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AREVA

# ***1<sup>st</sup> half results 2003***

## ***Areva Group***

***Wednesday October 1, 2003***

- ▶ ***Nuclear: good level of activity in H1 2003***
- ▶ ***Enrichment: negotiations with URENCO in final stages***
- ▶ ***Dismantling: revision of estimates and negotiations underway***
- ▶ ***Connectors: operating income positive in Q2 2003***
- ▶ ***Acquisition of “Transmission and Distribution” business from Alstom signed on September 25, 2003***

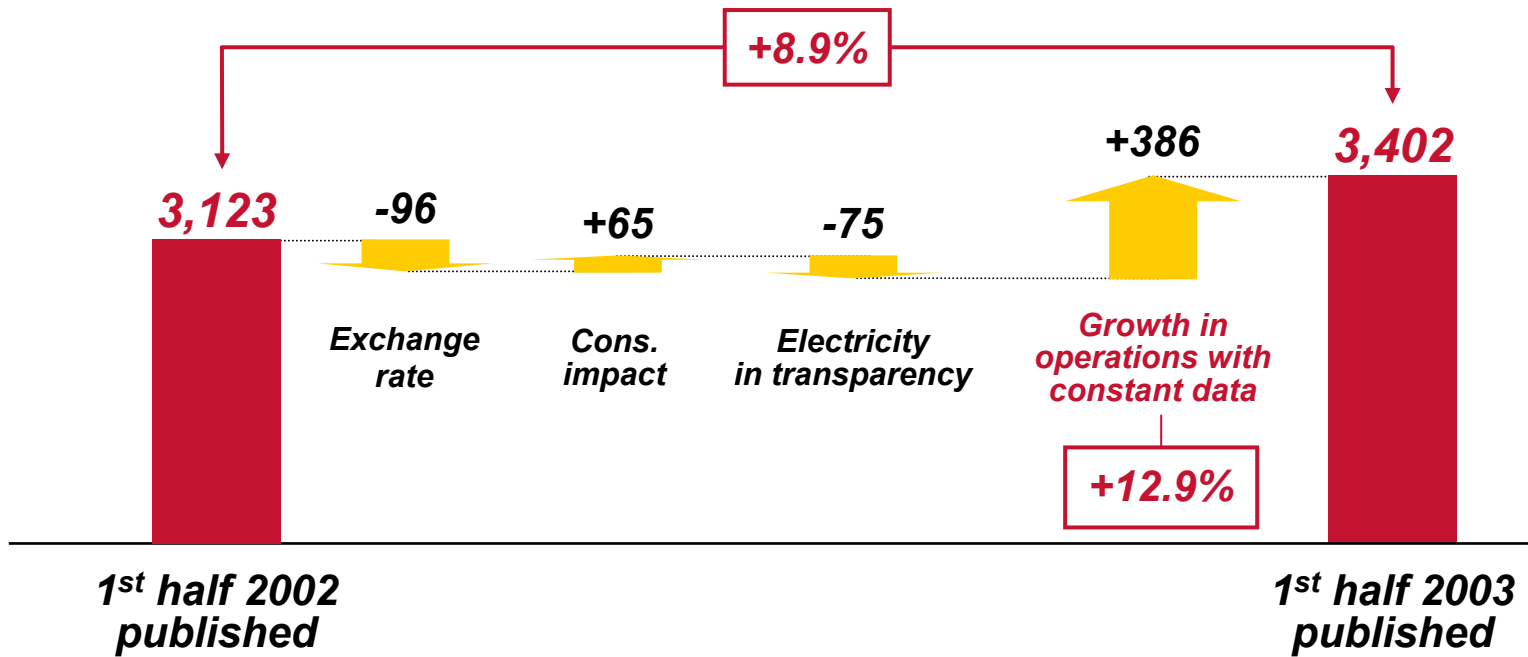
# Key figures for the Group

in millions of euros	H1 2002	H1 2003	Δ
<b>Sales revenues</b>	3,982	4,137	+3.9%
<b>Operating income before restructuring</b>	204	251	+23.0%
<b>Operating income</b>	168	161	-4.2%
<b>Financial income</b>	-1	6	
<b>Net income - Group share</b>	104	55	
<b>Net cash*</b>	1,113 (Dec. 31, 2002)	1,737 (Jun. 30, 2003)	

