PRESS
RELEASE

AREVA

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2003 Results

- **Operating income up 90%:** **€342M(4,1% of sales)**
- **Consolidated net income up 62%:** **€389M**
- **Net cash up sharply:** **€1,236M**
- **Operating margin in Energy operations:** **€523M (7.7% of sales)**
- **Connectors' operating income before restructuring back in the black:** **+€21M (1.6% of sales)**
- **Net dividend recommendation to general assembly** **€6.20**

The Supervisory Board of the AREVA group, chaired by Philippe Pontet, met today to examine the financial statements for fiscal year 2003, closed on March 4 by the Executive Board.

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(in millions of euros)	**2002**	**2003**	**2003/2002 change**	**2003/2002 like-for-like**[1]
Sales	8,265	8,255	-0.1%	+6%
Operating income *% of sales* *Including restructuring costs*	180 *2,2%* *-345*	342 *4,1%* *-218*	+ 90%	-
Consolidated net income	240	389	+ 62%	-
Operating cash flow	618	902	+ 46%	-
Net cash position	731	1 236	+ 69%	-

Commenting on these results, Anne Lauvergeon, Chairman of the Executive Board, stated:

" AREVA's financial results for 2003 were up sharply. In Energy, the level of business was very high and consolidated in line with the first half of the year its operating income at 7.7% of sales. In Connectors, we delivered on our goal of restoring profit margins and the business achieved break-even in the second quarter of 2003, six months ahead of the schedule announced in early 2002.

For 2004, we are aiming for even more growth in consolidated operating income and ROACE. The return to profitability for Connectors should be confirmed with significant operating income, even after restructuring costs.

The acquisition of the Transmission & Distribution division became final on January 9, 2004, and we are now focusing on integrating it into the AREVA industrial framework. The T&D

[1] i.e. at constant consolidation scope and exchange rate.

business had a difficult year in 2003 and did not break even operationally. Due to the steep decline in orders in the second half of 2003, reflecting in particular Alstom group's difficulties in issuing bonds to its customers, the business could continue to post operating losses in 2004. The T&D division, one of the top three players in this sector worldwide, has best-of-breed technologies and the potential for great improvement. We have embarked on a comprehensive strategic review to refocus the business on its core competencies and markets and heighten profitability levels."

I – Overall performance (see attached financial statements)

An exceptional year in Energy yields sales growth of 6% like-for-like

The AREVA group had consolidated sales in 2003 of €8.255B (see February 10, 2004 press release, available at www.areva.com), representing growth of 6% on a like-for-like basis compared with 2002. Consolidated sales were stable (-0.1%) in accounting terms due to the negative impact of the dollar.

Sales for the **Energy** sector were €6.83B, up 6.9% over 2002 like-for-like (vs. +3.8% reported). **Connectors** posted growth of 2.3% over 2002 like-for-like, with sales of €1.338B, thanks to greater fourth quarter production volumes. In accounting terms, Connector division sales receded 14.2% due to changes in consolidation (sale of *Military Aerospace Industry* and *Cable & Assembly*) and to the negative impact of the dollar.

Return to break-even in Connectors translates into 90% growth in operating income

Consolidated operating income was up 90% in 2003 at €342M, compared with €180M in 2002, a year that had already posted an increase of 48%.

The operating margin in **Energy** was €523M, down from €619M[2] in 2002. This includes €83M in restructuring costs, versus €76M in 2002. Operating margin was thus 7.7% in 2003, compared with 9.4%[3] in 2002, when production volumes were particularly high in the Back End division.

In Connectors, the 2003 operating loss was -€114M, compared with -€406 in 2002. Restructuring costs represented €135M in 2003, compared with €269M the previous year. Before restructuring costs, the Connectors division posted 2003 operating income of €21M, compared with a 2002 operating loss of -€136M. Break-even was reached at the end of the second quarter of 2003, ahead of the end-2003 schedule announced by the group in April 2002. Operating income was in the black in both the third and fourth quarters of 2003, posting gains year-on-year of +€11M and €28M respectively.

As a result of these factors, plus a drop in capital employed, consolidated ROACE (return on capital employed) rose from 2.2% in 2002 to 4.7% in 2003. The **Energy** sector had a ROACE of 10.6%.

