006	808,056	100.00	54,889	54,889	-	-	22,131	23,007
Frarea 33, rue La Fayette - 75009 Paris	6,375	80,228	100.00	30,940	30,940	-	17,027	(1,749)	-
AREVA T&D Holding 33, rue La Fayette - 75009 Paris	500,037	61,331	100.00	500,000	500,000	501,409	-	64,756	-
2. Associates (AREVA holds 10-50% of the share capital)									
Eramet	79,000	1,441,320	26.00	291,693	291,693	-	3,792,000	264,000	19,596
Technicatome	20,000	42,108	24.89	14,042	14,042	-	238,973	15,233	4,631
Repower	8,994	292,702	30.17	112,579	112,579	-	NC	23,263	0
B. Summary information on other subsidiaries and associates									
1. Subsidiaries not included in section A									
a) French subsidiaries (combined)	-	-	-	16,946	15,978	-	-	-	-
b) Foreign subsidiaries (combined)	-	-	-	6,848	5,849	-	-	-	-
2. Associates not included in section A									
a) French companies (combined)	-	-	-	656,668	654,112	-	-	-	1,655
b) Foreign companies (combined)	-	-	-	-	-	-	-	-	-

06

CORPORATE GOVERNANCE

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6.1. | Composition and functioning of corporate bodies

6.1.1. Composition of corporate bodies

6.1.1.1. Composition of the Executive Board

The Executive Board consists of at least two members and at most five members named by the Supervisory Board, which appoints the Chairman of the Executive Board from among its members. When AREVA shares are publicly traded in a regulated market, the Executive Board may be increased to seven members.

The members of the Executive Board must be natural persons. They need not be shareholders and may be AREVA employees. Any Supervisory Board member designated as an Executive Board member will cease to be a member of the Supervisory Board upon assuming his or her new position.

The Executive Board is appointed for a term of five years expiring at the first meeting of the Supervisory Board held after the fifth anniversary of that appointment. The Supervisory Board may appoint a new member to the Executive Board during its term.

The decision to increase the number of Executive Board members above the number set at its appointment is subject to the approval of the Executive Board Chairman.

Executive Board member terms are renewable.

As of December 31, 2007, the members of the Executive Board were as follows:

Anne Lauvergeon (age 48)

Chairman of the AREVA Executive Board since the Supervisory Board appointed her on July 3, 2001. Her term was renewed at the Supervisory Board meeting held on June 29, 2006 and will expire at the first meeting of the Supervisory Board held after June 29, 2011.

Mrs. Lauvergeon holds the rank of *Ingénieur en chef* of the Corps des Mines, is a graduate of École Normale Supérieure and holds a doctorate in Physical Sciences.

She held several positions before joining AREVA. In 1984, she was in charge of studying chemical safety issues in Europe for the French Atomic Energy Commission (CEA). In 1985, she managed underground resources in the Île-de-France region. In 1988, she became Deputy Department Head of the Conseil Général des Mines. In 1990, Mrs. Lauvergeon became a special assistant on international economics and trade to the President of the

French Republic, for whom she also served as Deputy Secretary General responsible for the organization of the G7 summits in 1991. In 1995, Mrs. Lauvergeon became a General Partner at Lazard Frères & Cie, and in 1997 she was named Executive Vice President of Alcatel Télécom.

OTHER OFFICES HELD:

- President and CEO, AREVA NC since 1999;
- Director of AREVA Enterprises, Inc.;
- Vice Chairman of the Supervisory Board of Safran; and
- Director of Suez, Total, AREVA T&D and Vodafone Group Plc.

OTHER OFFICES HELD DURING THE PAST FIVE YEARS:

- Permanent representative of AREVA to the Board of Directors of FCI (until November 2005).

Gérald Arbola (age 59)

Chief Financial Officer and member of the AREVA Executive Board since the Supervisory Board appointed him on July 3, 2001. His term was renewed at the Supervisory Board held on June 29, 2006 and will expire at the first meeting of the Supervisory Board held after June 29, 2011. Since his appointment to the Executive Board, he is now Chief Operating Officer to the Board.

Mr. Arbola is a graduate of the Institut d'Études Politiques of Paris. He also holds an advanced degree in economics.

Mr. Arbola held several positions in the Cogema group (now AREVA NC) before joining AREVA.

He joined the Cogema group in 1982 as Director of planning and strategy for SGN and served as CFO of SGN from 1985 to 1989 and as Executive Vice President in 1988. He became CFO of Cogema in 1992 and a member of its Executive Committee in 1999, while also serving as Chairman of the Board of SGN in 1997 and 1998.

OTHER OFFICES HELD:

- Chairman and CEO of FT1CI;
- Chairman of the Supervisory Board of STMicroelectronics NV since March 18, 2005;
- Director of AREVA NC and AREVA T&D;
- Member of the Management Committee of AREVA NP; and
- Chairman of the AREVA Enterprise Foundation.

6.1. Composition and functioning of corporate bodies

OTHER OFFICES HELD DURING THE PAST FIVE YEARS:

- Director of Assystem until 2003;
- Director of AREVA NP until 2001;
- Chairman of the Supervisory Board of STMicroelectronics Holding NV, appointed on March 1, 2005; he resigned as Chairman and member of the Supervisory Board on November 13, 2006;
- Chairman of AREVA Finance/Gestion until June 2007; and
- Chairman of Cograp.

Didier Bénédicti (age 55)

Member of the AREVA Executive Board since the Supervisory Board appointed him on October 15, 2002. His term was renewed at the Supervisory Board meeting held on June 29, 2006 and will expire at the first meeting of the Supervisory Board held after June 29, 2011.

Mr. Bénédicti holds an engineering diploma from the École Supérieure d'Informatique, d'Électronique et d'Automatique (ESIEA) and is a graduate of the Institut d'Administration des Entreprises (IAE) of Paris.

Mr. Bénédicti held several positions with Schlumberger, Thomson and Fiat before joining AREVA. In particular, he served as Executive Vice President of Thomson Brandt Armement, Vice Chairman of Thomson Consumer Electronic, and President of all Magneti Marelli passenger compartment divisions (Fiat group).

OTHER OFFICES HELD:

- Chief Operating Officer of AREVA NC since June 2002 and member of the Board of Directors since June 2004;
- Director of AREVA NC Inc. and member of the Supervisory Board of Eurodif SA;
- Director of Compagnie Nucléaire de Services (CNS);
- Director of Société d'Enrichissement du Tricastin SAS (SET); and
- Director of Canberra Industries Inc.

OTHER OFFICES HELD DURING THE PAST FIVE YEARS:

- Director of Multiservices et Enseignements Pratiques; and
- Chairman of AREVA EC (SAS) until May 2007.

Luc Oursel (age 48)

Member of the AREVA Executive Board since the Supervisory Board appointed him to that position on March 22, 2007. His term will expire at the first meeting of the Supervisory Board held after June 29, 2011.

Mr. Oursel is a graduate of the École nationale supérieure des Mines de Paris and holds the rank of *Ingénieur en chef* in the Corps des Mines.

Mr. Oursel was a senior civil servant with the Ministry of Industry and then with the cabinet of the Minister of Defense, where he served as technical advisor in charge of industrial affairs, arma-

ment programs and research until 1993. He held various positions with the Schneider, Sidel and Geodis groups before joining AREVA on January 2, 2007 as President of AREVA NP. In particular, he was CEO of Schneider Shanghai Industrial Control, Chairman and CEO of Schneider Electric Italia, Executive Vice President of Sidel and President of Geodis.

OTHER OFFICES HELD:

- Member of the Supervisory Committee of Souriau Technologies Holding SAS since June 6, 2006.

The members of AREVA's Executive Board may be contacted at the company's corporate office at 33, rue La Fayette, 75009 Paris, France.

6.1.1.2. Composition of the Supervisory Board

The members of the Supervisory Board are appointed by the shareholders and by holders of voting right certificates, except for employee-elected members of the Board and representatives of the French government.

The Supervisory Board consists of at least 10 and no more than 18 members, including 3 members elected by company personnel, as described below, and representatives of the French State appointed pursuant to article 51 of Law no. 96-314 of April 12, 1996. The 3 members representing company personnel are chosen by an electoral college consisting of engineers and managers (1 member) and by an electoral college consisting of the other employees (2 members).

The members of the Supervisory Board serve for a term of five years. The duties of a member of the Supervisory Board not elected by company personnel expire at the end of the Annual General Meeting of Shareholders held during the year of expiration of his or her term, convened to approve the financial statements of the previous year.

The General Meeting of Shareholders may dismiss members of the Supervisory Board, other than members representing the French State and members elected by company personnel. The duties of a member elected by company personnel end upon announcement of the results of elections, which AREVA must organize according to the by-laws, or upon the end of said member's employment contract or his or her dismissal, as provided by laws or regulations in effect at the time of the dismissal.

Only natural persons may be elected by company employees to serve as members of the Supervisory Board. Members of the Supervisory Board not elected by company employees may be natural or moral persons.

Except as provided by law, each member of the Supervisory Board must own at least one share of the company.

The Supervisory Board elects a Chairman and a Vice Chairman from among its members who are charged with convening the Board

and conducting meetings, with the Vice Chairman fulfilling these functions in the event of the Chairman's absence or inability to do so. The Chairman and the Vice Chairman are natural persons.

The term of one independent member was not renewed in 2006 and another independent member resigned in 2007. Consequently, the Supervisory Board was comprised of 14 members as of December 31, 2007, including 3 independent members: Mrs. Guylaine Saucier and Messrs. Oscar Fanjul and Frédéric Lemoine. Following commonly accepted rules of good governance, particularly those of the Bouton Report, individuals who hold or represent no more than 10% of the company's share capital and who have no financial or commercial relationship with the company (as customer or supplier) are considered to be independent. Mrs. Anne Lauvergeon and Mr. Thierry Desmarest are each a member of the Supervisory Board of the company in which the other is a corporate officer. As a result, Mr. Desmarest can no longer be considered an independent member of the Supervisory Board.

MEMBERS APPOINTED BY THE SHAREHOLDERS

Frédéric Lemoine (age 42)

Mr. Frédéric Lemoine was appointed to the Supervisory Board in its meeting of March 8, 2005 to replace Mr. Philippe Pontet, who had resigned. The Annual General Meeting of Shareholders confirmed his appointment on May 12, 2005. The Supervisory Board elected him Chairman of the Supervisory Board on March 8, 2005. His term expired after the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and was renewed by the Annual General Meeting of Shareholders on May 2, 2006. The Supervisory Board re-elected him **Chairman of the Supervisory Board** on May 2, 2006. His term will expire at the end of the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

Frédéric Lemoine is Inspector of Finance and a graduate of École des Hautes Études Commerciales, of the Institut d'Études Politiques de Paris and of École Nationale d'Administration.

During his professional career, Mr. Lemoine was also Deputy Secretary General to the President of the French Republic from 2002 to 2004 and Deputy CEO-Finance of Capgemini until 2002.

OTHER OFFICES HELD:

- Administrator of LCE SARL;
- Director and Chairman of the Audit Committee of Groupama SA;
- Director and Chairman of the Audit Committee of Flamel Technologies; and
- Member of the Supervisory Board of Générale de Santé until June 27, 2007, and subsequently Censor.

OTHER OFFICES HELD DURING THE PAST FIVE YEARS:

- None.

Alain Bugat (age 59)

Mr. Bugat became a member of the Supervisory Board on January 23, 2003. The Annual General Meeting of Shareholders confirmed his appointment on May 12, 2003. The Supervisory Board elected him Vice Chairman of the Supervisory Board on June 12, 2003. His term expired after the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and was renewed by the Annual General Meeting of Shareholders on May 2, 2006. The Supervisory Board re-elected him **Vice Chairman of the Supervisory Board** on May 2, 2006. His term will expire at the end of the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

Mr. Bugat is a graduate of École Polytechnique and of École Nationale des Techniques Avancées.

OTHER OFFICES HELD:

- Administrator General and Chairman of the Board of Directors of the CEA;
- Representative of the French State to the Board of Directors of AREVA NC;
- Member of the Board of Agence Nationale de la Recherche Technologique (ANRT) – Association; and
- Director of Cybernetix SA.

OTHER OFFICES HELD DURING THE PAST FIVE YEARS:

- Chairman of the Board of Directors of AREVA TA until 2002;
- Chairman of the Supervisory Board of MVI Technologies until 2003;
- Director of EDF until 2004;
- Director of DCN SA until 2007; and
- Chairman of the Supervisory Board of CDC Entreprises until 2007.

Thierry Desmarest (age 62)

Mr. Desmarest was appointed member of the Supervisory Board by the Annual General Meeting of Shareholders on June 18, 2001. His term expired at the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and was renewed by the Annual General Meeting of Shareholders on May 2, 2006. His term will expire at the end of the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

Thierry Desmarest is a graduate of École Polytechnique and holds the rank of *Ingénieur en chef* in the Corps des Mines. He became Chairman of the Board of Total SA on February 14, 2007, after serving as CEO of that company for 10 years.

6.1. Composition and functioning of corporate bodies

OTHER OFFICES HELD:

- Director of Air Liquide; and
- Director of Sanofi-Aventis.

OTHER OFFICES HELD DURING THE PAST FIVE YEARS:

- Chairman and CEO of Elf Aquitaine until May 2007.

Oscar Fanjul (age 58)

Mr. Fanjul was appointed member of the Supervisory Board by the Annual General Meeting of Shareholders on May 2, 2006. His term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

Oscar Fanjul holds a PhD in economics. He is Vice Chairman and CEO of Omega Capital.

OTHER OFFICES HELD:

- Member of the Boards of Directors of the London Stock Exchange, Marsh & McLennan Companies, Lafarge and Acerinox.
- Trustee of the International Accounting Standards Committee Foundation (IASC).
- International Adviser of Goldman Sachs.

OTHER OFFICES HELD DURING THE PAST FIVE YEARS:

- Director of Inmobiliaria Colonial until December 2007;
- Director of Unilever Plc until May 2006; and
- Director of Técnicas Reunidas until June 2005.

Philippe Pradel (age 51)

Mr. Pradel was appointed member of the Supervisory Board by the Annual General Meeting of Shareholders on May 2, 2006. His term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

Mr. Pradel is a graduate of École Polytechnique and École Nationale Supérieure des Techniques Avancées (ENSTA). He is Director of Nuclear Energy at the CEA.

OTHER OFFICES HELD:

- Permanent representative of the CEA to the Board of Directors of AREVA TA.

OTHER OFFICES HELD DURING THE PAST FIVE YEARS:

- Director of AREVA NC Inc. until 2005;
- Director of Comurhex until 2005;
- Director of Melox SA until 2003, then permanent representative of AREVA NC to the Board of Directors of Melox SA until 2005;
- Permanent representative of AREVA NC to the Board of Directors of Socodei until 2005;

- Director of EMA until 2005;
- Director of AREVA NC Deutschland until 2005;
- Director of SGN until 2005;
- Permanent representative of AREVA NC to the Board of Directors of TN International until 2005; and
- Chairman of the Management Board and CEO of Commax GIE until 2005.

Guylaine Saucier (age 61)

Mrs. Saucier was appointed member of the Supervisory Board by the Annual General Meeting of Shareholders on May 2, 2006. Her term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

Mrs. Saucier is a Chartered Accountant and a graduate of HEC Montreal.

OTHER OFFICES HELD:

- Director of Axa Canada;
- Director of Petro-Canada;
- Director of Bank of Montreal; and
- Director of CHC Helicopter Corp.

OTHER OFFICES HELD DURING THE PAST FIVE YEARS:

- Director of Nortel Networks until 2005;
- Director of Tembec Inc. until 2005; and
- Director of Altran Technologies until February 2007.

Commissariat à l'Énergie Atomique (CEA), represented by Olivier Pagezy

The CEA became a member of the Supervisory Board on July 18, 2001. The Annual General Meeting of Shareholders confirmed this appointment on September 3, 2001. The CEA's term expired at the end of the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and was renewed by the Annual General Meeting of Shareholders held on May 2, 2006. The CEA's term will expire at the end of the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

The CEA is represented by Olivier Pagezy (age 39). Mr. Pagezy is a graduate of Institut d'Études Politiques de Paris and of École Nationale d'Administration. He is CFO of the CEA and Inspector of Finance.

OTHER OFFICES HELD:

- Director of CEA Valorisation SA and of Co-Courtage Nucléaire SA.

OTHER OFFICES HELD BY THE CEA:

- Director of CEA Valorisation SA and of AREVA TA.

OTHER OFFICES HELD DURING THE PAST FIVE YEARS:

- Director of Sofratome until 2003.

MEMBERS REPRESENTING THE FRENCH STATE, APPOINTED BY MINISTERIAL ORDER**Luc Rousseau (age 50)**

Mr. Rousseau was appointed representative of the French State to the Supervisory Board by ministerial order of March 11, 2005 published in the *Journal Officiel* on March 25, 2005. He replaces Mr. Jean-Pierre Falque-Piérrotin. His term expired after the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and was renewed by ministerial order of April 26, 2006 published in the *Journal Officiel* on May 11, 2006. His term will expire at the end of the Annual General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2010.

Mr. Rousseau is a graduate of École Polytechnique and holds the rank of *Ingénieur* in the Corps des Mines.

He is Director General of Enterprises at the Ministry of the Economy, Finance and Industry.

OTHER OFFICES HELD:

- Member of the French Atomic Energy Board;
- Government Commissioner to the Boards of Directors of La Poste and Oseo Innovation;
- Director of ANR, the French National Research Agency;
- Representative of the French State to the Board of Directors of the Cité des Sciences et de l'Industrie; and
- Representative of the French State to the Board of Directors of AFII.

OTHER OFFICES HELD DURING THE PAST FIVE YEARS:

- Government Commissioner to the Supervisory Board of AII until December 2007.

Pierre-Franck Chevet (age 46)

Mr. Chevet was appointed representative of the French State to the Supervisory Board by ministerial order of March 1, 2007 published in the *Journal Officiel* on March 3, 2007. He replaces Dominique Maillard. His term will expire at the end of the Annual General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2010.