\*: *Book cash and cash equivalent + marketable securities - financial debt*

# Strength and profitability of Nuclear

Change in Sales Revenues (in millions of euros)



1st half 2002	in millions of euros	1st half 2003
323 10.3% of Revenues	Op. income before restruct 8.5%	289
306 9.8%	Op. income % of Revenues	274 8.1%

# Strong cash flow for Nuclear in H1 2003

in millions of euros	H1 2002	H1 2003	Δ
<b>EBITDA*</b>	<b>576</b>	<b>582</b>	<b>+1%</b>
% of sales revenues	18.4 %	17.1%	-1.3 pts
<b>Change in working capital</b>	<b>(97)</b>	<b>+462</b>	<b>n.s</b>
<b>Net capital expenditure</b>	<b>(187)</b>	<b>(180)</b>	<b>-3.7%</b>
<b>Operating cash flow</b>	<b>292</b>	<b>864</b>	<b>+196%</b>

▶ **Operating cash flow considerably higher**

- ◆ **Significant advances paid by Back End customers**
- ◆ **3 months' production stoppage at the Mc Arthur mine resulting in inventory reduction**

\* **Operating income before amortization and provisions (except amortization and provisions on current assets)**

## Front End: good improvement in sales

in millions of euros	H1 2002	H1 2003	Δ
<b>Sales revenues</b>	<b>1,300</b>	<b>1,425</b>	<b>+9.6%*</b>
<b>Op. inc. before restructuring</b>	<b>242</b>	<b>176</b>	<b>-27.3%</b>
% of sales revenues	18.6%	12.4%	-6.2 pts
<b>Operating income</b>	<b>238</b>	<b>168</b>	<b>-29.4%</b>
% of sales revenues	18.3%	11.8%	-6.5 pts

\* +19% like-for-like

### ▶ **Mines:**

- ◆ *Higher volumes*
- ◆ *Impact on margin related to the temporary shutdown at McArthur mine (Canada)*

### ▶ **Enrichment: significant increase in sales revenues and income due to higher volumes in North America and Asia**

### ▶ **Fuel:**

- ◆ *Increased volumes*
- ◆ *Margin affected by unfavourable product mix*
- ◆ *Delivery of first core of Ling Ao in H1 2002*

# Reactors & Services division: operating margin up by 4.5 points

in millions of euros	H1 2002	H1 2003	Δ
<b>Sales revenues</b>	<b>840</b>	<b>990</b>	<b>+17.9%*</b>
<b>Op. inc. before restructuring</b> % of sales revenues	<b>22</b> 2.6%	<b>60</b> 6.1%	<b>+172.7%</b> <b>+3.5 pts</b>
<b>Operating income</b> % of sales revenues	<b>11</b> 1.3%	<b>57</b> 5.8%	<b>+418%</b> <b>+4.5 pts</b>

\*+18.9% like-for-like

- ▶ **Reactors: increase due to end of contract operations at Angra2 and Civaux**
- ▶ **Continuing high level of activity for Equipment and Services business units in the USA**
- ▶ **Start-up of Technicatome contracts on propulsion systems**