Consolidated net income up 62%

Consolidated net income for 2003 stood at €389M, up 62% from the €240M posted in 2002. Earnings per share were €10.97 in 2003, compared with €6.77 in 2002. The main growth driver was the increase in operating income.

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[2] In 2003, the group reallocated overheads previously classified under "Corporate and other operations" to divisions in the Energy sector. The €649M in operating income reported for fiscal year 2002 becomes €619M after this adjustment.

[3] Similarly, the 9.9% operating margin reported for fiscal year 2002 becomes 9.4% after this adjustment.

- Net financial income for the period was €334M, down from €587M in 2002, primarily due to lower gains on sales of securities. The group sold 7 million “Total” shares in 2002 for a gain of €689M. An additional 3.2 million Total shares were sold in 2003 for a gain of €288M. Net gains[4] on the sales were €387M in 2002 and €160M in 2003. The group still owned 2.2 million shares of the Total group at end-2003. The sale helped finance part of the acquisition of the T&D division.

- Exceptional items of €135M were posted in 2003, compared with €289M in 2002, mainly for gains on the €65M sale of the Military Aerospace Industry (MAI) business unit in the Connectors division. Also included is the gain on Assystem shares contributed to the Brime Technologie exchange offer in the amount of €47M. In addition, 2002 had seen major disposals of non-business real estate assets.

- Goodwill amortization amounted to €174M in 2003, down from €593M in 2002, a year marked by exceptional amortization of goodwill in the amount of €275M from the purchase of Berg in the Connectors business in 1998. No exceptional depreciation was taken for goodwill in 2003.

Strong operating cash flow in 2003

Available operating cash flow[5] produced by the group was €902M in 2003 compared with €618M in 2002.

Cash flow *(in millions of euros)*	**2002**	**2003**	**2003/2002 change**
EBITDA *% of sales*	**1 150** *13,9%*	**937** *11,3%*	**-213** *-2,6 pts*
Changes in working capital	-73	289	+362
Net operating CAPEX	-483	-336	+147
Unrealized gains/losses on disposals	**24**	**12**	**-12**
Operating cash flow	**618**	**902**	**+284**
Net financial investments	-213	+7	+228
Dividends paid	-262	-297	-35
Net reclassifications (Assystem, mutual funds, etc.)	0	-496	-496
Other (income tax, non-op. WCR,etc.)	930	+ 390	-540
Increase/decrease in net cash	**1 073**	**505**	**- 568**
Net cash position	**731**	**1 236**	**+505**

- **Energy** operations produced a particularly high operating cash flow representing €958M in 2003. This performance principally reflects a sharp reduction in working capital requirements (-€247M) together with a strong decrease in services in-process and a return to typical accounts receivable levels compared with 2002. Major investment

[4] After corporate tax and goodwill amortization recorded on Total shares when AREVA was formed

[5] Operating cash flow: EBITDA +/- Change in cash position – net investment in fixed assets used in operations

programs in the Back End of the cycle are now essentially complete and net investment in fixed assets decreased in 2003.

- The **Connectors** business went back to a positive operating cash flow (€67M) generating mode (before restructuring expenses). EBITDA[6] for Connectors, before restructuring costs, was €118M (10.7% of sales), a clear indication of improved operating profitability. Net investment in fixed assets totaled €62M, down from 2002. Payments related to restructuring costs represented €91M for the year. Accordingly, operating cash flow net of restructuring expenses was -€24M.

Investments recorded as financial assets in 2003 include an initial €150M down-payment pursuant to the agreement concluded with URENCO in late 2003 to acquire a 50% interest in ETC and to gain access to centrifugation technology. Various administrative authorizations required for its implementation are still pending.

It should be noted that €576M were transferred from AREVA's cash holdings to the group's decommissioning assets portfolio to offset, at market value, the removal of SAGEM shares from the portfolio. These shares were transferred to the portfolio of financial assets not earmarked for decommissioning[7]. This decision was made following simplification of the shareholding structure for SAGEM.

The net change in cash position for 2003 was €505M.

Balance sheet: strong financial position maintained

- **Net cash position**

  The AREVA group's net cash position[8] at December 31, 2003 was €1,236M, compared with €731M[9] at December 31, 2002. This significant increase reflects the unusually large amount of cash flow generated this year, as indicated above. As per accounting regulations, the reported cash position does not include unrealized gains on marketable securities, representing €194M as of December 31, 2003.