Pierre-Franck Chevet is a graduate of École Polytechnique and the Paris Graduate School of Economics, Statistics and Finance (ENSAE), and holds the rank of *Ingénieur général* in the Corps des Mines. He is Director General of Energy and Raw Materials at the Ministry of Environment, Sustainable Development and Regional Development.

OTHER OFFICES HELD:

- Director representing the French State to the Board of Directors of La Poste and the Institut Français du Pétrole;
- Government Commissioner to AREVA NC, Andra and the French Electrical Power Regulatory Commission; and
- Member of the Steering Committee of the International Energy Agency and the French Atomic Energy Board.

OTHER OFFICES HELD DURING THE PAST FIVE YEARS:

None.

Gérard Errera (age 64)

Mr. Errera was appointed representative of the French State to the Supervisory Board by ministerial order of December 18, 2007 published in the *Journal Officiel* on December 20, 2007. He replaces Mr. Philippe Faure. His term will expire at the end of the Annual General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2010.

Gérard Errera is a graduate of Institut d'Études Politiques de Paris and of École Nationale d'Administration. He held various positions at the French Ministry of Foreign Affairs, including head of political affairs and security, plenipotentiary minister, and Ambassador of France in London. He is the Secretary General of the French Ministry of Foreign and European Affairs.

OTHER OFFICES HELD:

- Director of EDF;
- Member of the French Atomic Energy Board;
- Director of École Nationale d'Administration (ENA);
- Director of the Art Collection Review Commission of the French Ministry of Culture;
- Director of Cultures France;
- Director of the French national agency for the safety of identification documents (ANTS);
- Director of the French emergency response agency (EPRUS); and
- Member of the Board of the Arab World Institute (IMA).

OTHER OFFICES HELD DURING THE PAST FIVE YEARS:

None.

Bruno Bézard (age 44)

Mr. Bézard was appointed representative of the French State to the Supervisory Board by ministerial order of July 22, 2002 published in the *Journal Officiel* on July 26, 2002. He replaces Mr. Nicolas Jachiet. His term expired after the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and was renewed by ministerial order of April 26, 2006 published in the *Journal Officiel* on May 11, 2006. His term will expire at the end of the Annual General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2010.

6.1. Composition and functioning of corporate bodies

Bruno Bézard is Inspector General of Finance and a graduate of École Polytechnique and École Nationale d'Administration. On February 26, 2007, he was appointed Director General of the agency in charge of the French government's equity interests at the Department of the Treasury and Economic Policy, Ministry of Economy, Finance and Industry, by ministerial order published in the *Journal Officiel* on February 27, 2007. Until his appointment, he was Deputy Director of that same agency.

OTHER OFFICES HELD:

- Director of EDF, France Télécom, La Poste, Air France-KLM and Thalès.

OTHER OFFICES HELD DURING THE PAST FIVE YEARS:

- Director of Renault until 2003;
- Director of SNCF until April 2007; and
- Director of France Télévisions until April 2007.

MEMBERS ELECTED BY AND REPRESENTING THE EMPLOYEES**Jean-Claude Bertrand (age 56)**

Mr. Bertrand was elected by the employee electoral body on May 28, 2002 in elections validated by the Work Council (*comité d'entreprise*) on July 12, 2002. He took office at the Supervisory Board meeting held on July 25, 2002. His term was renewed following elections held on May 24, 2007 and will expire following elections to be held in 2012.

Mr. Bertrand is a program manager at Tricastin.

OTHER OFFICES HELD:

- Director of Alexis Senior High School in Montélimar.

OTHER OFFICES HELD DURING THE PAST FIVE YEARS:

None.

Gérard Melet (age 50)

Mr. Melet was elected by the employee electoral body on May 28, 2002 in elections validated by the Work Council (*comité d'entreprise*) on July 12, 2002. He took office at the Supervisory Board meeting held on July 25, 2002. His term was renewed following elections held on May 24, 2007 and will expire following elections to be held in 2012.

Mr. Melet is Chief Buyer at the Procurement Department of AREVA NC / La Hague.

OTHER OFFICES HELD:

None.

OTHER OFFICES HELD DURING THE PAST FIVE YEARS:

None.

Alain Vivier-Merle (age 59)

Mr. Vivier-Merle was elected by the electoral body consisting of engineers and managers on June 20, 2002 in elections validated by the Work Council (*comité d'entreprise*) on July 12, 2002. He took office at the Supervisory Board meeting held on July 25, 2002. His term was renewed following elections held on June 19, 2007 and will expire following elections to be held in 2012.

Mr. Vivier-Merle is a manager of strategy and marketing programs for AREVA NP in Lyon.

OTHER OFFICES HELD:

- Chairman of the Supervisory Board of the Framépargne employee savings plan; and
- Member of the Supervisory Board of the AREVA balanced mutual fund.

OTHER OFFICES HELD DURING THE PAST FIVE YEARS:

- Chairman of the Supervisory Board of Sogepan A until 2004; and
- Member of the Supervisory Board of the AREVA employee saving's plan money market fund until 2004.

In addition, Mr. Marcel Otterbein replaced Patrick Germain as representative of the AREVA Work Council on February 21, 2007. He participated in the meetings of the Supervisory Board in an advisory capacity.

Comptroller General

On February 15, 2006, Mrs. Anne-Dominique Fauvet was appointed Comptroller General of the CEA by order of the Minister of the Economy, Finance and Industry. In this capacity, she is also Comptroller General to AREVA and attends the meetings of the Supervisory Board and of its specialized committees.

Censors

AREVA's by-laws authorize the Supervisory Board to appoint one or several censors whose mission is to assist the Supervisory Board in its oversight functions. They attend the meetings without the right to vote.

No censor had been designated as of the filing of this reference document.

Secretary of the Board

Bernard de Gouttes, Chief Legal Counsel of the group, is the Secretary of the Supervisory Board.

The members of AREVA's Supervisory Board may be contacted at the company's corporate office at 33, rue La Fayette, 75009 Paris, France.

6.1.1.3. Legal information, conflicts of interest and service contracts

As of the date of this reference document, and to the best of AREVA's knowledge:

- The members of the Supervisory Board and the members of the Executive Board are not subject to potential conflicts of interest between their duties to AREVA and their private interests.
- There are no family relationships between members of the Supervisory Board and members of the Executive Board of AREVA.
- No member of the Supervisory Board or the Executive Board has been convicted of fraud in the past five years. None of these members participated in any bankruptcy, receivership or

liquidation proceeding in an executive capacity during the past five years, and none was indicted and/or officially sanctioned by a statutory or regulatory authority, including designated professional organizations. Over the past five years, no court has barred any of these members from becoming a member of a corporate, executive or supervisory body of a securities issuer, nor from participating in the management or business operations of an issuer.

- No member of the Executive Board or the Supervisory Board was retained as a corporate officer or board member of a major shareholder, customer or supplier pursuant to an arrangement or an agreement with such a party.
- No service agreement contemplating any benefit has been concluded between AREVA, or any of its subsidiaries, and any member of the Supervisory Board or the Executive Board.

6.1.2. Functioning of corporate bodies

6.1.2.1. Functioning of the Executive Board

Full authority is vested in the Executive Board to act on behalf of AREVA in all circumstances with regard to third parties, except when authority is expressly attributed by law or the by-laws to the Supervisory Board or to the shareholders. Minutes of Executive Board meetings are recorded in a written report.

The Executive Board convenes General Meetings of Shareholders and voting right certificate holders, and Special Meetings of investment certificate holders.

The Executive Board meets whenever AREVA's interests so require. Meetings are held at the corporate headquarters or any other place indicated in the notice of meeting. The Executive Board met fifteen times in 2007 with an attendance rate of 91%.

For the decisions of the Executive Board to be valid, at least half of the members must be present. Decisions are made on a majority vote of members present or represented. Executive Board decisions are recorded in minutes.

Management duties may be distributed among the members of the Executive Board based on a recommendation by the Chairman of the Executive Board and with the authorization of the Supervisory Board. On June 29, 2006, the Supervisory Board renewed the terms of Mrs. Anne Lauvergeon, Chairman of the Executive Board, Mr. Gerald Arbola, Chief Operating Officer, and Didier Bénédicti and Vincent Maurel, members of the Executive Board, for five years. The Supervisory Board approved the following distribution of duties among members of the Executive Board: Anne Lauvergeon and Gerald Arbola are in charge of the group's general management; Didier Bénédicti is in charge of R&D for the group, and Vincent Maurel was in charge of information systems for the group until he resigned on December 28, 2006. Luc Oursel

was appointed member of the Executive Board by the Supervisory Board on March 22, 2007. He replaces Vincent Maurel.

The Supervisory Board may, based on a recommendation from the Chairman of the Executive Board, appoint one or more general managers with the authority to represent the company with regard to third parties. On June 29, 2006, on the recommendation of the Chief Executive Officer, Gerald Arbola was named Chief Operating Officer by the Supervisory Board.

The Chief Executive Officer and the Chief Operating Officer represent AREVA with regard to third parties.

The Executive Board approved its rules of procedure on February 7, 2003, including:

- the distribution of duties among the members;
- the order of meetings of the Executive Board; and
- conditions for the Executive Board to delegate its authority to an Executive Board member.

6.1.2.2. Functioning of the Supervisory Board

The Supervisory Board exercises ongoing control of AREVA's management by the Executive Board. The Executive Board regularly informs the Supervisory Board of the business and operations of AREVA and the AREVA group through quarterly reports. The Supervisory Board performs such verifications and procedures as it deems necessary.

The Supervisory Board appoints the members and the Chairman of the Executive Board. The Supervisory Board may recommend the dismissal of Executive Board members to the General Meeting

6.1. Composition and functioning of corporate bodies

of Shareholders. The Supervisory Board may call meetings of the General Meeting of Shareholders.

The Supervisory Board meets at least once quarterly at the corporate office or any other place indicated in the notice of meeting issued by the Chairman, or by the Vice Chairman in the absence of the former, to review the Executive Board's report.

For decisions of the Supervisory Board to be valid, at least half of the members must be present. Decisions are made on a majority vote of the members present or represented. In the event of a tie vote, the Chairman of the meeting casts the deciding vote.

The Supervisory Board submits its remarks on the report of the Executive Board and on the financial statements to the Annual General Meeting of Shareholders.

The Supervisory Board is not limited to a supervisory function; it also delegates authority to the Executive Board to conduct transactions that the Executive Board cannot accomplish without such authorization. It reviews the overall strategy for AREVA and for the group. Annual budgets and multi-year plans for AREVA, its direct subsidiaries and the group are subject to Supervisory Board approval, as well as any transaction at the subsidiary level contemplated by article 23-2 of the by-laws.

Pursuant to article 23-2 of the by-laws, the following Executive Board decisions are subject to prior approval by the Supervisory Board when they involve an amount exceeding 80 million euros:

- issuing securities, regardless of type, that may have an impact on share capital;
- significant decisions on opening establishments in France and abroad, either directly, through creation of a branch, or by establishing a direct or indirect subsidiary, or by acquiring an equity stake; a similar approval is required for decisions to close such establishments;
- significant operations that may affect the group's strategy and modify its financial structure or scope of business;
- acquisitions, increases or sales of equity interests in any company, existing or to be established;
- exchanges of goods, securities or assets with or without cash payment, excluding cash management operations;
- acquisitions of real estate;
- settlements, agreements or transactions relating to disputes;
- decisions pertaining to loans, borrowings, credit and advances; and
- acquisitions and disposals of any receivables by any means.

In addition, proposals for the allocation of earnings presented by the Executive Board are subject to the prior approval of the Supervisory Board.

On July 3, 2001, the Supervisory Board authorized the Executive Board to carry out certain transactions, up to the following amounts:

- disposals of real property up to 30 million euros;

- provision of collateral to secure corporate commitments, up to 80 million euros per year in the aggregate, provided that no single commitment exceeds 30 million euros.

The Supervisory Board regularly updates its rules of procedure, which stipulate in particular:

- the establishment and functioning of the four committees described below;
- rules for preparing Supervisory Board deliberations;
- conditions for establishing the schedule of Supervisory Board meetings; and
- resources at the disposal of Supervisory Board members elected by the employees.

Supervisory Board meetings in 2007

In 2007, the Supervisory Board met 12 times (attendance rate: 84%).

During these meetings, the Supervisory Board voted on the matters described below:

- January 19, 2007: On the recommendation of the Strategy Committee, the Supervisory Board approved the increase of AREVA's equity interest in REpower Systems AG, a company specialized in the design and assembly of wind turbines. REpower shares are traded on the German regulated stock market. Accordingly, as provided in article 23-2 of the by-laws, the Supervisory Board gave authority to the Executive Board to:
 - offer to acquire all REpower shares traded in Hamburg at a unit price of 105 euros per share when the Executive Board shall deem advisable and in any event no later than the end of May 2007;
 - sign all prospectuses, offering circulars, agreements, documents and for any requests for authorizations required from administrative and/or market authorities to conclude such a transaction, including approval from the German financial market authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin).
- February 21, 2007: The Supervisory Board reviewed the proposed REpower transaction and various options available to AREVA after Suzlon announced a counteroffer of 126 euros per share on February 9, 2007.
- March 14, 2007: After reviewing new information regarding the value and strategic and industrial impact of the proposed acquisition of REpower, the Supervisory Board allowed AREVA to increase its public offer up to 140 euros per share.
- March 22, 2007: The Supervisory Board reviewed the financial statements submitted by the Executive Board for 2006 and approved the proposed dividend of 8.46 euros per share. The Supervisory Board decided to propose to the next Combined Annual General Meeting of Shareholders to set the total amount of directors' fees at 370,000 euros for members of the Supervisory Board in 2007. Furthermore, the Supervisory Board approved various proposals for revisions to the company by-laws, including transferring the company's corporate office and changing the company's corporate name and legal purpose.

The Board also decided to submit a resolution to the Combined Annual General Meeting of shareholders to renew the appointment of Deloitte & Associés and Mazars as Statutory Auditors for a six year term. The Board approved the construction of the Comurhex II conversion plant as presented by AREVA NC, its subsidiary, and authorized the latter to invest approximately 500 million euros for the first phase of this project (2007-2012). The Board appointed Mr. Luc Oursel as a member of the Executive Board to replace Mr. Vincent Maurel and appointed Mr. Pierre-Franck Chevet as a member of the End-of-Life-Cycle Obligations Monitoring Committee to replace Mr. Dominique Maillard.

- April 15, 2007: The Supervisory Board reviewed the proposed REpower transaction in the light of a new counteroffer submitted by Suzlon on April 10, 2007 for 150 euros per share. The Supervisory Board authorized the Executive Board to modify the terms of AREVA's public offer on REpower by renouncing the condition precedent related to the receipt of at least 50% of REpower's share capital plus one share.
- May 3, 2007: The Supervisory Board reviewed the status of the OL3 construction project, the REpower transaction and the proposed acquisition of Summit in Australia. The Board was also informed of an opportunity to acquire Uramin, a mining company with uranium deposits in South Africa, Namibia and the Central African Republic.
- May 30, 2007: The Supervisory Board, on a favorable recommendation by the Strategy Committee, authorized AREVA T&D Holding to create a joint venture with Sunten Group to develop its operations on the Chinese transformer market in order to acquire, initially, 50% of the joint venture and to acquire the remaining 50% for a mutually agreeable price in a second phase at the end of 2009. The Supervisory Board, on a favorable recommendation by the Strategy Committee and as provided in article 23-2 of the by-laws, also authorized the Executive Board to acquire 100% of the share capital of Uramin, a publicly traded company listed on the London and Toronto stock exchanges, for a net amount of approximately 1.6 billion euros.
- June 28, 2007: The Supervisory Board reviewed the work of the Audit Committee and examined Revision 1 to the budget, which was prepared without taking into account the OL3 project. This project and the half-year financial statements were to be examined at the next meeting of the Board. The Supervisory Board reviewed the work of the End-of-Life-Cycle Obligations Monitoring Committee, in particular the report on the evaluation of long-term expenses of licensed nuclear facilities in accordance with article 20 of the Law of June 28, 2006. The Board also reviewed the proposed acquisition of Uramin and examined the status of cooperation with MHI in the framework of a 50/50 joint venture to develop and market a 1000 MWe pressurized water reactor (PWR).
- August 30, 2007: The Supervisory Board reviewed and approved the Compensation and Nominating Committee's proposals regarding the 2006 bonus payable in 2007 to the members of the Executive Board and a revaluation of their compensation. The Board approved the appointment of Mrs. Guylaine Saucier to replace Mr. Patrick Buffet as Chairman of the End-of-Life-Cycle Obligations Monitoring Committee and the appointment of Mr. Oscar Fanjul as a member of the Compensation and Nominating Committee. The Board reviewed the consolidated financial statements for the period ended June 30, 2007, in particular highlights and recent events of the period, including the current status of the OL3 project. The Supervisory Board also authorized the Executive Board to negotiate and subscribe on behalf of AREVA a syndicated line of credit for a maximum principal amount of 2.5 billion dollars and a maximum maturity of seven years, primarily to refinance the Uramin acquisition.
- September 10, 2007: The Supervisory Board, as provided in article 23-2 of the by-laws, approved the Multibrid project as submitted by the Executive Board and authorized AREVA, or any subsidiary that it were to designate, to continue the acquisition process and conclude the share purchase agreement with Prokon Nord, including any other document or agreement necessary or useful in connection with the acquisition of Multibrid Entwicklungsgesellschaft mbH.
- October 19, 2007: The Supervisory Board reviewed the 2006 annual report on the safety of the AREVA group's nuclear facilities, which had been reviewed beforehand by the Nuclear Executive Committee. The Executive Board submitted information on two ongoing developments to the Supervisory Board: negotiations with China and the Executive Board's position on a possible change in AREVA's share capital. AREVA's operations and future prospects in the back end of the cycle were also presented to the Supervisory Board.
- December 20, 2007: In application of article 23-1 of the by-laws, and after reviewing the conclusions of the Audit Committee and the Executive Board's proposed modifications, the Supervisory Board approved the proposed 2008 budget for the company, its direct subsidiaries and the group for the Front End, Reactors and Services, Back End and Transmission & Distribution divisions. Following a presentation of the group's Strategic Action Plan for 2008-2012 and on the favorable recommendation of the Strategy Committee, the Supervisory Board unanimously approved the main directions of the Plan. As provided in article 23-2 of the by-laws, the Supervisory Board also authorized the Executive Board to acquire or cause one of its subsidiaries to acquire 70% of the share capital of Koblitz, a Brazilian company with biomass operations, and to obtain an option from the seller to acquire the remaining 30% in 2011 at the earliest, at a mutually agreed price.