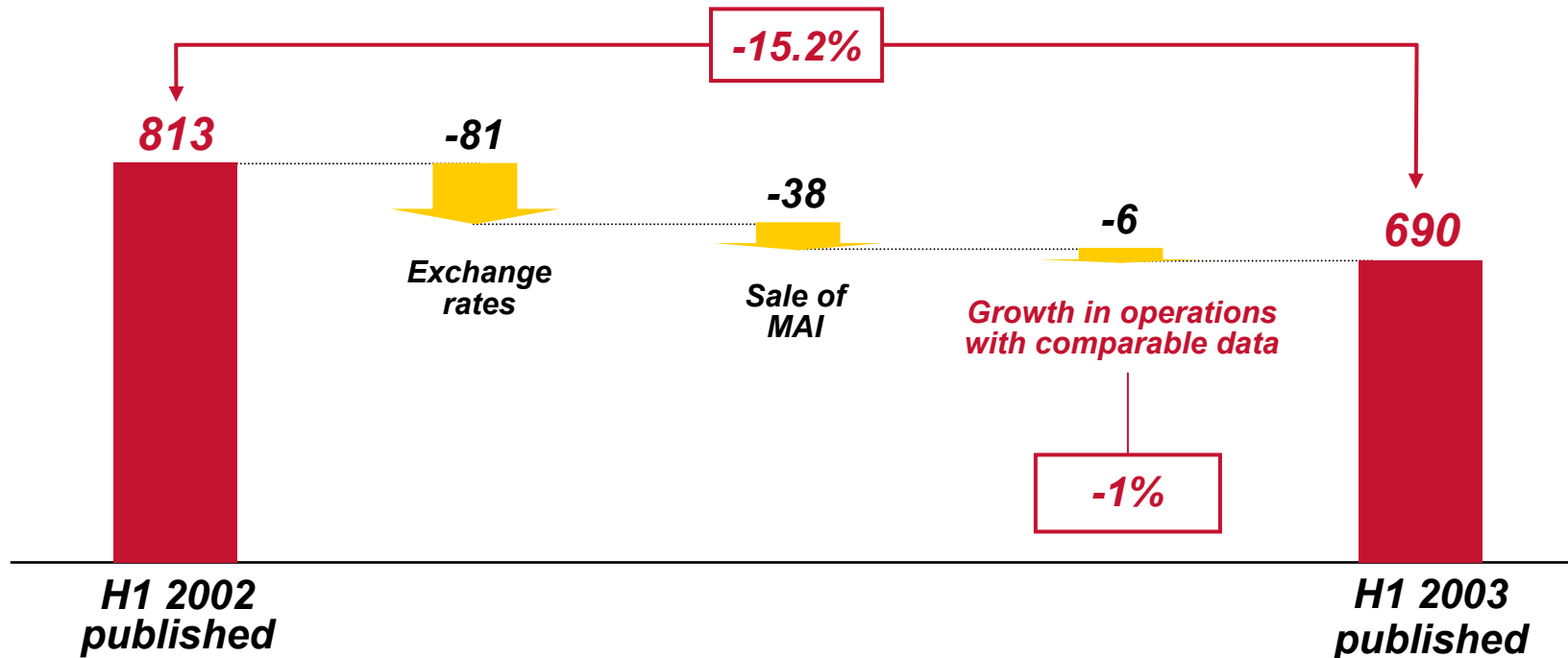
# Back End: stable with strategic contracts in the United States

in millions of euros	H1 2002	H1 2003	Δ
<b>Sales revenues</b>	<b>983</b>	<b>987</b>	<b>+0.4%</b>
<b>Op. inc. before restructuring</b> % of sales revenues	<b>59</b> 6.0%	<b>53</b> 5.4%	<b>-10.2%</b> -0.6 pts
<b>Operating income</b> % of sales revenues	<b>57</b> 5.8%	<b>49</b> 5.0%	<b>-14.0%</b> -0.8 pts

- ▶ **Normal progress on major contracts for Processing sector**
- ▶ **Melox (Recycling): decree authorising production increase to 145 t**
- ▶ **New contracts with the United States (DoE):**
  - ◆ **Test on MOX assemblies: military Pu recycled in civil reactors**
  - ◆ **New position at Yucca Mountain: \$30m contract**

# Connectors division: stable on a like-for-like basis

Trend in sales revenues (in millions of euros)