  It should be noted that cash disbursements relating to the acquisition of the Transmission and Distribution business took place at closing on January 9, 2004. The final acquisition price will not be known and adjusted until the second half of 2004.

- **Provision for decommissioning**

  During the first half of 2002, the group revised the decommissioning cost estimate for the La Hague facilities, which represent the largest part of its total decommissioning budget. No significant changes in the situation were revealed by this new evaluation in relation to the previous estimate. The total undiscounted value[10] of decommissioning provisions was €12.316B as of December 31, 2003 compared with €12.283B as of December 31, 2002. The share of costs financed by third parties (customers) totaled €7.991B, while the share to be borne by AREVA was €4.325B.

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[6] EBITDA: operating income + net amortization, depreciation and provisions (excluding provisions for depreciation of working capital items)

[7] At end-2003, the group held a 16.9% participating interest in SAGEM, recorded as Securities held in long-term financial portfolio not earmarked for decommissioning.

[8] Marketable securities + cash – debt, including interest-bearing advances from customers.

[9] The net cash position reported at end-2002 was €1.085B. In 2003, the group decided to deduct interest-bearing advances from customers from net cash. At December 31, 2002, the net pro forma cash position reflecting this change of definition was €731M.

[10] Disbursements for these commitments to take place, for the most part, post-2015 and beyond 2040.

To finance its share of the decommissioning provision, the AREVA group has set aside, over a period of several years, a portfolio of financial assets earmarked for future decommissioning operations. The net after-tax value of the decommissioning assets was €2.221B as of December 31, 2003, compared with €1,889M as of December 31, 2002. Given this value, the portfolio must yield an after-tax return, net of inflation, of 3.6% per year to cover all future costs to be borne by the group. This rate of return is reasonable in light of past investment performance. Over the period 1993-2003, the portfolio's average annualized return was +11.1%, including +23% in 2003.

Dividend distribution out of 2003 net income

The Supervisory Board has decided to propose to the Combined Annual Meeting of Shareholders called for May 4, 2004 a dividend distribution of €6.20 per share and per investment certificate, identical to the dividend paid out of 2002 net income. The dividend corresponds to 57% of the company's net income and will be paid as of June 30, 2004.

II – Performance by division

Front End division

in millions of euros	**2002***	**2003***	**% change 2003/2002**	**% change like-for-like**
Sales	2 562	2 683	+4.7%	+10.3%
Operating income *In % of sales*	319 *12.4%*	316 *11.8%*	-0.9% *-0.6 pts*	n.a.

*Various charges formerly recorded under "Corporate and others" were reallocated to the Energy divisions in 2003.

- **Front End** division sales rose 4.7% to €2.683B, compared with €2.562B in 2002. Like-for-like growth, considering changes in consolidation and exchange rates, was 10.3%.

- The **Front End** division's operating income was €316M in 2003, unchanged from 2002. This stable performance reflects the significant increase in operating income for Enrichment, punctuated by record international sales. Operating income was down for Fuel, following a very strong showing in 2002 with the delivery of the first core for the Ling Ao 2 reactor in China and major uranium fuel deliveries in France. In Mining, operating income was stable despite increased costs linked to a three-month interruption of operations due to flooding at the McArthur uranium mine in Canada and production stoppage at the Ity gold mine in Côte d'Ivoire due to local unrest in early 2003.

Reactors and Services division

in millions of euros	**2002***	**2003***	**% change 2003/2002**	**% change like-for-like**
Sales	1 932	2 124	+9.9%	+13.2%
Operating income *In % of sales*	64 *3.3%*	52 *2.4%*	-18.7% *-0.9 pts*	n.a.

* Various charges formerly recorded under "Corporate and others" were reallocated to the Energy divisions in 2003.

- The **Reactors and Services** division's sales were up 9.9% compared with 2002, at €2.124B versus €1.932B. Like-for-like growth, considering changes in consolidation and exchange rates, was 13.2%.

- The **Reactors and Services** division's operating income was down 18.7% to €52M in 2003, against €64M in 2002. The decrease comes mainly from additional provisions and costs incurred on a service contract in the Ukraine. As a result of lessons learned from this event, the group has strengthened its controls on major engineering and services proposals and on contract performance.