Committees established by the Supervisory Board

The Supervisory Board may establish committees comprised of Board members, which functions under its responsibility. The Board establishes the composition and duties of each committee and the compensation, if any, of the members.

Prior to each meeting of the Supervisory Board, as necessary, the specialized committees carry out detailed analysis and regularly report on their work to the members of the Supervisory Board.

6.1. Composition and functioning of corporate bodies

Strategy Committee

As of December 31, 2007, the Strategy Committee had five members, chosen from among the members of the Supervisory Board. They are Frédéric Lemoine⁽¹⁾, Chairman, Bruno Bézard, Alain Bugat, Oscar Fanjul⁽¹⁾ and Luc Rousseau. Bernard de Gouttes serves as Committee Secretary.

The Committee meets at least once per six-month period and as often as necessary to fulfill its duties. It is convened by its Chairman or at least two of its members. It is responsible for advising the Supervisory Board on the strategic objectives of AREVA and of its main subsidiaries and for assessing the risks and merits of major strategic decisions proposed by the Executive Board to the Supervisory Board. It ensures application of AREVA's strategic policy and its implementation at the subsidiary level.

It orders studies to be carried out as it deems useful and recommends policies as it deems necessary.

The Strategy Committee met four times in 2007, with an attendance rate of 85%:

- January 19, 2007: After examining AREVA's proposed acquisition of an interest in REpower, the Committee decided to submit a favorable recommendation to the Supervisory Board on the strategic and financial aspects of the transaction.
- May 22, 2007: The Committee issued a favorable recommendation on the acquisition of Uramin, noting the strategic importance of this investment in the mining business. The Committee also examined information on AREVA's position in Eramet (26%), with regard to the shareholders' agreement.
- November 29 and December 11, 2007: After the Executive Board's presentation of the main directions of the 2008-2012 Strategic Action Plan for all nuclear and T&D operations, the Committee examined proposed capital expenditures, the group's debt situation and various modes of financing. The Committee concluded its work with a favorable recommendation to submit the Strategic Action Plan to the Supervisory Board for approval.

Audit Committee

As of December 31, 2007, the Audit Committee had four members, chosen from among the members of the Supervisory Board. They are: Guylaine Saucier⁽¹⁾ (Chairman), Bruno Bézard, Jean-Claude Bertrand and Olivier Pagézy. Jean-Pierre Kaminski, manager of accounting standards and procedures in AREVA's Finance Department serves as Committee Secretary. The Chairman of the Supervisory Board and the Statutory Auditors are invited to attend Committee meetings.

The Committee meets at least once quarterly and as often as necessary to fulfill its duties. It is convened by its Chairman or at least two of its members. The Committee clarified and described its role during its meeting of December 17, 2007. Once its positions have been validated by the Supervisory Board, the role of the Committee, which has no formal authority, is to assist the

Supervisory Board in exercising its authority and attributions in the following fields: the integrity of the financial data published by the company, internal controls, the execution of the internal audit function, the independence and performance of the Statutory Auditors, risk management, financial planning, monitoring of major projects, and business ethics standards.

The Supervisory Board may also expand the scope of work of the Audit Committee by entrusting other fields to it as necessary. To discharge its duties, the Audit Committee may review specific points on its own initiative as it deems relevant to its mission.

In particular, the Audit Committee reviews the draft financial statements, budgets, internal and external audit plans, risk mapping, internal control policies, Values Charter and other relevant reports. It may interview the members of the Executive Board and the CEO it designates, the Statutory Auditors, the head of internal audit and the business ethics advisor. The Committee makes recommendations to the Supervisory Board based on its findings and may suggest modifications or additional investigations that it deems necessary.

The Audit Committee organizes a call for bids upon expiration of the term of the Statutory Auditors and recommends that the Supervisory Board renew the term of current auditors or appoint a new firm.

The Audit Committee prepares a work schedule each year to plan its mission.

Eight Audit Committee meetings were held in 2007, with an attendance rate of 93%:

- March 8, 2007: The Committee reviewed the current status of the OL3 project and the financial statements for 2006.
- March 19, 2007: The Committee reviewed the draft press release on the 2006 financial statements for the AREVA group.
- March 21, 2007: The Audit Committee interviewed the three audit firms that responded to the call for bids for the appointment of AREVA's Statutory Auditors, i.e. Deloitte, KPMG and Mazars. Upon completion of this review process, the Committee decided to recommend that the Supervisory Board submit to the General Meeting of Shareholders the appointment of Deloitte and Mazars as Statutory Auditors of AREVA for the next six years.
- June 22, 2007: The Committee heard a detailed presentation on the physical progress of OL3 construction and the status of the relationship with TVO. It also reviewed approval procedures for sales proposals and capital projects. The Audit Committee examined Revision 1 of the budget for 2007 and was informed of changes in regulations and international accounting standards.
- August 24, 2007: The Committee examined the status of the OL3 project and the financial statements and financial position of the group and the divisions as of June 30, 2007.
- October 17, 2007: The Committee met at the OL3 construction site in Finland to review the project in terms of the contract and its organization. The group's ethics advisor presented the methods used to prepare the Values Charter, its content and

⁽¹⁾ Independent members of the Supervisory Board.

its implementation by management at all levels of the group. The Committee examined general and administrative expenses and non-production costs, including research and development and mining exploration expenses, marketing and sales expenses, and general and administrative expenses. A program to control general and administrative expenses is being developed to stabilize the ratio of general and administrative expenses to sales revenue.

- December 17 and 19, 2007: After hearing a detailed update on the OL3 project, the Committee examined Revision 2 to the 2007 budget and amendments recommended by the Executive Board to the budget for 2008. The Committee then reviewed the results of the 2007 internal audits and examined the internal audit plan for 2008. It also examined the risk map, which is based on a management model implemented throughout the group, with emphasis on identifying risks that may have an impact on the group's financial performance, its strategic objectives or its image. The group's tax department explained why the option to file a consolidated tax return under the global tax consolidation regime had been terminated. Last, the Committee approved changes regarding its scope of work. These changes will be incorporated into the rules of procedure of the Supervisory Board.

Compensation and Nominating Committee

As of December 31, 2007, the Compensation and Nominating Committee had three members, chosen from among the members of the Supervisory Board. They are Frédéric Lemoine⁽¹⁾ (Chairman), Bruno Bézard and Oscar Fanjul⁽¹⁾. Bernard de Gouttes serves as Committee Secretary. The Committee meets at least once per six-month period and as often as necessary to fulfill its duties. It is convened by its Chairman or at least two of its members.

With respect to compensation, the Committee is responsible for recommending to the Supervisory Board AREVA's executive compensation levels, retirement and insurance programs, and in-kind benefits for executives based on comparable factors in the market and on individual performance assessments. With respect to nominations, the Committee reviews the files of individuals selected to serve as members of the Executive Board and conveys its opinion to the Supervisory Board. The Committee also gives the Supervisory Board its opinion on executive nominations for first-tier companies of the AREVA group.

The Compensation and Nominating Committee met three times in 2007 with an attendance rate of 100%:

- March 9, 2007: The Committee issued a favorable recommendation on the appointment of Mr. Luc Oursel as member of AREVA's Executive Board to replace Mr. Vincent Maurel, in accordance with article 17 of the by-laws. The Committee confirmed the favorable recommendation on the terms of compensation for Mr. Oursel at the meetings held on December 6 and December 13, 2006, as approved by the Supervisory Board

on December 20, 2006. The Committee also issued a favorable recommendation on the renewal in 2007 of the maximum total annual amount of directors' fees set for 2006, i.e. 370,000 euros. In addition, the Committee issued a favorable recommendation on the appointment of Mr. Pierre-Franck Chevet, Director General of Energy and Raw Materials at the Ministry of Industry, as a member of the End-of-Life-Cycle Obligations Monitoring Committee, to replace Mr. Dominique Maillard.

- July 11, 2007: The Committee examined and issued a favorable recommendation on the appointment of Mr. Oscar Fanjul to replace Mr. Patrick Buffet as a member of the Compensation and Nominating Committee and on the appointment of Mrs. Guylaine Saucier to replace Mr. Patrick Buffet as Chairman of the End-of-Life-Cycle Obligations Monitoring Committee. The Committee also examined and issued a favorable recommendation on the proposed 2006 bonus for the members of the Executive Board and the updating of the fixed and variable components of their annual compensation.
- October 19, 2007: The Committee, on a proposal submitted by its Chairman, noting that two independent directors had not been replaced, decided to hire an outside firm to search for at least one additional independent director, based on the criteria of financial and international experience. A presentation of the mobility policy for AREVA group executives and of efforts to constitute and build up the executive teams of the future was also made to the Committee.

End-of-Life-Cycle Obligations Monitoring Committee

After the resignation of Mr. Bruno Bézard on November 22, 2007, the Committee had four members as of December 31, 2007, chosen from among the members of the Supervisory Board: Guylaine Saucier⁽¹⁾ (Chairman), Pierre-Franck Chevet, Gérard Melet and Philippe Pradel. Patrick Herbin-Leduc, Chief Financial Officer of AREVA NC serves as Committee Secretary. The Chairman of the Supervisory Board is invited to attend the Committee meetings.

The Committee meets at least once per six-month period and as often as necessary to fulfill its duties. It is convened by its Chairman or at least two of its members. The Committee is charged with helping to monitor the asset portfolio set up by AREVA subsidiaries to cover future nuclear cleanup and decommissioning expenses. In this capacity, and based on pertinent documentation submitted by AREVA, including a management charter, the Committee reviews the multi-year schedule of estimated future cleanup and decommissioning expenses for affected companies of the AREVA group; the criteria for establishing, managing and controlling the dedicated funds earmarked to cover expenses by these companies; and the investment management strategy for the related assets. The Committee provides the Supervisory Board with opinions and recommendations on these various topics.

The Committee may give audience to financial consulting firms chosen by the fund management companies.

⁽¹⁾ Independent members of the Supervisory Board.

6.1. Composition and functioning of corporate bodies

The End-of-Life-Cycle Obligations Monitoring Committee met three times in 2007, with an attendance rate of 87%:

- March 7, 2007: The Committee examined the status of end-of-life-cycle liabilities and assets earmarked to cover them as of December 31, 2006. The Committee reviewed the solvency ratio, which confirmed the need to allocate financial resources based on the group's requirements and the need to establish management rules for any deviation from a 100% coverage ratio, which is the legal requirement. The Committee also reviewed the criteria used by asset managers for each asset category.
- June 7, 2007: The Committee reviewed the triennial report prepared in accordance with article 20 of the Law of June 28, 2006 on the evaluation of long-term expenses at licensed nuclear facilities. The report consolidates all obligations incumbent upon the nuclear operators of the AREVA group. The Committee also reviewed the breakdown of the group's liabilities between obligations subject to the Law of June 28, 2006 and other end-of-life-cycle obligations not subject to that law (i.e. foreign facilities or non-nuclear facilities in France). In addition,

the Committee examined the policy regarding asset allocation and liability coverage presented by the consulting firm of Mercer, along with the change in method used to calculate the discount rate.

- December 4, 2007: The Committee reviewed the status of obligations resulting from the Law of June 28, 2006, and two reports submitted in June 2007 by AREVA and Eurodif to the regulators. Simplified versions of these reports will be available before the end of 2007 for distribution to the public on request. An annual update based on the financial statements for the year ended December 31, 2007 shall be submitted before the end of June 2008. The Committee then examined the main changes in assumptions to be used to update the end-of-life-cycle provisions for the La Hague site. Presentations made to the Committee included forecasts of cash flows for 2007, financial income related to end-of-life-cycle operations and the current status of dedicated mutual funds, in accordance with the guidelines presented and approved during the two previous meetings of the Committee.

6.1.3. Observations by the Supervisory Board on the Executive Board's management report and on the 2007 financial statements

After reviewing and auditing the corporate and consolidated financial statements for fiscal year 2007, and pursuant to article L. 225-68, paragraph 6, of the French Commercial Code, the Supervisory Board has no observations to make on these accounts or on the Executive Board's management report, as presented during the Supervisory Board meeting of February 26, 2008.

It should be pointed out that 2007 operations were very clearly consistent with the objectives set for the 2006-2011 period by the Supervisory Board during its meeting of June 29, 2006, which constitute a roadmap for the Executive Board.

It is also in light of these objectives that the Supervisory Board and its specialized committees – the Strategy Committee, Audit Committee, Compensation and Nominating Committee, and End-of-Life-Cycle Obligations Monitoring Committee – intensified their in-depth work with the Executive Board and the group's corporate departments. For example the Supervisory Board met 12 times in 2007 (compared with 6 times in 2006), with an attendance rate of 84%.

In particular, the Supervisory Board dedicated a full day to an examination of the main thrusts of the 2008-2012 Strategic Action Plan prepared by the Executive Board after two meetings with the Strategy Committee. During its meeting of December 20, 2007, the Supervisory Board noted the quality of the work accomplished and approved not only this far-reaching plan, underpinned by AREVA's integrated model, but also the budget for 2008, based on the conclusions of two meetings of the Audit Committee.

In 2007, the Executive Board presented to the Supervisory Board several major transactions that are important to the group's future and consistent with the strategic objectives.

In the nuclear business, the Supervisory Board authorized the Executive Board to launch a public offer to acquire all of the share capital of the mining company Uramin, which is listed on the London and Toronto stock exchanges and which holds exploration permits in Namibia, South Africa and the Central African Republic. This successful acquisition is entirely consistent with group's strategy in the mining sector, which is to develop and diversify even more its sources of supply to guarantee deliveries of uranium to its customers. The Board approved a major capital investment program for the Comurhex II project in the chemistry sector which, by renewing its conversion facilities, will enable the group to maintain its goal of world leadership in this business. After reviewing the general terms and conditions beforehand, the Board was pleased to see the signature of the agreement between AREVA and CGNPC for the construction of two EPR nuclear islands in China and the supply of the materials and services needed for their operation, along with CGNPC's commitment to buy 35% of Uramin's production. This agreement strengthens the group's position on the Chinese nuclear market, one of the most promising in the world.

With regard to electrical equipment for transmission and distribution, the Supervisory Board complimented management for the vitality of its operations, marked by a number of targeted acquisitions and strong growth in business and income. Among the many contracts awarded in 2007 is the largest contract of its history, concluded in Qatar with the power and water company Kahramaa for the turnkey supply of 14 gas-insulated substations (GIS), and the agreement to form a joint venture with United Company Rusal of Russia, the world leader in aluminum. The joint venture will become Rusal's preferred supplier of turnkey electrical equipment and services in Russia, where electricity-intensive industries are booming. These operations confirm AREVA T&D's spectacular recovery and the aptness of its strategy for strong and sustainable growth.

In renewable energies, the Supervisory Board authorized the Executive Board to launch a public offer to raise AREVA's interest in the share capital of REpower from almost 30% to 100%. During the takeover battle that ensued, which the Board watched closely, the Board authorized AREVA to increase the value of its initial offer and to improve its terms, but ultimately had to abandon the transaction when the price reached a new high. In any event, the Supervisory Board expressed its satisfaction that the value of the initial investment in REpower had increased and that the group had concluded an agreement with Suzlon giving it an option to sell its shares and making it a preferred electricity transmission and distribution supplier. To maintain its strategic focus on the development of renewable energies, the Supervisory Board authorized the Executive Board to acquire 51% of Multibrid, a wind turbine designer and manufacturer based in Germany specialized in high output offshore turbines, and to acquire 70% of Koblitz, a Brazilian company in the biomass sector, with an option to acquire the remaining 30%. These transactions reflect the decision to continue AREVA's development in wind power, biomass and fuel cells, in a profitable and sustainable manner.

With regard to the group's economic and financial performance, the Supervisory Board followed progress on the OL3 project in Finland in 2007 very closely and regularly. For example, the Executive Board was asked to report regularly to the Audit Committee and to the Supervisory Board on the status of this project.

The financial performance in 2007 combined with a significant increase in backlog confirm the strength of the group, which is ready to implement its capital expenditure program, even if that will necessarily mean a change in its financial structure.

For the Supervisory Board,
The Chairman,

Frédéric Lemoine

6.1.4. Report of the Supervisory Board Chairman on the preparation and organization of the board's activities and internal control procedures

6.1.4.1. Introduction and regulatory framework

Under the provisions of article L. 225-68 of the French Commercial Code, amended by the Financial Security Law of August 1, 2003 and the Law of July 26, 2005 on the modernization of the economy and confidence in companies raising funds from the public, "the Chairman of the Supervisory reports to the General Meeting of Shareholders, in a report attached to the report provided in accordance with articles L. 225-100, L. 225-102, L. 225-102-1 and L. 233-26, on the preparation and organization of the activities of the Board and on internal control procedures established by the company."

With respect to this second item, it is important to note that this report was established based only on information provided to the Chairman of the Supervisory Board by the Executive Board and the functional departments it coordinates, as part of a status report on internal control systems and during meetings of the Supervisory Board and its committees.

At the request of the Chairman of the Supervisory Board, this report was submitted to the Audit Committee and to the Supervisory Board for an opinion.

6.1.4.2. Preparation and organization of the Supervisory Board's functions

6.1.4.2.1. Functioning of the Supervisory Board

See section 6.1.2.2.

6.1.4.2.2. Composition of the Supervisory Board

See section 6.1.1.2.

6.1.4.2.3. Activities of the Supervisory Board

See section 6.1.2.2.

6.1.4.2.4. Activities of the four Committees

See section 6.1.2.2.

6.1.4.3. System of internal controls

6.1.4.3.1. Introduction

PROCEDURES USED TO PREPARE THIS REPORT

This report was established based on information provided by the Executive Board and the functional departments it coordinates to the Chairman of the Supervisory Board during meetings of the Supervisory Board and its committees connected with an assessment of internal control systems.

This work was submitted to the college of Statutory Auditors.

This section is organized according to the frame of reference for internal controls published by the AMF, the French stock market authority, in January 2007.