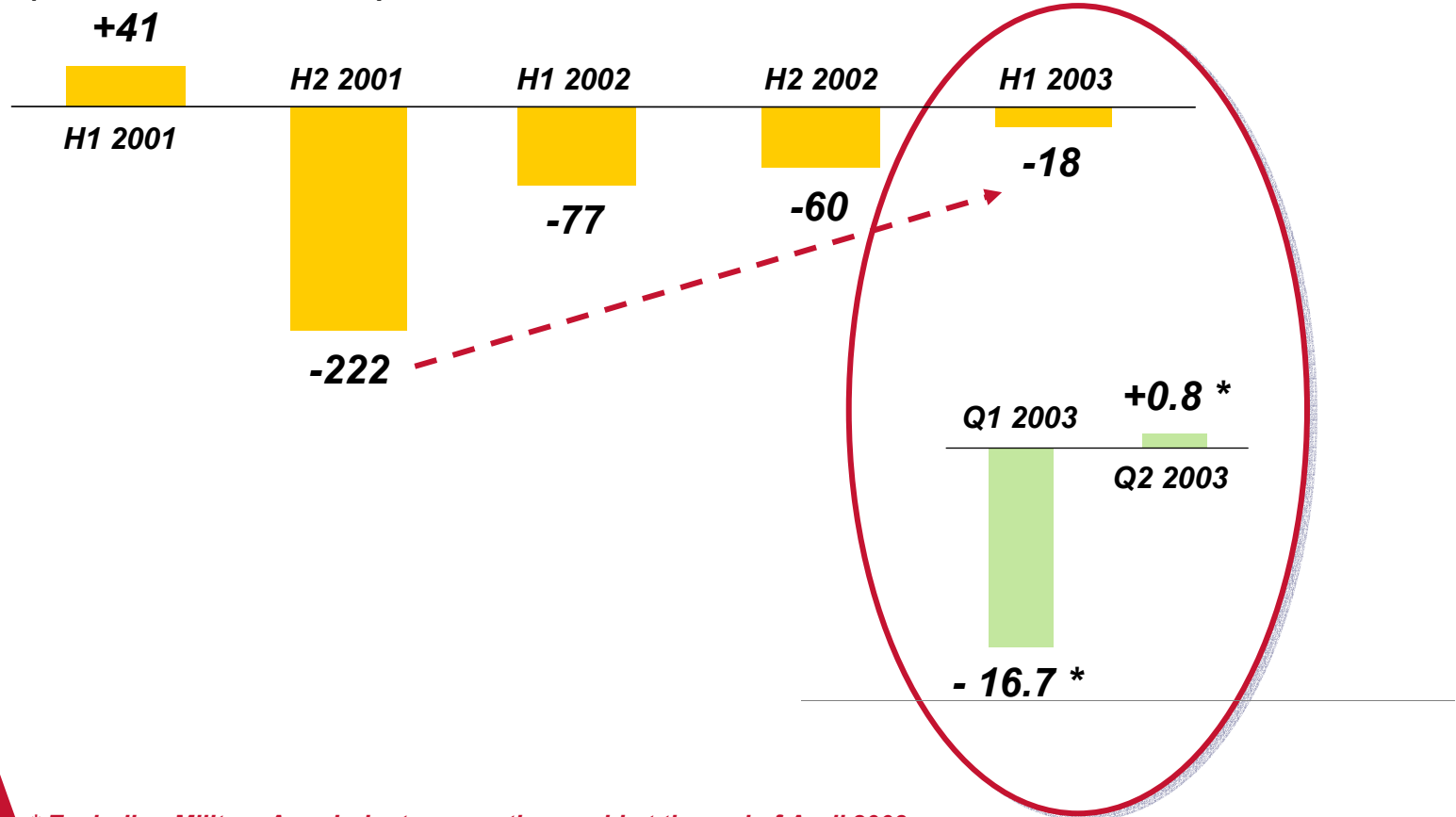


- ▶ **CDC (-2.1%\*):** Stabilization without visible recovery in telecom market: rebalanced towards IT sector
- ▶ **Auto (+6.5%\*):** Continued growth with gains in market share
- ▶ **EPI (-11.6%\*):** Reduced volumes on US and European markets