  This one-time problem was partially offset by two bonus payments in 2003 received when the Angra 2 and Civaux 2 reactors met their operating performance commitments.

  Operating income performance would have been more in line with the Reactors and Services division's sales growth if these exceptional events had not taken place.

Back End division

in millions of euros	**2002***	**2003***	**% change 2003/2002**	**% change like-for-like**
Sales	2 088	2 023	-3.1%	-2.8%
Operating income In % of sales	236 *11.3%*	155 *7.7%*	-34.3% *-3.6 pts*	n.a.

* Various charges formerly recorded under "Corporate and others" were reallocated to the Energy divisions in 2003.

- **Back End** division sales were down 3.1% to €2.023B, compared with €2.088B in 2002. The like-for-like variation, considering changes in consolidate and exchange rates, was 2.8%.
- Operating income for the **Back End** was €155M in 2003, down 34.3% from €236M in 2002. The decrease is attributable to transitional events in the recycling business, where revenue is now recorded based on production and where additional costs were incurred during shutdown of the Cadarache facility (per commitments, commercial MOX fuel fabrication operations were stopped at Cadarache and transferred to the Melox plant). In addition, MOX fuel fabrication for two Japanese utilities was suspended in 2002 at the customers' request.

Connectors division

in millions of euros	**2002**	**2003**	**% change reported**	**% change like-for-like**
Sales	1 560	1 338	-14.2%	+2.3%
Operating income before restructuring *In % of sales*	-136 -8.7%	21 *1.6%*	n.s *+10.3 pts*	n.a.
Operating income	-406	-114	n.a.	n.a.

- Sales for the **Connectors** division totaled €1.338B in 2003, compared with €1.560B in 2002. Like-for-like, considering changes in consolidation and exchange rates, sales were up for the first time since 2000 (+2.3%), reflecting strong fourth quarter growth (+8.1% like-for-like compared with Q3 2003).
- Despite significantly lower sales, operating income for Connectors before restructuring costs was back in the black in 2003, at €21M, compared with a -€136M loss in 2002. This improved performance before restructuring costs is above all due to cost and productivity gains achieved during the year, for a positive impact of €209M for the year. The *Communication Data Consumer* business trimmed its losses very significantly throughout the year and reached break-even in the fourth quarter. The *Automotive* business maintained its profitability at 2002 levels despite tightened market conditions.

The division's restructuring costs were also reduced from €270M in 2002 to €135M in 2003. The operating loss after restructuring costs was divided by 3.5, dropping from -€406M in 2002 to -€114M in 2003.

Financial calendar

- March 17, 2004: Presentation of 2003 financial results
- May 6, 2004: Press release – First quarter 2004 sales
- August 5, 2004: Press release – First half 2004 sales
- September 28, 2004 – Press release – First half 2004 financial results
- November 4, 2004 – Press release – Third quarter 2004 sales

More about

AREVA is a worldwide expert in the energy field, with a strong industrial presence in over 40 countries. The Group provides its customers with technological solutions for nuclear energy production and electricity. AREVA also offers interconnect systems, principally in the telecommunications, computer and automotive markets. The 75,000 AREVA employees are thus committed to the major challenges of the 21st century: access to energy for everyone, preservation of the planet and responsibility toward future generations.

-> For more information, go to www.areva.com

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Attachment 1: Income statement

in millions of euros	2003	2002	2001
SALES	**8 255**	**8 265**	**8 902**
Cost of sales	(6 138)	(6 129)	(6 956)
GROSS MARGIN	**2 117**	**2 136**	**1 946**
Research & development expenses	(285)	(332)	(377)
Sales & marketing expenses	(352)	(384)	(471)
General & administrative expenses	(587)	(624)	(571)
Other operating income & expenses	(551)	(616)	(405)
OPERATING INCOME	**342**	**180**	**122**
Net financial income	334	587	199
Exceptional items	135	289	319
Income tax	(184)	(220)	(120)
Share in net income of equity affiliates	20	83	102
NET INCOME BEFORE GOODWILL AMORTIZATION	**647**	**919**	**622**
Goodwill amortization	(174)	(593)	(989)
NET INCOME BEFORE MINORITY INTERESTS	**473**	**326**	**(367)**
Minority interests in subsidiary earnings	(84)	(86)	(220)
CONSOLIDATED NET INCOME	**389**	**240**	**(587)**
AVERAGE NUMBER OF SHARES OUTSTANDING	35 442 701	35 442 701	31 423 772
Earnings per share (in €)	10.97	6.77	(18.65)