The scope of internal control described below encompasses AREVA as the parent company and all of the companies it controls.

AREVA GROUP COMMITMENTS

The AREVA group defined and implements a number of fundamental commitments regarding the conduct and development of its operations. The environment for internal controls is based on these commitments, among other things.

The Values Charter is the reflection of the group's business culture and the expression of its sustainable development commitments. The AREVA group's values are integrity, an acute sense of professionalism, responsibility, sincerity, partnership, profitability and customer satisfaction.

The Values Charter establishes rules of conduct that apply to management and employees in all of the group's operations, as well as to the members of the Supervisory Board, all of whom agree to abide by them.

Sustainable development is central to the AREVA group's strategy, which rests on three pillars: profitable growth, social responsibility, and respect for the environment. This translates into ten commitments:

- governance,
- continuous improvement,
- respect for the environment,
- financial performance,
- risk management and prevention,
- innovation,
- commitment to employees,

- community involvement,
- dialogue and consensus building, and
- customer satisfaction.

To implement these ten commitments, the group adopted the “AREVA Way” initiative as an essential component of its budgetary and strategic processes. Under this initiative and in connection with sustainable development, all entities and functional departments assess their practices, organize processes for setting objectives, and carry out continuous improvement activities.

INTERNAL CONTROL STANDARDS

The AREVA group draws on internal control standards defined by the AMF, the French stock market authority.

According to the AMF’s “frame of reference for internal control”, the internal control system is characterized by:

- an organization with a clear definition of responsibilities, sufficient resources and expertise, and appropriate information systems, procedures, tools and practices;
- the internal dissemination of relevant and reliable information enabling each person to discharge his or her responsibilities;
- a system to identify, analyze and manage risk;
- control activities designed to reduce this risk; and
- continuous monitoring of the internal control system.

In 2007, the group ensured that the approach taken is consistent with the standards applied. In particular, it verified the consistency between:

- the “implementing guidelines for the internal control of accounting and financial data reported by issuers” included in the AMF frame of reference; and
- the system for self-assessment of internal controls within the group

This was done to ensure that all the standards are met (see section 6.1.4.3.6, *Continuous oversight of the internal controls system*).

INTERNAL CONTROL OBJECTIVES

Internal controls contribute to operational control, in terms of effectiveness and efficiency, to the protection of assets, to compliance with legislation, regulations and management instructions, and to the reliability and quality of information produced and reported.

They provide reasonable assurance that the group’s objectives will be met. However, no matter how well designed and implemented, internal control mechanisms are not sufficient to guarantee with certainty that these objectives will be met.

AREVA’s internal control system is fully consistent with the group’s commitments regarding the conduct and development of its operations.

6.1.4.3.2. Organization, resources, information system and operating procedures

Internal controls are implemented throughout the group by all employees under the overall responsibility of the Executive Board and management.

ORGANIZATION OF THE AREVA GROUP

In matters of corporate governance, AREVA has opted for an organization that ensures the separation and balance of authority. Executive and management authority is vested in the Executive Board, while approval and control authority is vested in the Supervisory Board and the General Meeting of Shareholders.

AREVA’s Executive Board and Executive Committee, both comprised of corporate officers of first-tier subsidiaries in particular, design and oversee internal control systems.

Operational management is based on delegations of authority ensuring that the decision-making process is consistent with corporate governance principles.

In addition, a Nuclear Executive Committee, whose members consist primarily of key managers in the nuclear sector in France, Germany and the United States, is consulted on all matters involving a significant financial commitment or having substantial strategic or marketing consequences.

The group’s operations are organized into four business divisions: Front End, Reactors and Services, Back End, and Transmission & Distribution. There are 20 business units within these divisions, each belonging to the group’s various legal subsidiaries.

DEFINITION OF RESPONSIBILITIES AND AUTHORITY

Organizational procedures and function definitions describe the roles and responsibilities of the various management levels and key managers of the organization.

Authority to conduct business is delegated at every level of the group as appropriate and in a manner consistent with applicable laws and regulations.

In addition, the various functional departments —Purchasing, Finance, International & Marketing, Strategy, etc.— have established their own delegations of authority regarding spending commitments (procurement and Capex), financial transactions, proposals and contracts, etc.

The organization and delegations of authority are defined to comply with the principle of the separation of duties. In particular, governance and internal control principles applicable to delegations of authority set financial limits by type of transaction, for which information must be provided to or authorization received from the competent authority.

HUMAN RESOURCES MANAGEMENT POLICY

The Executive Committee approves the group’s human resources management policy, which is implemented by the Human

6.1. Composition and functioning of corporate bodies

Resources department in agreement with the other departments involved. The policy has four major thrusts:

- strengthen the group's culture by sharing core values and common practices;
- facilitate recruitment, mobility and talent development—in particular through training—to increase the group's market leadership;
- develop an innovative and responsible labor policy; and
- develop tools for human resources management performance.

INFORMATION SYSTEMS

The mission of the Information Systems department is to ensure the availability of high-performance, cost-effective and secure information systems and to oversee the overall consistency of the group's information systems. To accomplish this, the department is organized to meet two major goals:

- orient the information system towards services to the businesses in alignment with the organization of the group's business processes; and
- standardize, streamline and consolidate the technical and functional infrastructure to ensure its performance and reliability, taking into account both economic and geographic considerations.

The department follows a client-oriented approach to supporting the businesses and the group's economic objectives by offering technology solutions that meet the needs of the group and its customers.

OPERATING PROCEDURES

General internal control procedures

AREVA has worked continuously since it was established to strengthen its organization and its internal control procedures.

These procedures include rules, instructions and operating procedures defined by the functional departments and implemented at every level of the organization. The preparation, distribution and implementation of these procedures are a component of the group's action principles.

Consistent with the principle of subsidiarity and to ensure the assimilation of these principles, the heads of the group's main subsidiaries adapt the procedures to their specific circumstances prior to implementation within their entities.

Accounting and financial reporting procedures

Like the Audit Committee and the group's other governance bodies, internal procedures comply with the principles hereunder.

General organization

Information is collected and processed at two operational levels: the operating entity (level 1 of information production) and the business unit (base unit for management and performance analysis throughout the group).

Instructions for consolidation are issued by the group's Financial Control department for all half-year and annual financial statements. These instructions set forth:

- the schedule for preparing accounting and financial information for reporting purposes;
- the process for validating this information;
- items requiring particular attention, such as complex issues, changes in legal environment and new internal procedures; and
- the coordinators for consolidation at the corporate level, who are responsible for validating consolidation operations for a portfolio of entities and for preparing cross-cutting analyses for the entire group (corresponding to the notes to the consolidated financial statements).

Financial communications revolve around the four divisions—Front End, Reactors and Services, Back End, and Transmission & Distribution—and are based on corporate financial data, thus ensuring broad consistency.

Implementation and control of accounting principles

The reporting entities' financial statements are prepared in accordance with the group's accounting and financial principles, which cover the main headings of the group's financial statements. These rules apply to all entities included in the group's consolidation scope. These principles include:

- a glossary that defines the main headings of the financial statements and the group's performance indicators;
- an annotated chart of accounts; and
- accounting procedures issued by the financial controls department.

These standards are supplemented by procedures and instructions issued and reviewed on a regular basis by the other entities of the Finance department (Financial Operations and Cash Management department, Financial Communications department, Tax department) and by the subsidiaries, and include procedures and instructions dealing specifically with internal controls and fraud.

The standards and procedures function of the financial controls department defines and distributes information relating to implementation of the financial and accounting standards, procedures, principles and rules. It also monitors changes in regulations to ensure that the financial statements are prepared in accordance with IFRS rules adopted by the European Union.

SOFTWARE

In addition to office equipment used by employees, the group has specific software customized for the management of its operations.

A wide variety of tools are used, including facility control systems, integrated management systems, methods and scorecards, and contribute to the operational control of each business.

In particular, organizational memoranda and standards and procedures applicable to the entire group are distributed using a dedicated software application.

PRACTICES

Internal control relies on all of these elements as well as on practices implemented by all employees, which are themselves based on the group's commitments (sustainable development, Values Charter, etc.). "Best practices" are identified to facilitate their dissemination and sharing so as to ensure effective continuous improvement in matters of internal controls.

AREVA University is an important vehicle for interaction in this regard. Through its activities, it aims to develop AREVA's values and business culture, to facilitate the exchange of best practices, and to involve all employees in implementing the group's strategy.

With the creation of an "accounting and finance internal control" function, the group now has a unit charged with disseminating a culture of internal controls in accounting and finance, ensuring the in-house sharing of best practices, and monitoring external developments in regulations and best practices.

6.1.4.3.3. Dissemination of information

Bottom-up and top-down information channels have been established to communicate relevant and reliable information in a timely manner. Examples are provided below.

- Bottom-up information:
 - Accounting and financial information is rolled up and processed using specific processes and shared tools for recording and control.
 - AREVA Way assessments and sustainable development indicators, particularly for environmental, social and societal aspects, are established using a common tool and rolled up to the corporate departments involved.
 - A common software program is used to measure the progress of action plans, indicative of the achievement of strategic objectives, and serves as an additional channel for bottom-up reporting.
- Top-down information:
 - Management and the group's entities are informed of resolutions by the corporate decision-making bodies in an appropriate manner.
 - The group monitors laws and regulations regarding safety, security, health, the environment, accounting and tax. This information is disseminated throughout the group in an appropriate manner. Organizational memoranda, rules, standards and procedures are disseminated in accordance with organizational standards and procedures.

Communications with stakeholders are subject to appropriate processes to ensure the quality of the information provided.

6.1.4.3.4. Managing risk and setting objectives**RISK IDENTIFICATION, ANALYSIS AND MANAGEMENT**

The group drew up a risk map when it was established to take into account the potential impact of events on the group's operations and objectives. Working with the entities, AREVA's Insurance

and Risk Management department updates the risk map on an annual basis. The Audit department submits the risk map to the Supervisory Board's Audit Committee.

The management teams of the business units are asked to review and approve the risk assessment for their operations. For example, the group's entities have collected, analyzed and measured the risk factors of their respective operations. They have also prepared remediation plans to minimize risk and have designated the people in charge and the schedule for completion.

The main risk factors are identified and described in the annual report in the section regarding risk management and insurance. Nuclear safety and industrial safety issues in particular, which are an absolute priority at all levels of the group, are discussed in this section.

SETTING OBJECTIVES

Risk management is a facet of the process to set the group's objectives, which also include the "AREVA Way" initiative supporting continuous improvement.

Medium and long term objectives are set, broken down and estimated in multi-year action plans at each level of the group (divisions, business units and regions). The resulting Strategic Action Plan (SAP) is submitted to the Supervisory Board for approval.

Short-term objectives are defined in the framework of the budget process, which is consistent with the Strategic Action Plan. The Executive Committee reviews and approves the budgets.

6.1.4.3.5. Control activities

The functional departments are responsible to the Executive Committee for the correct implementation of policies. In particular, the departments in charge of financial controls define and ensure the enforcement of the reporting rules, document management processes, and ensure compliance with rules on delegations of authority.

Each functional and operational level establishes appropriate controls to ensure that the objectives are met. Reporting and budget revisions are used to monitor budget progress and performance in terms of achieving the objectives.

By definition, each organization is responsible for its own internal controls. These controls rely on the mobilization of human, physical and financial resources, the organization of these resources, the deployment of specific objectives within the organization, and the implementation of controls for prevention or detection.

Preventive controls are performed according to specific procedures, whether manual or computerized, involving validations at appropriate levels of the organization, among other things. Detection controls consist of after-the-fact verifications connected with specific supervision of the work performed and analysis of variances or anomalies. Information systems, performance indicators, etc. are used to facilitate this supervision.

6.1. Composition and functioning of corporate bodies

In addition, auditing and expert bodies are charged with controlling the most significant issues in relation to the group's specific goals.

In particular, as regards accounting and financial reporting:

- each entity has set up a system of controls before transactions are recorded;
- controls are performed at the different stages of the consolidation process:
 - either automatically by the consolidation software (control of debit/credit balances, data traceability, data integrity, access control), or
 - manually by the consolidation department, financial controllers and business analysts; and
- the group's Tax department performs tax reviews of the group's main companies.

6.1.4.3.6. Continuous oversight of the internal controls system

The AREVA group optimizes its internal control systems on a continuous basis under the supervision of the Executive Board and the Executive Committee, subject to monitoring by the Audit Committee of the Supervisory Board.

Internal accounting and financial controls have been strengthened with the creation of an "Internal control of accounting and finance" function and the deployment of new tools and processes in group projects.

The effectiveness of the group's internal control procedures is independently evaluated by the Audit department, which reports to the Executive Board and to the Supervisory Board's Audit Committee. The department's missions, which reflect the group's risk map, are carried out in accordance with an audit charter and with standards of the profession defined by the Institute of Internal Auditors (Institut français de l'audit et du contrôle interne, IIA-IFACI).

The resulting recommendations give rise to action plans, which are monitored in liaison with the managers involved.

In addition to audits scheduled in the audit plan, the group's entities perform an annual self-assessment of their internal controls using a standard questionnaire. The 2007 version was brought into line with the "Implementing guidelines for internal controls of accounting and financial data reported by issuers" prescribed by the AMF, the French stock market authority. In particular, the questionnaire now addresses aspects related to information systems. The self-audit questionnaire, reviewed by the Statutory Auditors, was deployed in all 240 of the consolidated group's entities in 44 countries. It concerns 8 macro-processes, including Development/New Markets, Management/Organization, Operations, Sales Administration, Financial Management, Human Resources, Safety of Assets, and Information Systems. The results from answers provided by the group's entities are reviewed by the Audit Department and contribute to the monitoring of the overall system.

This system did not reveal any serious internal control dysfunctions or inadequacies that might have a major impact on the group's operations or financial statements.

The evaluation section of this year's report will not include additional information. This is consistent with practices in France and the recommendations of the AMF, as described in its January 24, 2008 report on corporate governance and internal controls.

The Chairman of the Supervisory Board

Frédéric Lemoine

6.1.5. Statutory Auditors' report on the report prepared by the Chairman of the Supervisory Board of AREVA with respect to internal control procedures related to the preparation and treatment of financial and accounting information

This is a free translation of the original text in French for information purposes only.

To the Shareholders,

In our capacity as Statutory Auditors of AREVA and in accordance with the provisions of article L. 225-235 of the French Commercial Code, we hereby present our report on the report prepared by the Chairman of your company in accordance with the provisions of article L. 225-68 of the French Commercial Code for the year ended December 31, 2007.

It is the responsibility of the Chairman to report on, in particular, the conditions for the preparation and organization of the Supervisory Board's activities and the internal control procedures implemented by the company.

It is our responsibility to report to you our observations on the information contained in the Chairman's report concerning the internal control procedures related to the preparation and treatment of financial and accounting information.

We have performed our procedures in accordance with the professional guidelines applicable in France. These guidelines require that we perform procedures to assess the fairness of the information set forth in the Chairman's report concerning the internal control procedures related to the preparation and treatment of the financial and accounting information. These procedures mainly consist of the following:

- obtaining an understanding of the internal control procedures related to the preparation and treatment of the financial and accounting information underlying the information presented in the Chairman's report and of existing documentation;
- obtaining an understanding of the work that enabled the preparation of that information and existing documentation;
- determining if major internal control deficiencies related to the preparation and treatment of the financial and accounting information that we might find in connection with our assignment are adequately reported in the Chairman's report.

On the basis of these procedures, we have no comment to make on the information given concerning the internal control procedures of the company related to the preparation and treatment of financial and accounting information set forth in the report of the Chairman of the Supervisory Board, prepared in accordance with the provisions of article L. 225-68 of the French Commercial Code.

Neuilly-sur-Seine and Paris-La Défense, February 27, 2008

The Statutory Auditors

Deloitte & Associés

Pascal Colin

Jean-Paul Picard

Mazars & Guérard

Jean-Luc Barlet

Salustro Reydel
Member of KPMG International

Denis Marangé

6.2. | Executive compensation

6.2.1. Compensation of Corporate Officers

The compensation for the Chairman of the Executive Board, and for the Chairman, Vice Chairman and members of the Supervisory Board of AREVA is set by the Supervisory Board on a recommendation of the Compensation and Nominating Committee and is approved by the relevant ministers by virtue of Decree no 53-707.

The tables below sets forth the compensation and all benefits paid to each executive of the AREVA group in 2005, 2006 and 2007 by AREVA, the companies it controls, or the company by which it is controlled, namely the CEA.

6.2.1.1. Compensation paid to the members of the Executive Board

(in euros)	2005				2006				2007			
	Fixed compensation	Variable compensation	In-kind benefits	Total gross compensation	Fixed compensation	Variable compensation	In-kind benefits	Total gross compensation	Fixed compensation	Variable compensation	In-kind benefits	Total gross compensation
Executive Board members ⁽³⁾	(a) ⁽⁴⁾	(b)	(c)	(d= a+b+c)	(a) ⁽⁵⁾	(b)	(c)	(d= a+b+c)	(a) ⁽⁵⁾	(b) ⁽⁶⁾	(c)	(d= a+b+c)
Anne Lauvergeon ⁽¹⁾	364,918	127,643	4,332	496,893	441,985	176,865	4,332	623,182	500,264	181,453	7,032	688,749
Gérald Arbola ⁽¹⁾	303,232	112,044	5,136	420,412	351,835	145,360	5,136	502,331	380,364	145,759	4,248	530,272
Didier Bénédicti ⁽²⁾	317,792	115,971	5,016	438,779	352,623	119,317	5,016	476,956	370,268	161,740	5,016	537,025
Luc Oursel	-	-	-	-	-	-	-	-	370,268	-	2,887	373,156
Vincent Maurel ^(2&6)	274,096	103,214	3,216	380,526	317,959	102,910	4,032	424,901	-	72,352	-	72,352
Jean-Lucien Lamy ^(2&7)	305,061	253,996	2,470	561,527	-	-	-	-	-	-	-	-

(1) Appointed by the Supervisory Board on July 3, 2001. Reappointed by the Supervisory Board on June 29, 2006 for five years. Mr. Arbola's employment contract with AREVA NC is suspended during his term as an Executive Board member.

(2) Appointed by the Supervisory Board on October 15, 2002, with an effective date of February 1, 2003. Messrs. Bénédicti and Maurel were reappointed by the Supervisory Board on June 29, 2006 for five years. Members of the Executive Board who have an employment contract with AREVA, which is suspended during their terms.

(3) Compensation is calculated based on the date of appointment.

(4) The fixed compensation of members of the Executive Board for 2005 includes adjustments for 2004, i.e. 4,764 euros for Anne Lauvergeon, 4,224 euros for Gérald Arbola, 4,560 euros for Didier Bénédicti, 3,936 euros for Vincent Maurel and 40,726 euros for Jean-Lucien Lamy.

(5) The fixed compensation of members of the Executive Board for 2006 includes adjustments for 2005, i.e. 794 euros for Anne Lauvergeon, 704 euros for Gérald Arbola, 760 euros for Didier Bénédicti and 656 euros for Vincent Maurel.

(6) Mr. Maurel's contract with AREVA was reinstated after he resigned as a member of the Executive Board on December 28, 2006. Vincent Maurel was an advisor to the Chairman of the Executive Board from January to the end of December 2007. Under an agreement dated July 2007, Mr. Maurel received a gross settlement of 209,981 euros and a net severance payment of 637,352 euros.

(7) After his resignation as a member of the Executive Board on October 20, 2005, Mr. Lamy's employment contract with AREVA was reinstated until unilaterally terminated. Total gross compensation as an employee through November 21, 2005 was 30,530 euros, including 247 euros for in-kind benefits. After leaving the group on November 21, 2005, Mr. Lamy received a gross bonus of 150,000 euros, 549,144 euros in severance pay and 2,524 euros in vacation pay, paid in 2006 for 2005.

(8) The variable compensation of members of the Executive Board paid in 2007 for 2006 includes adjustments for 2005, i.e. 2,526 euros for Mrs. Lauvergeon, 3,147 euros for Mr. Arbola, 4,395 euros for Mr. Bénédicti and 3,791 euros for Mr. Maurel.

6.2.1.2. 2005 bonus calculation (paid in 2006)

The Compensation and Nominating Committee proposed that the 2005 variable compensation for the four members of the Executive Board (Mr. Lamy having left the group after the sale of FCI in November 2005), should represent a maximum of 50% of the fixed gross annual compensation for Anne Lauvergeon and Gerald Arbola, and 40% for Vincent Maurel and Didier Bénédicti. It is understood that variable compensation is determined based on quantitative objectives linked to AREVA's financial performance for 70% of the bonus amount and based on individual strategic and qualitative objectives for the remaining 30%.

The Committee further recommended that quantitative objectives for Messrs. Didier Bénédicti and Vincent Maurel be further allocated in two sets of objectives representing 35% each, one related to AREVA's financial performance and the other related to the financial performance of the companies under their direct supervision, i.e. AREVA NC and AREVA NP respectively.

6.2.1.3. 2006 bonus calculation (paid in 2007)

The Compensation and Nominating Committee proposed that the 2006 variable compensation for the four members of the Executive Board should be set at a maximum of 50% of the fixed gross annual compensation, with the possibility of increasing this percentage to 60% for Anne Lauvergeon and Gérald Arbola in the event of truly outstanding performance. Seventy percent of this variable compensation would be determined based on quantitative objectives concerning the net income and the budgeted operating income, excluding extraordinary items, and the income from the T&D division. This calculation applies exclusively to group performance for Anne Lauvergeon and Gerald Arbola. It is based half on group performance and half on the performance of the entity they manage, i.e. AREVA NC for Mr. Bénédicti and AREVA NP for Mr. Maurel.

The variable compensation of the members of the Executive Board is based on strategic and qualitative objectives for 30% of the bonus amount.

6.2.1.4. 2007 bonus calculation (to be paid in 2008)

The Compensation and Nominating Committee proposed that the 2007 variable compensation for the four members of the Executive Board (considering that Mr. Luc Oursel joined the

Executive Board in 2007 after Mr. Vincent Maurel resigned on December 28, 2006) should be set at a maximum of 80% of the fixed gross annual compensation for Anne Lauvergeon and Gerald Arbola, and 50% of the fixed gross annual compensation for Didier Bénédicti and Luc Oursel. It is understood that 70% of the variable compensation is based on quantitative objectives regarding, in equal shares, net income and operating income as budgeted, excluding any extraordinary item. For Anne Lauvergeon and Gérald Arbola, the calculation will be based on group performance only. For other executives, it will be based 50% on group performance and 50% on the performance of the companies under their direct supervision, i.e. AREVA NC for Didier Bénédicti and AREVA NP for Luc Oursel (therefore four equal shares for these members, each representing a maximum of 8.75% of their fixed compensation).

The variable compensation of the members of the Executive Board is based on strategic and qualitative objectives for 30% of the bonus amount.

6.2.1.5. Pensions and retirement benefits

There is no pension or similar commitment for Anne Lauvergeon, Didier Bénédicti or Luc Oursel. A provision for pension in the amount of 44,387 euros for Gérald Arbola was recorded in 2007.

6.2.1.6. Director and Officer liability insurance

The purpose of D&O coverage is threefold: Firstly, it provides liability coverage for financial risk incurred by group directors and officers due to damage suffered by third parties as a result of professional errors or misconduct in the course of business.

Secondly, it reimburses group companies that are legally allowed to indemnify directors and officers for claims submitted against these individuals. Thirdly, it covers civil or criminal defense expenses incurred by officers and directors as a result of claims based on professional errors or misconduct.

The policies usually exclude coverage of claims based on intentional misconduct by a director or an officer, or on personal gain (financial or otherwise) to which a director or officer was not entitled. Fines and penalties levied against directors and officers are also excluded, as well as claims for losses due to pollution, asbestos or toxic mold. In addition, directors and officers liability insurance policies exclude claims based on the purchase of securities or assets of a company at an inadequate price.

6.2.1.7. Compensation of the members of the Supervisory Board

(in euros)	2005			2006			2007		
	Gross compensation	Directors' fees ⁽¹³⁾	Total gross compensation	Gross compensation	Directors' fees ⁽¹³⁾	Total gross compensation	Gross compensation	Directors' fees ⁽¹³⁾	Total gross compensation
Supervisory Board ^(1&2)	(a)	(b)	(c= a+b)	(a)	(b)	(c= a+b)	(a)	(b)	(c= a+b)
Philippe Pontet ^(6&12)	24,201	-	24,201	-	-	-	-	-	-
Frédéric Lemoine ^(3&14)	134,395	-	134,395	167,970	-	167,970	170,993	-	170,993
Alain Bugat ^(3, 7&12)	165,097	-	165,097	165,789	-	165,789	182,957	-	182,957
Euan Baird ⁽⁴⁾	-	22,250	22,250	-	-	-	-	-	-
Jacques Bouchard ^(5, 8&10)	11,000	16,000	27,000	-	5,833	5,833	-	-	-
Patrick Buffet ⁽³⁾	-	28,500	28,500	-	33,167	33,167	-	27,667	27,667
Thierry Desmarest ⁽³⁾	-	16,000	16,000	-	21,667	21,667	-	23,333	23,333
Oscar Fanjul ⁽³⁾	-	-	-	-	17,833	17,833	-	44,333	44,333
Gaishi Hiraiwa ⁽⁴⁾	-	16,000	16,000	-	-	-	-	-	-
Daniel Lebègue ⁽⁴⁾	-	28,500	28,500	-	10,833	10,833	-	-	-
Olivier Pagezy ^(4, 5, 8&10)	155,497	26,000	181,497	162,832	32,167	194,999	161,716	52,833	214,549
Philippe Pradel ^(3, 5&10)	-	-	-	188,812	16,333	205,145	194,471	42,833	237,304
Guyline Saucier ⁽³⁾	-	-	-	-	21,333	21,333	-	49,833	49,833
Jean-Claude Bertrand ^(9&11)	51,894	22,250	74,144	54,181	27,667	81,848	57,002	50,333	107,335
Gérard Melet ^(9&11)	37,843	19,750	57,593	40,157	26,167	66,324	39,972	45,333	85,305
Alain Vivier-Merle ^(9&11)	76,427	16,000	92,427	85,258	21,667	106,925	85,782	40,833	126,615

(1) Compensation calculated based on date of appointment or end of term.

(2) Directors' fees may have been paid in 2007 for 2006 as follows: Mr. Buffet: 8,333 euros; Mr. Desmarest: 3,333 euros; Mr. Fanjul: 3,333 euros; Mr. Pagezy: 6,333 euros; Mr. Pradel: 4,833 euros; Mrs. Saucier: 7,333 euros; Mr. Bertrand: 6,333 euros; Mr. Melet: 4,833 euros; Mr. Vivier-Merle: 3,333 euros.

(3) On May 2, 2006, the General Meeting of Shareholders appointed these members to the Supervisory Board for a period of five years. The May 2, 2006 meeting of the Supervisory Board that followed this General Meeting of Shareholders appointed Mr. Lemoine as Chairman and Mr. Bugat as Vice Chairman.

(4) On May 2, 2006, the General Meeting of Shareholders acknowledged that the terms of these members had expired and that their renewal had not been proposed.

(5) Includes compensation received from the CEA and AREVA by Messrs. Bouchard (2005), Pagezy (2005, 2006, 2007), and Pradel (2006, 2007).

(6) Mr. Pontet was appointed Chairman of the Supervisory Board, replacing Mr. Colombani, at the Supervisory Board Meeting held on June 12, 2003. Mr. Pontet received a flat fee paid by AREVA with the approval of the supervising ministers. In 2005, Mr. Pontet's total gross compensation included a fee prorated in 2005 through March 8, 2005 (22,447 euros) and an adjustment for 2004 (1,754 euros).

(7) In 2005 and 2006, the amount represents compensation as CEA Administrator-General only; his 2006 compensation includes an allowance of 1,500 euros for transportation from CEA headquarters. Mr. Bugat receives no compensation as Vice Chairman of the AREVA Supervisory Board.

(8) Mr. Bouchard replaced Mr. Rouvillois as permanent representative of the CEA on September 25, 2003. Mr. Pagezy replaced Mr. Bouchard as permanent representative of the CEA on April 26, 2006.

(9) Members elected by company personnel whose terms were renewed for five years beginning July 25, 2007 and who opted to distribute their net directors' fees to the labor organization of which they are members. Amounts reported for 2005, 2006 and 2007 correspond to their compensation as employees of certain AREVA subsidiaries (AREVA NC or AREVA NP).

(10) The compensation of Mr. Bouchard for 2005 is a performance-based bonus for 2004 paid on January 1, 2005, when he retired.

The 2005 and 2006 compensation for Mr. Pagezy includes, respectively, 4,500 euros and 6,420 euros corresponding to year-end bonuses for 2004 and 2005, which were paid on January 1, 2005 and January 1, 2006. The 2006 compensation includes an allowance of 1,500 euros related to transportation from the CEA's corporate office. The 2007 compensation includes a performance-based bonus of 7,670 euros.

The 2006 compensation for Mr. Pradel includes a year-end bonus of 13,125 euros for 2005 paid on January 1, 2006. His compensation for 2007 includes a performance-based bonus of 13,500 euros.

(11) Compensation for 2005, 2006 and 2007 include, respectively:

- for Mr. Bertrand: 2,390 euros, 2,836 euros and 3,702 euros for incentive compensation;

- for Mr. Melet: 2,180 euros, 2,689 euros and 3,067 euros for incentive compensation;

- for Mr. Vivier-Merle: 2,204 euros in 2005 and 1,330 euros in 2006 for employee profit sharing, and 2,652 euros in 2006 and 2,478 euros in 2007 for incentive compensation.

(12) Mr. Pontet and Mr. Bugat are not entitled to directors' fees.

(13) Every member of the Supervisory Board receives a flat fee for each Supervisory Board meeting he or she attends, and a flat fee for each meeting of a specialized Committee he or she attends as a Committee member, as follows: In 2005: 2,000 euros per meeting of the Supervisory Board and 1,250 euros per meeting of a specialized Committee.

New provisions for 2006 and 2007 became effective on January 1, 2006, as follows:

- A flat fee of 10,000 euros paid annually for their duties. The payment may be withheld if the member is systematically absent.

- A fee of 2,500 euros per meeting of the Board, provided the member is in attendance.

- A fee of 2,000 euros per meeting of a specialized Committee for the Committee Chairmen, provided they are in attendance.

- A fee of 1,500 euros per meeting of a specialized Committee for the Committee members, provided they are in attendance.

(14) Mr. Lemoine does not collect directors' fees.

6.2.2 Executive shares of share capital

Members of the AREVA Supervisory Board appointed by the shareholders each own one share of stock, except for the CEA, which holds 78.86% of the share capital and 82.99% of the voting rights.

Members of the Executive Board do not own any shares or investment certificates in the company.

6.2.3. Statutory Auditors' special report on regulated agreements and commitments

This is a free translation of the original text in French for information purposes only.

It should be understood that the agreements and commitments reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

In our capacity as Statutory Auditors of your company, we hereby present our report on regulated agreements and commitments.

6.2.3.1. Agreements and commitments authorized during the fiscal year

Pursuant to article L. 225-88 of the French Commercial Code (*Code de commerce*), agreements and commitments previously authorized by the Supervisory Board have been brought to our attention.

The terms of our engagement do not require us to identify such agreements or commitments, if any, but to communicate to you, based on information provided to us, the principle terms and conditions of those agreements and commitments brought to our attention, without expressing an opinion on their usefulness or their merit. It is your responsibility, pursuant to article L. 225-58, to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

We conducted our procedures in accordance with professional standards applicable in France; those standards require that we reconcile the information provided to us with the relevant source documents.

AREVA's commitments under article L. 225-90-1

On March 22, 2007, on the favorable recommendation of the Compensation and Nominating Committee of March 9, 2007, the Supervisory Board approved the terms of compensation of Mr. Luc Oursel as new member of the Executive Board and, in application of article L. 225-90-1 of the French Commercial Code, authorized the commitment made by AREVA to provide Mr. Oursel with deferred compensation due or which may become due in the form of severance pay equal to twice the compensation for the last full calendar year (fixed compensation plus the last bonus received) should his functions cease.

These measures were approved by the Minister of Environment, Sustainable Development and Regional Development and the Minister of Economy, Finance and Employment, in accordance with article 3 of Decree no. 53-707 of August 9, 1953, as amended.

6.2.3.2. Agreements and commitments approved during previous fiscal years with continuing effect

In addition, pursuant to the French Commercial Code, we were informed that the following agreements and commitments, approved during previous fiscal years, continued in effect.

With AREVA NC

On July 8, 2004, the Supervisory Board authorized the signature of an agency agreement under which AREVA NC gave AREVA authority to manage or organize and control, in the name of AREVA NC and for its account, assets earmarked to fund end-of-life-cycle and radioactive waste management expenses. This agreement has no set expiration date. It may be terminated by either party subject to three months notice. The fee is calculated in accordance with principles governing service agreements in the AREVA group.

Services invoiced in 2007 with respect to 2007: 102,380 euros.

With FCI (company sold on November 3, 2005)

Pursuant to the sale of FCI's Military/Aerospace/Industry division during fiscal year 2003, the Supervisory Board meeting of December 10, 2002 had authorized various joint sureties in favor of the purchaser of this division.

The only guarantee remaining in effect during the fiscal year concerned the sale and was capped at 33.25 million euros, in accordance with the provisions of article 8.12 (c) of the Share Purchase Agreement signed on September 19, 2005 between AREVA and the purchaser of FCI.

No amount was paid by AREVA in 2007 in respect of this guarantee.

With AREVA NP

The vendor warranties granted by AREVA to AREVA NP in connection with the sale of Intercontrole continued in effect during the fiscal year. No amount was paid by AREVA in 2007 in respect of these warranties.

Neuilly-sur-Seine and Paris-La Défense, February 27, 2008

The Statutory Auditors

Deloitte & Associés

Pascal Colin

Jean-Paul Picard

Mazars & Guérard

Jean-Luc Barlet

Salustro Reydel
Member of KPMG International

Denis Marangé

6.2.4. Audit fees

<i>(in thousands of euros)</i>	2007 Fees				2006 Fees			
	Deloitte	KPMG	Mazars	Total	Deloitte	KPMG	Mazars	Total
Audit								
Statutory Auditors, certification								
Issuer	437	300	300	1,037	429	295	245	969
Subsidiaries	4,696	1,363	2,995	9,054	4,531	2,615	1,965	9,111
Other reviews and services directly linked to the Statutory Auditors' mission								
Issuer	31	22	20	73	16	-	38	54
Subsidiaries	85	-	184	269	823	130	-	953
Sub-total	5,249	1,685	3,499	10,433	5,799	3,040	2,248	11,087
Other services rendered by the networks to fully consolidated subsidiaries								
legal, tax, labor	880	98	2	980	525	57	62	644
other	-	-	-	-	-	-	4	4
Sub-total	880	98	2	980	525	57	66	648
Total	6,129	1,783	3,501	11,413	6,324	3,097	2,314	11,735

6.3. | Profit-sharing plans

6.3.1. Corporate savings plans and investment vehicles

In early 2005, AREVA decided to harmonize and unify the various savings plans in the French subsidiaries and established a common Group Savings Plan. This new plan gives employees a single statement for all their assets and a much wider choice of new services.

The centralized reporting of all assets held by French employees has been subcontracted to Creelia, a subsidiary of Crédit Agricole Asset Management. Centralized account reporting allows each employee to receive complete information available on-line on all of his or her assets in the various funds. Exchanges among funds are possible at all times and without fee. Employees can also redeem shares held in any fund.

The AREVA Group Savings Plan offers a complete range of funds covering all asset categories. It includes:

- AREVA Monétaire, a money market fund managed by Société Générale Asset Management (SGAM) fully invested in money market instruments.
- AREVA Obligataire, a bond fund managed by Crédit Agricole Asset Management (CAAM) and fully invested in bonds from issuers in the Euro zone.
- AREVA Actions Zone Euro, a fund managed by CIC Asset Management and fully invested in equity instruments from issuers in the Euro zone.
- Three balanced funds: AREVA Diversifié Obligataire, managed by Natixis Asset Management (25% equities/75% bonds); AREVA Diversifié Equilibré, managed by HSBC Asset Management

(50% equities/50% bonds); and AREVA Diversifié Dynamique, managed by Société Générale Asset Management (75% equities/25% bonds).