Attachment 2: Cash flow statement

in millions of euros	**2003**	**2002**	**2001**
CASH FLOW FROM OPERATING ACTIVITIES			
Consolidated net income	389	240	(587)
Minority interests in subsidiaries' earnings	84	86	220
Net income before minority interests	473	326	(367)
Share in loss (gain) in net income of equity affiliates, net of dividends	9	(55)	(93)
Net depreciation of fixed assets	721	786	879
Net goodwill amortization	176	594	989
Net provision for risk and liabilities	(65)	331	309
Loss (gain) on disposals of fixed assets and marketable securities	(494)	(977)	(51)
Other non-cash items	19	6	(305)*
Cash flow from operations	839	1 011	1361
Changes in working capital requirement	379	(104)	(157)
CASH FROM OPERATING ACTIVITIES	**1 218**	**907**	**1 204**
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in tangible and intangible assets	(365)	(430)	(560)
Investment in long-term notes and investments	(277)	(475)	(678)
Change in customer prepayments invested in fixed assets	0	(71)	(515)
Disposals of tangible and intangible assets	29	230	1
Disposals of long-term notes and investments	284	262	446
CASH FROM INVESTING ACTIVITIES	**(329)**	**(484)**	**(1 306)**
CASH FLOW FROM FINANCING ACTIVITIES			
Capital contributions received	-	-	133
Dividends paid	(297)	(262)	(1 225)
Increase (decrease) in debt	(1 670)	72	279
CASH FROM (USED FOR) FINANCING ACTIVITIES	**(1 967)**	**(190)**	**(813)**
Decrease (increase) in marketable securities	621	995	-
Foreign exchange adjustments	(12)	23	10
	(176)		
INCREASE (DECREASE) IN NET CASH	**(645)**	**1 250**	**(903)**
Beginning cash position	2 045	1 715	2 949
Less bank credit balances	(116)	(216)	(547)
Less reclassification of marketable securities		(819)	
NET CASH AT THE BEGINNING OF THE YEAR	**1 929**	**680**	**2 402**
Ending cash position	1 367	2045	1 715
Reclassification of current accounts	(12)		
Less bank credit balances	(71)	(116)	(216)
NET CASH AT THE END OF THE YEAR	**1 284**	**1 929**	**1 499**

Attachment 3: Balance sheet

ASSETS in millions of euros at December 31	**2003**	**2002**	**2001**
FIXED ASSETS			
Net intangible assets	1 747	2 047	2 729
Decommissioning assets	9 109	9 223	-
Net tangible assets	3 447	4 647	5 321
Equity in net assets of affiliates	1 492	1 652	1 674
Other long-term notes and investments	3 299	2 580	3 206
TOTAL	19 094	20 149	12 930
WORKING CAPITAL			
Inventories and in-process	1 619	1 960	2 119
Trade accounts receivable and related accounts	2 234	2 552	2 509
Other accounts receivable	1 208	1 400	1 286
Cash and cash equivalents	2 036	3 302	1 715
TOTAL WORKING CAPITAL	7 097	9 214	7 629
TOTAL ASSETS	**26 191**	**29 363**	**20 558**

LIABILITIES AND SHAREHOLDERS' EQUITY in millions of euros at December 31	**2003**	**2002**	**2001**
Share capital	1 347	1 347	1 347
Consolidated premiums and reserves	2 414	2 333	3 156
Currency translation reserves	(37)	100	271
Consolidated net income	389	240	(587)
TOTAL SHAREHOLDERS' EQUITY	4 113	4 020	4 187
OTHER SHAREHOLDERS' EQUITY	215	215	216
MINORITY INTERESTS IN EQUITY OF CONSOIDATED AFFILIATES	959	988	1004
Pensions and retirement obligations	609	568	467
Provisions for risk and liabilities	13 383	14 485	5 116
Debt	800	2 217	2 444
Prepayments	3 615	4 066	3 576
Trade accounts payable	1 009	1 056	1 163
Other operating liabilities	1 488	1 748	2 385
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**26 191**	**29 363**	**20 558**