- AREVA ISR, a socially responsible fund managed by Fongepar Gestion Financière. This fund is fully invested in equities of companies implementing principles of social responsibility, including 10% in companies promoting socially responsible employment practices.

A diversified pool of fund managers was selected with a view to optimizing investor returns. The performance of the managers will be measured regularly and the management contracts will be reassessed as needed.

The funds' supervisory boards meet twice a year. Each meeting includes approximately 100 employee and employer representatives.

In addition, the February 9, 2005 agreement on AREVA group savings plans also provides for the establishment of a savings plan monitoring committee. This committee met twice in 2007. Also in 2007, in addition to updating the booklet distributed to employees making the most out of the savings plans and diversifying of authorized investments, a summary of the 2006 annual management reports of the funds was included with the half-year statements distributed in July. The members of the funds' supervisory boards formally evaluated manager performance on two occasions during the year following a specific process.

6.3.2. Incentive remuneration and profit-sharing plans

Various incentive remuneration and profit-sharing agreements are in effect in companies throughout the group. The aim is to allow each individual employee to benefit from collective performance while enabling them to take advantage of the plans' favorable income tax and social security tax treatment.

In 2007, the group distributed a total of more than 76 million euros in respect of performance for 2006. Employees elected to invest 60% of all incentive compensation paid in 2006 in the Group Savings Plans.

Under these agreements, employees receive incentive remuneration when specific objectives have been reached and/or profit-sharing bonuses based on the group's overall financial performance.

6.3.2.1. Profit-sharing

Employee profit-sharing regulations, spelled out in articles L. 442-1 *et seq.* of the French Labor Code, provide for employees to receive a portion of the company's net taxable income, determined according to a legally mandated formula incorporated in almost all profit-sharing agreements signed by group entities.

The global amount so determined is then allocated among the company's employees based on their seniority and/or the beneficiary's salary, in accordance with specific agreements.

A company's profit-sharing contributions may not be withdrawn by a beneficiary for a period of five years, unless otherwise allowed by regulation. These contributions benefit from preferential tax and social security tax treatment. Subject to provisions of the agreement, employees may elect investment of these contributions in company-sponsored mutual funds included in the contributing company's employee savings plans.

6.3.2.2. Incentive remuneration

Incentive remuneration, regulated under articles L. 441-1 *et seq.* of the French Labor Code, allows a company to provide financial incentives to its employees based on specific technical, qualitative and quantitative objectives. Incentive remuneration agreements are concluded for periods of three years. The various agreements

in effect in the group expire on dates specific to each group entity involved.

The performance criteria included in the incentive remuneration agreements concluded by group entities are defined jointly by the management of the company and by the organizations representing company personnel. Depending on the agreement, these criteria may include:

- quantitative performance, such as operating income, sales revenue, operating profit, etc.;
- productivity improvements;
- cost reductions; and
- qualitative performance, which relates to performance improvement objectives specific to each company, such as meeting delivery schedules, fewer customer claims, improved industrial safety as evidenced by lower accident frequency and accident severity rates, and quality certification or renewal.

Company contributions for incentive remuneration are paid after year-end closing. Employees usually have the option of investing these contributions in the Group Savings Plan to which the company subscribes. These contributions, which the beneficiary may not withdraw for a period of five years, benefit from preferential tax and social security tax treatment applicable to employee savings plans.

6.3.3. Employee share ownership

When the group was established in September 2001, Framatome ANP shares held by employees via the Framépargne corporate mutual fund were exchanged for AREVA shares. Those shares are currently invested in the "Framépargne" fund of the AREVA Group Savings Plan.

Some of the shares are held by Calyon, the bank that guarantees the liquidity of the Framépargne fund.

As of December 31, 2007, employee shareowners through Framépargne represented 0.69% of AREVA's share capital.

6.3.4. Stock options allowing subscription or acquisition of shares for no consideration

The AREVA group does not presently have a stock option plan. No issue of shares for no consideration was undertaken or authorized.

6.4. | AREVA Values Charter

The Values Charter was adopted by AREVA's management in 2003. It applies to all operations controlled by the group, whether nuclear or non-nuclear, in any country in which these operations are conducted, without exception.

The Charter applies to all of the group's stakeholders, executives and employees as well as to its principal suppliers, subcontractors, financial partners, consultants and commercial intermediaries. At each level, management is responsible for implementing the Values Charter. The Values Charter covers our values, our action principles and our rules of conduct.

AREVA's values are the essence of the group's sustainable development initiative. They include integrity, an acute sense of professionalism, responsibility, sincerity, partnership, profitability and customer satisfaction.

The principles of action focus on each category of AREVA group stakeholders: customers, shareowners, employees, suppliers and subcontractors, the public and the planet.

In addition, the Values Charter spells out rules of conduct applicable to everyone in specific fields of risk exposure, in particular conflicts of interest, insider trading, international treaties, protection of assets and people, payments, etc. They also provide that any person who receives an order from his or her supervisor that is patently contrary to the Values is justified in not executing it.

An Advisory Committee on Ethics has been established to oversee implementation of the Values Charter, capitalize on lessons learned and propose changes as required.

The Chairman of the Executive Board has designated a business ethics advisor who reports to the head of the group's legal department. He or she advises management regarding ethical conflicts concerning the Values Charter, designs and oversees training programs regarding ethics and group values in liaison with AREVA University, and coordinates a network of business ethics contacts in first-tier subsidiaries.

The Values Charter is available in the main languages used in the group. It may be downloaded from the group's website (www.aveva.com).

6.5. | Annual Ordinary General Meeting of Shareholders of April 17, 2008

6.5.1. Order of business

1. Reading of the Executive Board's management report for the year ended December 31, 2007 (including information on the social and environmental consequences of the company's operations, as required by article L. 225-102-1 of the French Commercial Code).
2. Reading of the Supervisory Board's report on the Executive Board's report, on the corporate financial statements and on the consolidated financial statements for 2007; reading of the report of the Chairman of the Supervisory Board on the Supervisory Board's activities and internal control procedures, and observations submitted by the company's Statutory Auditors, in accordance with articles L. 225-68 and L. 225-235 of the French Commercial Code.
3. Reading of the statutory Auditors' report on the financial statements for 2007.
4. Reading of the Statutory Auditors' special report on agreements referred to in article L. 225-86 of the French Commercial Code.
5. Approval of the corporate and consolidated financial statements of the company (balance sheet, income statement and notes for the fiscal year ended December 31, 2007).
6. Approval of regulated agreements referred to in article L. 225-86 and article L. 225-90-1 of the French Commercial Code.
7. Discharge for the members of the Executive Board, the Supervisory Board and the Statutory Auditors.
8. Appropriation of earnings for the year.
9. Setting of directors' fees for the Supervisory Board for 2008.
10. Appointment/reappointment of the Statutory Auditors.
11. Appointment of new member(s) of the Supervisory Board.
12. Granting of authority to execute formalities.

6.5.2. Resolutions

First resolution

The shareholders, deliberating as an Ordinary General Meeting, having heard the Executive Board's management report, the Supervisory Board's report, including observations, the Chairman of the Supervisory Board's report on the terms and conditions for preparation and organization of the Supervisory Board's functions and on the internal control procedures that were set up, the reading of the Statutory Auditors' reports, and the additional explanations provided verbally, approve in their entirety the reports of the Executive Board, the Supervisory Board and the Chairman of the Supervisory Board, as well as the balance sheet, income statement and notes to the corporate and consolidated financial statements for the year ended December 31, 2007, as presented.

Consequently, the shareholders approve the management actions taken and accounted for by the Executive Board, and discharge the members of the Executive Board and of the Supervisory Board as well as the Statutory Auditors of their duties for the past fiscal year.

Second resolution

The shareholders, deliberating as an Ordinary General Meeting, having heard the reading of the Statutory Auditors' special report on agreements and commitments referred to in article L. 225-86 and L. 225-90-1 of the French Commercial Code, hereby approve all of the agreements concluded or in effect during fiscal year 2007.

Third resolution

The shareholders, taking into consideration net earnings for the year of 726,612,157.59 euros, hereby decide to appropriate distributable earnings, in accordance with the law, as follows:

• Net income for the year	€726,612,157.59
• Legal reserve (fully accrued)	
• Retained earnings	€163,013,183.97
• Distributable earnings (article L. 232-11 of the French Commercial Code)	€889,625,341.56
• Dividend to shareholders and investment certificate holders	€239,947,085.77

Subsequent to this allocation, retained earnings amount to 649,678,255.79 euros. The net dividend per share and per investment certificate is set at 6.77 euros. Dividend distributions to natural persons are subject to a 40% tax exemption. Dividends will be paid on June 30, 2008.

The shareholders, deliberating as an Ordinary General Meeting, note that the amount of dividends distributed for the three previous fiscal years and the amount of the corresponding tax credit were as follows:

(in euros)

Year	Dividend
2004	9.59
2005	9.87
2006	8.46

Fourth resolution

The shareholders, deliberating as an Ordinary General Meeting, set the total amount of directors' fees for the Supervisory Board at 500,000.00 euros.

This decision applies to the current year and shall remain in effect unless modified.

Fifth resolution

The shareholders, deliberating as an Ordinary General Meeting, note that the duties of the Statutory Auditors KPMG and the Deputy Auditors Mr. Jean-Claude Reydel have expired and decide not to renew their duties and not to appoint new Statutory Auditors or new Deputy Auditors.

Sixth resolution

The shareholders, deliberating as an Ordinary General Meeting, agree to appoint _____ to the Supervisory Board for a term of five years ending at the Annual General Meeting of Shareholders convened in 2013 to approve the financial statements for the year ending December 31, 2012.

Seventh resolution

The Annual General Meeting of Shareholders grants full authority to the bearer of an original, an excerpt or a copy of the present meeting report for purposes of filing, publishing and recording same, and for other purposes as he shall decide.

07

RECENT DEVELOPMENTS AND FUTURE PROSPECTS

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7.1. | Events subsequent to year-end closing for 2007

January 14, 2008

PARTNERSHIP AGREEMENT SIGNED FOR NUCLEAR POWER PLANT PROJECT IN THE UNITED ARAB EMIRATES

Suez, Total and AREVA sign a partnership agreement to propose a nuclear generating plant in the United Arab Emirates to authorities of that country. Local partners will be associated with the project. Suez, Total and AREVA will make an integrated proposal for nuclear power generation that includes two 1,600 MW EPRs and the related fuel cycle products and services.

Suez will contribute its expertise as an operator of nuclear power plants while Total will contribute its ability to conduct large, complex industrial projects and AREVA will contribute its know-how in integrated proposals for nuclear islands and the fuel cycle.

January 17, 2008

AREVA ACQUIRES MAJOR BIOMASS COMPANY IN BRAZIL

AREVA announces the acquisition of 70% of Koblitz, a Brazilian supplier of integrated solutions for energy production and cogeneration (heat and electricity) from renewable sources. The company founder, Luiz Otavio Koblitz, and top executives will keep 30% of the share capital.

Koblitz employs close to 500 people and has plants in Sao Paulo and Sao Jose do Rio Preto, in agricultural areas rich in sugar cane. Its core business is the turnkey supply of services for the construction of biomass power plants and small hydroelectric plants. Koblitz has participated in 76 projects since 1996, 58 of which use sugar cane as fuel, for a combined total of more than 2,000 MW of installed capacity.

January 23, 2008

AREVA SUPPLIES OFFSHORE WIND TURBINES IN GERMANY FOR 500 MILLION EUROS

Via its subsidiary Multibrid, AREVA is awarded a contract from Prokon Nord to supply eighty 5-MW wind turbines to the Borkum West II offshore wind farm. This project represents more than 500 million euros in sales revenue. The wind farm will be installed 45 kilometers north of Borkum Island in the North Sea. Multibrid will deliver its M5000 wind turbines from 2010 to 2011.

January 31, 2008

SOUTH AFRICA: AREVA SUBMITS FAR-REACHING GLOBAL OFFER

Following Eskom's Invitation to Negotiate of November 2007, AREVA submits a proposal in South Africa. The South African bid encompasses two separate proposals: the first concerns the construction of nuclear power plants with 3,000 to 3,500 MWe of capacity, for which a response was required before January 31, 2008; the second relates to preliminary items connected with the potential creation of a 20,000 MWe fleet of reactors by 2025, for which a reply is expected later in 2008.

February 5, 2008

UNITED STATES: AREVA WINS NUCLEAR FUEL SUPPLY CONTRACTS WORTH MORE THAN 200 MILLION EUROS

AREVA won major nuclear fuel supply contracts from US utilities Constellation Energy, Tennessee Valley Authority (TVA), PPL Corporation and AmerGen Energy Company. The four contracts represent a combined value of more than 200 million euros.

February 19, 2008

ENRICHMENT: AREVA ACHIEVES MAJOR MILESTONE IN THE GEORGES BESSE II PROJECT

In accordance with the Georges Besse II project schedule, AREVA handed the keys to the Enrichment Technology Company (ETC) for the centrifuge assembly building of the uranium centrifuge enrichment plant to be located at Tricastin.

This event is a major milestone in the construction of the Georges Besse II plant and confirms that AREVA is keeping to the project schedule.

March 13, 2008

TRANSMISSION & DISTRIBUTION: AREVA WINS 150 MILLION EURO CONTRACT FROM DUBAI ELECTRICITY AND WATER AUTHORITY (DEWA)

AREVA is strengthening its collaboration with the utility DEWA with the signature of a 150 million euros contract to supply two high voltage (400 kV) substations. The contract is in partnership with Hyundai Heavy Industries, which will supply four power transformers.

7.2. | Outlook

As indicated in the general comments at the beginning of this reference document, this section contains information on the objectives, prospects and development directions of the AREVA group and its markets. This information should not be interpreted as a guarantee that events and data set forth herein are assured or that objectives will be met. Neither AREVA nor the AREVA group is committing to updating forward-looking statements or information contained in this section.

The AREVA group sees solid financial prospects for the coming years. Its nuclear operations constitute a basis for recurring operating cash flow. However, the amounts reported through 2005 are high due to moderate capital expenditure and to the receipt of large customer advances and prepayments in the Back End division and in the Reactors and Services division.

The year 2006 saw the transition to consumption of cash reserves through the working capital requirement and, more importantly, the start of a major capital expenditure cycle, particularly in the Front End division. In 2007, the execution of the capital investment program, in particular with the acquisition of Uramin, amplified that tendency.

The Nuclear divisions may well benefit, ultimately, from a nuclear revival. This should be put into a medium to long term perspective, considering the long cycles that apply in nuclear operations.

In the Transmission & Distribution division, the three-year structuring plan launched in 2004 helped the division improve its operating margin significantly. In 2007, the division once again saw strong growth and increased profitability.

Over the medium term, the group plans to pursue a strategy of profitable growth aimed at making the Transmission & Distribution division one of the sector's most profitable players and the leading supplier to utilities and electricity-intensive industries.

For 2008 as a whole, the group is expecting strong growth in backlog and sales revenue, growth of operating income, and continuation of its capital expenditure program.

These objectives are in line with the strategic targets the group has set for 2012:

To set the standard in CO₂-free power generation and electricity transmission and distribution:

- capitalize on our integrated business model to spearhead the nuclear revival:
 - build one third of new capacity in accessible markets,
 - make the fuel secure for our current and future customers;
- ensure strong and profitable growth in T&D;
- expand our renewable energies offering.

By the target date, the group expects:

- strong growth in backlog,
- sales revenue of more than 20 billion euros,
- double-digit operating margin, and
- largely positive free operating cash flow.

GLOSSARY

ADNR ORDER

French administrative order of March 12, 1998, as amended, pertaining to the carriage of dangerous goods via inland navigation. The purpose of the order is to define rules specific to the carriage of dangerous goods in France by inland navigation, whether such carriage is national or international. It refers to the technical appendices of the Regulations for Carriage of Dangerous Goods on the Rhine (ADNR) adopted by a resolution of the Central Commission for Navigation on the Rhine (CCNR) of December 1, 1993.

ADR ORDER

French administrative order of June 1, 2001, as amended, pertaining to the carriage of dangerous goods by road. This order incorporates and supplements the provisions of the European Agreement on the International Carriage of Dangerous Goods by Road of September 30, 1957 (ADR), and its appendices, and defines rules specific to the carriage of dangerous goods by road in France, whether such carriage is national or international.

ANDRA (AGENCE NATIONALE POUR LA GESTION DES DÉCHETS RADIOACTIFS)

Public industrial and commercial agency with oversight by the Ministries of Industry, Research and the Environment. Andra operates independently of waste generators. Formed in 1991, the agency has three areas of responsibility:

- an industrial mission, by which the agency provides for the management, operation and monitoring of radioactive waste disposal centers, designs and builds new centers for waste that is not acceptable in existing facilities, and defines radioactive waste packaging, acceptance and disposal specifications in accordance with nuclear safety rules;
- a research mission, by which Andra participates in and contributes to research programs pertaining to the long-term management of radioactive waste, in particular in cooperation with the French Atomic Energy Commission (CEA); and
- an information mission, in particular through the development of a register of all radioactive waste on French territory.

ASSEMBLY, FUEL ASSEMBLY (See "FUEL ELEMENT")

ATOM

The basic component of the chemical elements that form matter. It consists of a nucleus containing positively charged or neutral particles (protons and neutrons), around which negatively charged particles (electrons) spin.

BARRIER, CONTAINMENT BARRIER

System capable of preventing or limiting the dispersion of radioactive materials.

BECQUEREL (BQ) (See also "RADIOACTIVITY")

Unit of measure for nuclear activity (1Bq = 1 atomic particle disintegration per second). The Becquerel is a very small unit. Formerly, nuclear activity was measured in curies (1 curie = 37 billion Bq).

BURNUP

Fuel depletion is estimated by its specific burnup, expressed in gigawatts per day per metric ton of heavy metal (GWd/MTHM). This is the unit of measure for the energy supplied by the fuel during its residence in the reactor.

CENTRIFUGATION (See "ULTRACENTRIFUGATION").

CLADDING

Sealed metal tube surrounding nuclear fuel to protect it from corrosion by the coolant and prevent the dispersal of fission products. Cladding constitutes a "primary barrier".

CONTAINMENT AREA

During the construction of a facility designed to contain radioactive materials, a series of containment barriers is put up between the materials inside and the environment outside the facility as part of the engineering structures. This creates separate areas called "containment areas".

CONTROL RODS

Control rods serve to control the chain reaction in the nuclear reactor core. Control consists of ensuring that the number of neutrons produced in the reactor core through fission is exactly equal to the number of neutrons that dissipate in the reactor core. The ratio between these two numbers (production divided by dissipation) is called the multiplication factor, K, which must be equal to 1. To maintain the K=1 ratio at all times, elements made up of atomic nuclei that absorb the neutrons are inserted (or withdrawn) as required. The control rods inserted into the reactor core "absorb" the neutrons to a greater or lesser degree.

COOLANT

The heat-removing fluid circulating in a nuclear reactor core.

CORE, REACTOR CORE

Area in a nuclear fission reactor comprising the nuclear fuel and arranged to foster the fission chain reaction.

CRIMPING

Method for permanently attaching a connector to a conductor using pressure to squeeze or shape the crimp barrel (section of the splice or terminal that receives the conductor) around the conductor to establish a good electrical and mechanical connection.

CRITICALITY (ADJ. CRITICAL, SUBCRITICAL, SUPERCRITICAL)

A medium containing a fissile nuclear material becomes critical when neutrons are produced by fission of the material at the same rate as they dissipate through absorption and escape to the outside.

DECAY POWER

In a reactor that has been shut down or in a used fuel assembly, the power released by the radioactivity of the nuclear fuel and other materials.

DECOMMISSIONING

Term covering all stages following the shutdown of a nuclear or mining facility at the end of its operating life, from final closure to the removal of radioactivity at the site, including physical dismantling and decontamination of all non-reusable facilities and equipment.

DECONTAMINATION

Decontamination is a physical, chemical or mechanical operation designed to eliminate or reduce the presence of radioactive or chemical materials deposited on or in a facility, open area, equipment or personnel.

DGSNR (DIRECTION GÉNÉRALE DE LA SÛRETÉ NUCLÉAIRE ET DE LA RADIOPROTECTION)

French government agency reporting to the Ministers of Industry, the Environment and Health. Its specific functions are to define and implement policy in the fields of nuclear safety (civilian applications) and radiation protection and, in particular, to verify safety-related measures taken, contemplated or implemented by operators in the nuclear sector, and to monitor liquid and gaseous effluent and waste from licensed nuclear facilities. The DGSNR, commonly referred to as the nuclear safety authority, or ASN (Autorité de Sûreté Nucléaire), is supported by the Nuclear Safety and Radiation Protection Divisions (DSNR) of the Regional Departments of Industry, Research and the Environment, or DRIRE.

DISPOSAL OF RADIOACTIVE WASTE (See ALSO STORAGE)

Radioactive waste management operation consisting of disposing of packaged waste in a specially designed area that will ensure safety (reversible or irreversible disposal).

DOSE

Unit of measure used to characterize human exposure to radiation. The term “dose” is often erroneously used in place of “dose equivalent”.

- Absorbed dose: amount of energy absorbed by living or inert matter exposed to radiation. It is expressed in grays (GY).
- Dose equivalent: the same absorbed dose may have different effects on a living organism, depending on the type of radiation involved (X-rays or alpha, beta or gamma radiation). A dose multiplier, or “quality factor”, is used to take these differences into account in calculating the dose, giving a “dose equivalent”.
- Effective dose: sum of weighted dose equivalents delivered to various tissues and organs by internal and external irradiation. The unit of measure for effective dose is the sievert (Sv).
- Lethal dose: mortal dose of nuclear or chemical origin.
- Maximum allowable dose: dose that should not be exceeded over a given period.

Gray (Gy): unit of measure for absorbed dose. Absorbed dose was formerly measured in rads (1 gray = 100 rad).

Sievert (Sv): unit of measure for dose equivalent, i.e. the fraction of energy from radiation received by 1 kilogram of living matter. Based on the measured dose of energy received (in gray), the dose equivalent is calculated by applying various factors, depending on the type of radiation received and the organ concerned. The abbreviation for Sievert is Sv.

Commonly used submultiples are:

- the millisievert, or mSv, equal to 0.001 Sv (a thousandth of a Sv),
- the microsievert, or μ Sv, equal to 0.000,001 Sv (a millionth of a Sv).

For example, the mean annual dose from exposure to natural background radiation (terrestrial, cosmic, etc.) is 2.4 mSv/person in France.

ELECTRIC CONTACT

Conducting element of a component that connects with a matching element to transfer current.

ELECTRICITY DISTRIBUTION SYSTEM

Network that delivers electricity locally to end-users: industries, businesses, service providers, residences, etc. Electricity is distributed at medium voltage (12-24,000 V) and gradually reduced to low voltage at the point of end-use (230 V in Europe, 110 V in the United States).

ELECTRICITY TRANSMISSION SYSTEM

Network for electricity transmission from the power plant to the distribution network. It covers large geographical areas. The transmission network includes high voltage and very high voltage power lines, transformers and switchgear equipment.

END-OF-LIFE-CYCLE OBLIGATIONS

In this document, end-of-life-cycle obligations include all obligations connected with the shutdown and decommissioning of nuclear facilities and nuclear waste management.

ENERGY MARKET MANAGEMENT SYSTEM

Management software for energy markets that allows power generators and distributors to manage their commercial relations more effectively. The software provides strategic planning; deal conclusion, risk management and optimum processing; and customer account management.

ENRICHED REPROCESSED URANIUM

Following analysis, used fuel treated at the La Hague plant can be re-enriched to its initial concentration in fissile isotopes (about 3-5%). This is commonly referred to as ERU.

ENRICHED URANIUM, DEPLETED URANIUM

Before it is used to fabricate fuel elements, natural uranium is enriched in ^{235}U to a concentration of 3-5%. Natural uranium is enriched in ^{235}U using an isotopic separation process. The physical or chemical processes used to enrich uranium also produce uranium that has a lower concentration of ^{235}U than natural uranium: this is known as depleted uranium.

ENRICHMENT

Process used to increase the abundance of fissile isotopes in an element. Naturally occurring uranium consists of 0.7% ^{235}U (fissile isotope) and 99.3% ^{238}U (non-fissile isotope). The proportion of U_{235} is increased to 3-4% to make it usable in a pressurized water reactor.

EPR

The EPR is a third-generation pressurized water reactor (PWR). The EPR generates about 1,600 MWe of electric power and features enhanced safety and simplified operations and maintenance. It also has a projected service life of 60 years, compared with a 40-year service life for other power reactors.

AREVA offers two third-generation reactor models: the EPR and the SWR 1000, a boiling water reactor (BWR) that can generate 1,000-1,250 MWe.

EVOLUTIONARY MIS OUTSOURCING

Management information system outsourcing is when a specialized company manages the information systems of its customers. It is evolutionary when it is accompanied by performance improvement plans.

EXPOSURE

Exposure of an organism to a source of radiation, characterized by the dose received.

- External exposure: exposure from a radiation source outside the organism.
- Internal exposure: exposure from a radiation source inside the organism.

FINAL WASTE

According to Article L. 541-1-III of the French Environmental Code, final waste, whether or not it is a product of waste treatment, is waste that cannot be further processed by recovering reusable material or by rendering it less polluting or hazardous under current technical and economic conditions.

FISSILE

Refers to a nuclide capable of undergoing fission when hit by neutrons, even when those neutrons have low energy. Some examples: ^{233}U , ^{235}U , ^{239}Pu and ^{241}Pu . High-energy neutrons can induce fission in nearly all heavy nuclei.

FISSION

The splitting of a heavy nucleus – usually upon impact with a neutron – into two smaller nuclei, or fission products, accompanied by the emission of neutrons and radiation and the release of a considerable amount of heat. The energy released as heat is the principle underlying nuclear power generation.

FISSION PRODUCTS

Fragments of heavy nuclei produced by nuclear fission (the splitting of ^{235}U or ^{239}Pu nuclei) or by the subsequent radioactive decay of nuclides formed during this process. These fission fragments and their decay products are collectively referred to as “fission products”. They are separated in used fuel treatment plants by solvent extraction, after the fuel has been dissolved in nitric acid, then concentrated by evaporation and stored pending immobilization in glass and packaging in a stainless steel canister.

FLEX CONNECTOR

Interconnection system for flexstrips.

FUEL CYCLE

The combination of industrial operations involving nuclear fuel. These operations include uranium ore mining and processing, uranium conversion and enrichment, fuel fabrication, used fuel treatment, recycling of recovered fissile materials, and waste management. The fuel cycle is said to be “closed” when it includes used fuel treatment and recycling of fissile materials recovered by such treatment. The fuel cycle is said to be “open” or “once-through” when fuel is disposed of after it has been used in the reactor.

FUEL ELEMENT (Or FUEL ASSEMBLY)

Bundle of fuel rods filled with uranium or MOX pellets. The core of a reactor contains from 100 to 200 fuel assemblies, depending on the reactor type.

FUEL ROD

Metal tube about 4 m long (about 13 feet) and 1 cm in diameter (2/5 of an inch) filled with about 300 pellets of nuclear fuel.

FUEL STORAGE POOL

Pool in which used fuel is stored after removal from the reactor to allow the assemblies to lose most of their radioactivity through radioactive decay. The water shields personnel from the radiation emitted by the spent fuel.

GASEOUS DIFFUSION

Process for separating molecular species in gaseous form that uses the difference in the velocity of these molecules, due to their different mass and dimensions, and thus the different rates at which they pass through a semi-permeable membrane. This is how the uranium hexafluorides $^{235}\text{UF}_6$ and $^{238}\text{UF}_6$ are separated, causing enrichment in ^{235}U for nuclear fuel.

GRID MANAGEMENT SYSTEM

Systems to optimize electricity flows, prevent equipment overloads, limit losses and analyze outage risks.

HIGHLY ENRICHED URANIUM (HEU)

Under the START Agreements, the United States has agreed to market separative work units (SWU) contained in the highly enriched uranium (HEU) from dismantled weapons, while a team of which AREVA is a member will acquire the natural uranium component (UF_6) of the HEU. This second commitment remains in effect until 2013. For the Group, this resource is equivalent to a mine that produces 2,000 metric tons of uranium annually.

IAEA (INTERNATIONAL ATOMIC ENERGY AGENCY)

International organization overseen by the United Nations whose role is to promote the peaceful use of nuclear power and to verify that nuclear materials in users' possession are not diverted to military uses.

INES (INTERNATIONAL NUCLEAR EVENT SCALE)

An international scale used to define the severity of an event occurring in a nuclear facility. It was designed by an international group of experts under the aegis of the International Atomic Energy Agency (IAEA) and the Nuclear Energy Agency (NEA) of the Organization for Economic Cooperation and Development (OECD). It was established at the international level in 1991. Like scales used for earthquakes or avalanches, the INES is a tool for providing information to the media and the public. Events are classified by increasing order of severity, from level 0 to level 7. The Chernobyl accident, for example, was a level 7 event. Following a favorable decision on June 24, 1999, by CSSIN, the French Nuclear Safety and Information Board, and after a one-year trial period, the French nuclear safety authority ASN decided on April 11, 2001, to widen the scope of the INES scale to include incidents or accidents involving radioactive materials transportation.

**IRSN (INSTITUT DE RADIOPROTECTION ET DE SÛRETÉ NUCLÉAIRE)
(See also "DGSNR")**

The French institute for radiation protection and nuclear safety, a public industrial and commercial agency whose mission, in particular, is to conduct research and assessments in the fields of nuclear safety, protection of people and the environment from ionizing radiation, and nuclear materials safeguards. IRSN provides technical support to the DGSNR.

ISO STANDARD

From the International Standards Organization. The ISO 9000 standards set organizational and management system requirements to demonstrate the quality of a product or service in terms of customer requirements. The ISO 14000 standards set requirements for environmental management organizations and systems designed to prevent pollution and reduce the environmental effects of an activity.

ISOTOPES

Elements whose atoms have the same number of electrons and protons, but a different number of neutrons. Uranium, for example, has three isotopes: ^{234}U (92 protons, 92 electrons, 142 neutrons), ^{235}U (92 protons, 92 electrons, 143 neutrons), and ^{238}U (92 protons, 92 electrons, 146 neutrons). A given chemical element can therefore have several isotopes with a differing number of neutrons. All of the isotopes of a given element have the same chemical properties, but different physical properties (mass in particular).

ISOTOPIC ASSAY

Ratio of the number of atoms of a given isotope of an element to the total number of atoms of that element contained in matter. Isotopic assay is expressed as a percentage.

LEACHING

Extraction of certain compounds contained in a pulverulent, permeable or porous medium through the passage of an appropriate solvent, which flows naturally through the mass to be processed. It can be applied directly to highly fragmented ground (in situ leaching), or to leach a heap that has been extracted, crushed and placed in an appropriate area (heap leaching). It is used to extract metal elements, including uranium. It is also how rainwater run-off leaches certain components from a mass of waste.

LICENSED NUCLEAR FACILITIES (INB IN FRANCE)

Nuclear facilities subject to an administrative licensing process and oversight, pursuant to order 63-1228 of December 11, 1963, as amended. These regulations apply to nuclear reactors (except for those used as part of a propulsion system); particle accelerators; plants used in the preparation, fabrication or conversion of radioactive substances (in particular plants used to prepare nuclear fuel, to treat used fuel, or to process radioactive waste); and facilities for the disposal, interim storage, or utilization of radioactive materials, including waste. The regulations for licensed nuclear facilities apply to the above-mentioned facilities only when the quantity or total activity of the radioactive materials is above a threshold set by an administrative order, based on the type of facility and radioactive element involved. The DGSNR organizes INB inspection and oversight, which is exercised by inspectors of licensed nuclear facilities designated jointly by the Ministers of Industry and the Environment.

LONG-LIVED HIGH-LEVEL WASTE

Waste from used fuel representing a high level of radioactivity and a very long half-life. At this time, there is no final disposal solution for this waste in France, which is currently immobilized in solid matrices to ensure radionuclide containment. LLHL waste management is the subject of research conducted under the aegis of Andra pursuant to the “Bataille Law” of 1991 (French Waste Act), as codified in the Articles L. 542-1 of the French Environmental Code. Three avenues are being explored: transmutation of long-lived radioactive elements, disposal in deep geologic formations, and immobilization and long-term surface storage.

MODAL SHIFT ORDERS

These are French administrative orders that set rules for various transport modes (mainly road, rail and river) concerning vehicles, packages, professional driver/conductor/pilot training, and documentation to be provided for the carriage of dangerous goods. The rules stem from international and European Community laws and apply in particular to the carriage of radioactive materials (class 7 carriage).

MOX

“Mixed Oxides”: a blend of uranium and plutonium oxides used to fabricate certain types of nuclear fuel.

MTHM (METRIC TONS OF HEAVY METAL)

Heavy metal is the nuclear material in fuel: uranium oxide, or a mixture of uranium and plutonium oxides in the case of MOX fuel. The unit of measure for heavy metal is the metric ton.

NATURAL URANIUM

Naturally occurring radioactive element in the form of a hard gray metal found in several ores, and in particular in pitchblende. Natural uranium is a mixture of 99.28% fertile ²³⁵U and 0.71% ²³⁴U.

NUCLEAR FUEL

A nuclide that undergoes fission in a reactor, thereby releasing energy. By extension, a product containing fissile material which supplies energy in the reactor core by maintaining the chain reaction. A 1,300 MWe pressurized water reactor contains about a 100 metric tons of fuel, part of which is periodically replenished.

NUCLEAR MATERIALS SAFEGUARDS

This function has two aspects:

- All of the measures taken by operators to ensure the safety of the materials in their possession: monitoring, accountability, containment, physical security of materials and facilities, and security during transport.
- Inspections performed by government or international agencies, such as the IAEA and Euratom, to verify the effectiveness and reliability of these measures.

In both cases, the purpose of safeguards is to prevent any unauthorized transfer or theft of material or malicious activity.

NUCLEAR SAFETY (SEE ALSO “SAFETY ANALYSIS REPORTS”)

In the nuclear industry, nuclear safety encompasses all of the measures taken at each stage of the design, construction, operation and final shutdown of a facility to ensure operational safety, prevent incidents, and limit their impact.

- Fundamental safety requirements (RFS in French): technical requirements issued by the nuclear safety authority concerning licensed nuclear facilities, which define nuclear safety criteria and describe practices that the French nuclear safety authority deems adequate to ensure compliance with them.
- General operating requirements (RGE in French): document developed by the operator of a licensed nuclear facility defining the prescribed operating range of the facility and identifying functions important for safety. It describes measures to be taken if facility performance is outside the normal operating range.

PACKAGING

Fuel packaging: special packaging for used fuel to prepare it either for interim storage or for final disposal.

Waste packaging: operation consisting of converting waste into a form suitable for transport and/or storage and/or final disposal.

- Very low-level radioactive waste (vinyl, cleaning rags, etc.) is placed in steel drums.
- Low- and medium-level waste is first compacted to reduce its volume as much as possible, then encapsulated in a special material (concrete, bitumen or resin) to form solid blocks capable of withstanding environmental conditions.
- For high-level waste, a glass matrix is used (vitrification process). The vitrified waste is placed in stainless steel canisters.

PLUTONIUM

Chemical element with the atomic number 94 and conventional symbol Pu. Plutonium 239, a fissile isotope, is produced in nuclear reactors from uranium 238.

RADIATION, IONIZING RADIATION (SEE ALSO "RADIOACTIVITY")

Flux of electromagnetic waves (radio waves, light waves, ultraviolet or X rays, cosmic rays, etc.), of particles of matter (electrons, protons, neutrons), or of a group of such particles. The flux carries energy in proportion to the wave frequency or to the particle speed. Their effect on irradiated objects is often to strip electrons from their atoms, leaving ionized atoms in their wake, which carry electrical charges, hence the generic name of "ionizing" radiation.

RADIATION PROTECTION (SEE ALSO "RADIOACTIVITY")

Term commonly used to designate the branch of nuclear physics concerned with protecting people from ionizing radiation (also referred to as "health physics"). By extension, the term "radiation protection" covers all of the health measures taken to protect the health of members of the public and workers from such radiation and to comply with laws and regulations.

RADIOACTIVE WASTE (OR NUCLEAR WASTE)

Non-reusable by-products of the nuclear industry. The four classes of waste are based on radioactivity levels:

- very low-level waste (VLLW);
- low-level waste (LLW) from operations and maintenance, such as gloves, booties, face masks, etc., which make up 90% of the waste sent to licensed disposal facilities;
- medium-level waste (MLW), such as dismantled production equipment, measurement instrumentation, etc. (8%);
- high-level waste (HLW), mainly fission products that have been separated during used fuel treatment and recycling operations (2%).

RADIOACTIVITY

Emission by a chemical element of electromagnetic waves and/or particles caused by a change in its nucleus. Emission can be spontaneous (natural radioactivity of certain unstable atoms) or induced (artificial radioactivity). Radioactivity has several forms:

- Emission of alpha particles (combination of 2 protons and 2 neutrons), called "alpha radiation".
 - The particles making up alpha radiation are helium 4 nuclei that are highly ionizing but not very penetrating. A single sheet of paper stops them.
- Emission of electrons, known as "beta radiation".
 - The particles making up beta radiation are electrons with a negative or positive charge. They can be stopped by a few meters of air or a single sheet of aluminum foil.

- Emission of electromagnetic waves, known as "gamma radiation".
 - Electromagnetic radiation similar to light and X rays. Thick, compact materials (concrete, lead) are needed to stop it.

All of these different types of radiation are grouped together under the general heading of "ionizing radiation". The radioactivity of an isolated quantity of an element gradually decreases over time as the unstable nuclei dissipate. The half-life is the time required for the radioactivity of a radioactive substance to decrease by half.

RADIONUCLIDE (OR RADIOELEMENT)

Any radioactive material. Only a small number of radioelements are found in nature: a few heavy elements (thorium, uranium, radium, etc.) and a few light elements (carbon 14, potassium 40). The others – more than 1,500 in number – are created artificially in the laboratory for medical applications or in nuclear reactors as fission products.

REACTOR, NUCLEAR REACTOR

System in which controlled nuclear reactions are conducted, producing heat that is used to make steam. The steam activates a turbine, which drives an electric generator. Different reactor types use different fuel, moderators (to control the reaction) and coolants (to remove heat used to generate power). The pressurized water reactor (PWR) currently used by EDF uses slightly enriched uranium fuel and pressurized light water as the moderator and coolant.

- Boiling Water Reactor (BWR): nuclear reactor in which boiling pressurized water is used to remove the heat from the reactor.
- Pressurized Water Reactor (PWR): nuclear reactor moderated and cooled by light water maintained in the liquid state in the core through appropriate pressurization under normal operating conditions.

RESERVES/RESOURCES**Mineral reserves**

The tonnage of measured or indicated mineral resources that is economically recoverable and shown to be so by at least one feasibility study. The study must include adequate information about mining and processing operations, metallurgy, economic aspects and other relevant factors to demonstrate that mining is economically justified at the time the report is written. Mineral reserves include dilution materials and the allowance for mining losses incurred during mining operations. Once reserves have been demonstrated, they are subtracted from the resources category.

Probable mineral reserves

The tonnage of indicated and, in some cases, measured mineral resources that is economically recoverable and shown to be so by at least one preliminary feasibility study. The study must include adequate information about mining and processing operations, metallurgy, economic aspects and other relevant factors to demonstrate that mining is economically justified at the time the report is written.

Proven mineral reserves

The tonnage of measured mineral resources that is economically recoverable and shown to be so by at least one preliminary feasibility study. The study must include adequate information about mining and processing operations, metallurgy, economic aspects and other relevant factors to demonstrate that mining is economically justified at the time the report is written.

Mineral resources

Mineral-bearing concentrations or indicators of a natural, solid inorganic or fossilized organic material in or on the Earth's crust, and which is present in such form, quantity, concentration or quality to indicate that there are reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of the mineral resources are known, estimated, or interpreted based on specific geological evidence and data. They do not include reserves.

Inferred mineral resources

Mineral resources for which the quantity, concentration or grade can be estimated based on geological evidence and a limited sampling, and can be reasonably relied upon without verification of geological and grade continuity. The estimate is based on limited data and samples collected using appropriate techniques at locations such as outcroppings, surface cuts, shafts, workings and drill holes.

Indicated mineral resources

Mineral resources for which the quantity and grade or quality, density, shape and physical characteristics can be estimated with enough confidence to allow suitable application of technical and economic parameters for purposes of planning mining operations and assessing the deposit's economic viability.

The estimate is based on reliable and detailed exploration and testing information that is collected using appropriate techniques at locations such as outcroppings, surface cuts, shafts, workings and drill holes that are close enough together to allow a reasonable assumption about the geological and grade continuity.

Measured mineral resources

Mineral resources for which the quantity and grade or quality, density, shape and physical characteristics are so well established that they can be estimated with enough confidence to allow suitable application of technical and economic parameters for purposes of planning mining operations and assessing the deposit's economic viability.

The estimate is based on reliable and detailed exploration and testing data that is collected using appropriate techniques at locations such as outcroppings, surface cuts, shafts, workings and drill holes that are close enough together to allow confirmation of the geological continuity and grade.

"Other mineral resources" correspond to ore bodies that cannot be mined for administrative reasons or that cannot be mined profitably

under current market conditions. The indicated tonnages reflect the quantity of metal in the earth without application of the mill's output rate. Additional development work or changes in mining criteria may result in the reclassification of these "other resources" as "resources".

"Global mineral resources" correspond to the sum of all categories of resources.

RESIDUE

Non-reusable material remaining after physical or chemical processing. The term has a more specific meaning in used fuel treatment, where it refers to any waste that has been packaged.

RID ORDER

French administrative order of June 5, 2001, as amended, pertaining to the carriage of dangerous goods by rail. The order incorporates and supplements the provisions of the Regulations concerning the International Carriage of Dangerous Goods by Rail (RID) implementing the Berne Convention concerning International Carriage by Rail (COTIF), adopted May 9, 1980. It defines rules specific to the carriage of dangerous goods by rail in France, whether such carriage is national or international.

SAFETY ANALYSIS REPORTS

Reports describing the design of licensed nuclear facilities and the measures taken to ensure safety. These reports identify the risks presented by the facility and analyze the measures taken to prevent those risks as well as measures conducive to reducing the probability of accidents and their effects.

- Preliminary safety analysis report: drafted during the preliminary design stage, this report contains a general description of the facility and of the operations to be performed therein. It endeavors to identify risks, to define safety-related design bases, to list safety criteria and to justify the choice of the site. In France, this report is submitted in support of the application for a construction permit under the provisions of a 1963 decree.
- Interim safety analysis report: submitted in support of the application for an operating license, this report describes the as-built facility and is used to verify that the facility has been built in accordance with the safety principles set out in the preliminary safety analysis report and with the technical requirements for construction stipulated in the construction permit.
- Final safety analysis report: presented after facility testing and before the operating license is granted.

SAFETY SYSTEM

Combination of equipment used to detect and eliminate defects or other abnormal operating conditions in electrical networks.

STORAGE (See also DISPOSAL)

Temporary storage of radioactive waste.

SWU (SEPARATIVE WORK UNITS)

An enrichment plant's production is expressed in separative work units (SWU). This unit is proportionate to the quantity of uranium processed and is a measure of the work required to separate the fissile isotope.

TRADING

Commercial transactions in the natural uranium market in the form of the purchase, sale, exchange, lease or loan of uranium, which are not directly connected to the Group's mining operations.

TRANSFORMER STATION (SUBSTATION)

Interface between sections of a power network that operate at different voltages. In the substation, voltage is transformed and electricity supply flows are controlled.

TRANSPORT CASK

Specially designed cask that completely contains certain radioactive materials (used fuel, vitrified waste, etc.) during shipment and that retains its integrity in the event of an accident.

TREATMENT

Treatment of used fuel to extract fissile and fertile materials (uranium and plutonium) for recycling purposes and to package the different types of waste into a form suitable for disposal. Fission products and transuranics are vitrified.

ULTRACENTRIFUGATION

Enrichment process in which a gaseous mixture of isotopes is spun at very high speed, using the centrifugal force to modify the composition of the mixture.

UO₂ POWDER

UO₂ is the symbol for uranium oxide. Uranium oxide comes in powder or pellet form. It is one of the components of nuclear material.

URANIUM

Chemical element with atomic number 92 and atomic symbol U, which has three natural isotopes: 234U, 235U and 238U. The only naturally occurring fissile nuclide is 235U, a quality that makes it useful as a source of energy.

URANIUM HEXAFLUORIDE (UF₆)

The uranium contained in nuclear fuel must be enriched in fissile 235U. Enrichment is achieved by gaseous diffusion or by ultracentrifugation. The uranium is first converted into a gas called uranium hexafluoride for this purpose.

VITRIFICATION

Process used to solidify concentrated solutions of fission products and transuranic elements separated during used fuel treatment by mixing them with a glass matrix at high temperature.

YELLOWCAKE

"Cakes" of about 80% uranium concentrates.

ZIRCONIUM

Transition metal, like titanium, discovered in 1824 by Berzélius. Zirconium has the atomic number 40 in the periodic table of the elements. It is the alloy base in the cladding of light water reactor fuel elements, chosen for its mechanical strength and corrosion resistance in high-temperature water combined with its very low thermal neutron absorption.

TABLE OF CONCORDANCE

The table below presents, on the left, the minimum information to be included in an annual report in accordance with annex 1 of European Commission Regulation No. 809/2004 of April 29, 2004, and, on the right, the corresponding cross-reference in this annual report.

Minimum information to be included in accordance with annex 1 of European Commission Regulation

No. 809/2004 of April 29, 2004	Cross-reference
1. Persons responsible	Section 1 (page 2)
2. Statutory Auditors	Section 1.3. (page 3)
3. Selected financial information	Section 5.1.2. (pages 194-196)
4. Risk factors	Section 4.14.3. (pages 173-180)
	Section 4.14.4. (pages 181-184)
5. Information about the issuer	
5.1. History and development of the issuer	Section 4.1.3. (pages 39-42)
5.1.1. Legal and commercial name of the issuer	Section 3.1.1. (page 10)
5.1.2. Place of registration of the issuer and its registration number	Section 3.1.7. (page 11)
5.1.3. Date of incorporation and length of life of the issuer	Section 3.1.6. (page 11)
5.1.4. Domicile and legal form of the issuer, the legislation under which the issuer operates, country of incorporation, address and telephone number of its registered office	Section 3.1.3. (page 10) Section 3.1.5. (page 11)
5.1.5. Important events in the development of the issuer's business	Section 4.1.3. (pages 39-42)
5.2. Investments	
5.2.1. Principal investments	Section 4.12. (pages 155-156)
	Section 5.6.4. (page 344)
5.2.2. Principal investments in progress	Section 4.12. (pages 155-156)
5.2.3. Principal future investments on which firm commitments have been made	Section 4.12. (pages 155-156)
6. Business overview	
6.1. Principal activities	Sections 4.1. to 4.7. (pages 36-139)
6.2. Principal markets	Sections 4.1. to 4.7. (pages 36-139)
6.3. Exceptional factors	Not applicable
6.4. Potential dependency of the issuer	Section 4.10.2. (page 153)
6.5. Basis for statements by the issuer regarding its competitive position	Sections 4.1. to 4.7. (pages 36-139)
7. Organizational structure	
7.1. Description of the Group	Section 3.5. (page 24)
7.2. List of significant subsidiaries of the issuer	Section 3.5. (page 24)
	Section 5.5. (page 337)
8. Property, plants and equipment	
8.1. Major tangible fixed assets, existing or planned	Section 4.9. (pages 143-151)
8.2. Environmental issues that may affect the issuer's utilization of tangible fixed assets	Section 4.9. (pages 143-151)
9. Operating and financial review	
9.1. Financial condition	Section 5.1. (pages 192-219)
9.2. Operating results	Section 5.1. (pages 192-219)

No. 809/2004 of April 29, 2004	Cross-reference
10. Capital resources	
10.1. Information on issuer's capital resources (both short- and long-term)	Section 5.5. (page 301) Section 5.1.2.9.5. (page 216)
10.2. Sources and amounts of issuer's cash flows	Section 5.1.2.8. (page 211) Section 5.4.4. (page 249) Section 5.6.4. (page 344)
10.3. Information on borrowing requirements and funding structure of the issuer	Section 5.1.2.6.9. (page 203) Section 5.5. (pages 310-312)
10.4. Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	Not applicable
10.5. Information on the anticipated sources of funds	Section 4.14.4. (page 181-184)
11. Research and development, patents and licenses	Section 4.13. (pages 157-162)
12. Trend information	Section 7 (pages 400-401)
13. Profit forecasts or estimates	Not applicable
14. Administrative, management and supervisory bodies and senior management	
14.1. Name, business addresses and functions of executives	Section 6.1.1. (pages 368-374)
14.2. Administrative and supervisory bodies conflicts of interests	Section 6.1.1.3. (page 374)
15. Remuneration and benefits	
15.1. Amount of remuneration paid and benefits in kind	Section 6.2.1. (pages 387-389)
15.2. Total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits	Section 6.2.1.5. (page 388)
16. Board practices	
16.1. Date of expiration of the current terms of office	Section 6.1.1. (pages 368-374)
16.2. Service contracts of members of administrative, management and supervisory bodies	Section 6.1.1.3. (page 374)
16.3. Information about the issuer's Audit Committee and Remuneration Committee	Section 6.1.2.2. (pages 374-375)
16.4. Compliance with applicable corporate governance regime	Section 6.1.2. (page 374)
17. Employees	
17.1. Number of employees	Section 5.2.1. (page 220)
17.2. Shareholdings and stock options	Section 6.2.2. (page 387) Section 6.3. (pages 393-394)
17.3. Arrangements for involving employees in the capital of the issuer	Section 6.3. (pages 393-394)
18. Major shareholders	
18.1. Distribution of capital	Section 3.2.3. (page 17)
18.2. Existence of different voting rights	Section 3.2.3. (page 17)
18.3. Control of the issuer	Section 3.2.3. (page 17) Section 4.14.3.6. (page 179)
18.4. Arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer	Not applicable
19. Related party transactions	Section 5.5. (page 315)

No. 809/2004 of April 29, 2004	Cross-reference
10. Capital resources	
10.1. Information on issuer's capital resources (both short- and long-term)	Section 5.5. (page 301) Section 5.1.2.9.5. (page 216)
10.2. Sources and amounts of issuer's cash flows	Section 5.1.2.8. (page 211) Section 5.4.4. (page 249) Section 5.6.4. (page 344)
10.3. Information on borrowing requirements and funding structure of the issuer	Section 5.1.2.6.9. (page 203) Section 5.5. (pages 310-312)
10.4. Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	Not applicable
10.5. Information on the anticipated sources of funds	Section 4.14.4. (page 181-184)
11. Research and development, patents and licenses	Section 4.13. (pages 157-162)
12. Trend information	Section 7 (pages 400-401)
13. Profit forecasts or estimates	Not applicable
14. Administrative, management and supervisory bodies and senior management	
14.1. Name, business addresses and functions of executives	Section 6.1.1. (pages 368-374)
14.2. Administrative and supervisory bodies conflicts of interests	Section 6.1.1.3. (page 374)
15. Remuneration and benefits	
15.1. Amount of remuneration paid and benefits in kind	Section 6.2.1. (pages 387-389)
15.2. Total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits	Section 6.2.1.5. (page 388)
16. Board practices	
16.1. Date of expiration of the current terms of office	Section 6.1.1. (pages 368-374)
16.2. Service contracts of members of administrative, management and supervisory bodies	Section 6.1.1.3. (page 374)
16.3. Information about the issuer's Audit Committee and Remuneration Committee	Section 6.1.2.2. (pages 374-375)
16.4. Compliance with applicable corporate governance regime	Section 6.1.2. (page 374)
17. Employees	
17.1. Number of employees	Section 5.2.1. (page 220)
17.2. Shareholdings and stock options	Section 6.2.2. (page 387) Section 6.3. (pages 393-394)
17.3. Arrangements for involving employees in the capital of the issuer	Section 6.3. (pages 393-394)
18. Major shareholders	
18.1. Distribution of capital	Section 3.2.3. (page 17)
18.2. Existence of different voting rights	Section 3.2.3. (page 17)
18.3. Control of the issuer	Section 3.2.3. (page 17) Section 4.14.3.6. (page 179)
18.4. Arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer	Not applicable
19. Related party transactions	Section 5.5. (page 315)

No. 809/2004 of April 29, 2004	Cross-reference
20. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses	
20.1. Historical financial information	Sections 5.4. to 5.7. (pages 244-366)
20.2. Pro forma financial information	Not applicable
20.3. Financial statements	Sections 5.4. to 5.7. (pages 244-366)
20.4. Auditing of historical annual financial information	Section 5.4.1. (pages 244-245) Section 5.6.1. (pages 338-339)
20.5. Age of latest financial information	Section 5.4.2. (pages 246-248)
20.6. Interim and other financial information	Not applicable
20.7. Dividend policy	Section 3.4. (page 23)
20.8. Legal and arbitration proceedings	Section 4.14.5. (pages 185-186)
20.9. Significant change in the issuer's financial or trading position	Section 7.1. (page 400)
21. Additional information	
21.1. Share capital	Section 3.2. (pages 15-19) Section 3.7. (pages 28-33)
21.2. Memorandum and Articles of Association	Sections 3.1. à 3.2. (pages 10-19) Section 6.1. (pages 368-386) Section 6.4. (page 395)
21.2.4. Actions necessary to change the rights of holders of the shares, indicating where the conditions are more significant than is required bylaw	Section 3.1.2. (page 10) Section 3.1.10.3. (page 13) Section 3.1.10.4. (page 14)
22. Major Contracts	Section 4.8. (pages 140-142)
23. Third party information and statement by experts and declarations of any interest	Not applicable
24. Documents on display	Section 1.5. (page 4)
25. Information on holdings	Section 3.6. (page 26) Section 5.5. (page 337)

A business corporation (société anonyme) with an Executive Board and a Supervisory Board
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