\* Excluding currency and consolidation effects

# Connectors division: Breakeven achieved in 2<sup>nd</sup> quarter 2003

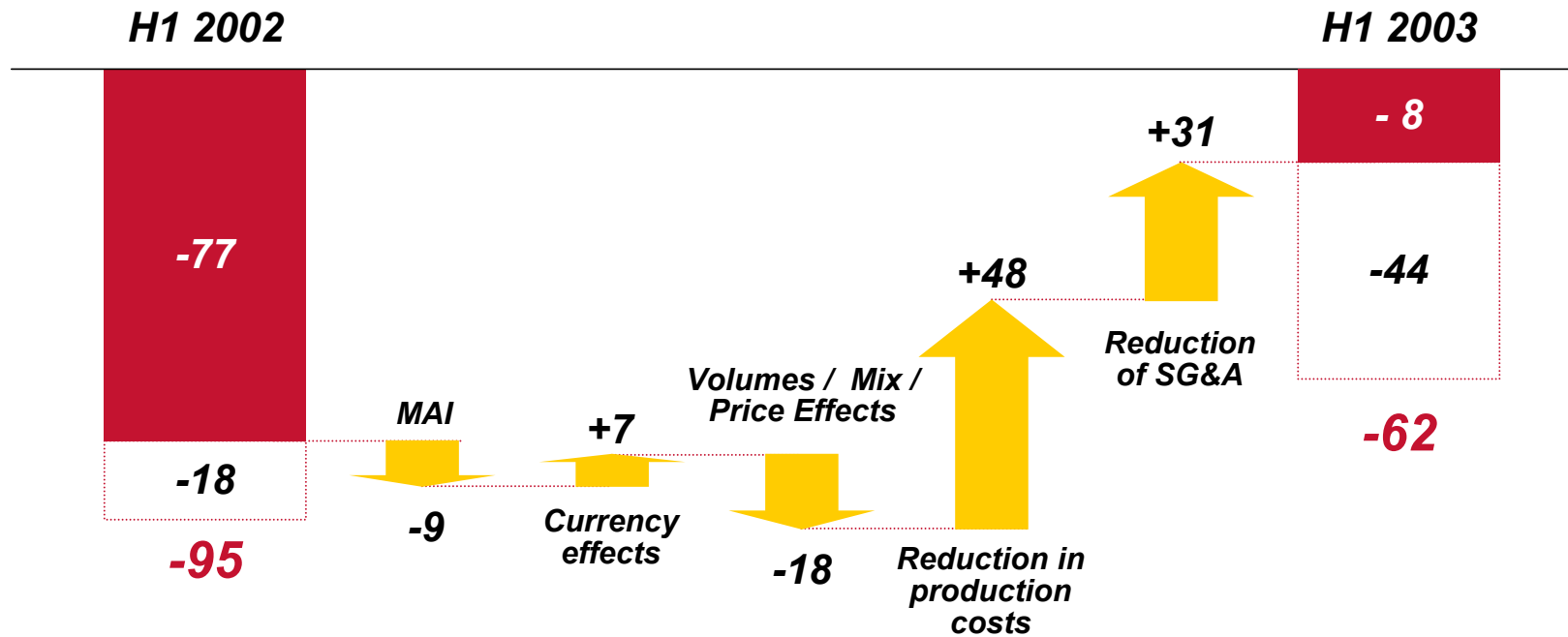
Operating income before restructuring expenses for Connectors Division  
(in millions of euros)



\* Excluding Military Aero Industry operations sold at the end of April 2003

# Connectors division: decrease in general commercial and administrative costs

Connectors division: Movement in operating income (in millions of euros)



- Operating income before restructuring expenses
- Restructuring costs

# Connectors division: positive operating cash flow before cash effect of restructuring

in millions of euros	H1 2002	H1 2003	Δ
<b>EBITDA before restructuring*</b>	<b>+15</b>	<b>+42</b>	<b>+27</b>
<b>Change in working capital</b>	<b>+13</b>	<b>(11)</b>	<b>-24</b>
<b>Net capital expenditure</b>	<b>(44)</b>	<b>(26)</b>	<b>+18</b>
<b>Operating cash flow before restruct.</b>	<b>(16)</b>	<b>+5</b>	<b>+21</b>
<b>Restructuring expenditure</b>	<b>(20)</b>	<b>(48)</b>	<b>-28</b>
<b>Operating cash flow</b>	<b>(36)</b>	<b>(43)</b>	<b>-7</b>

\* Operating income before amortization and provisions (except amortization and provisions on current assets)

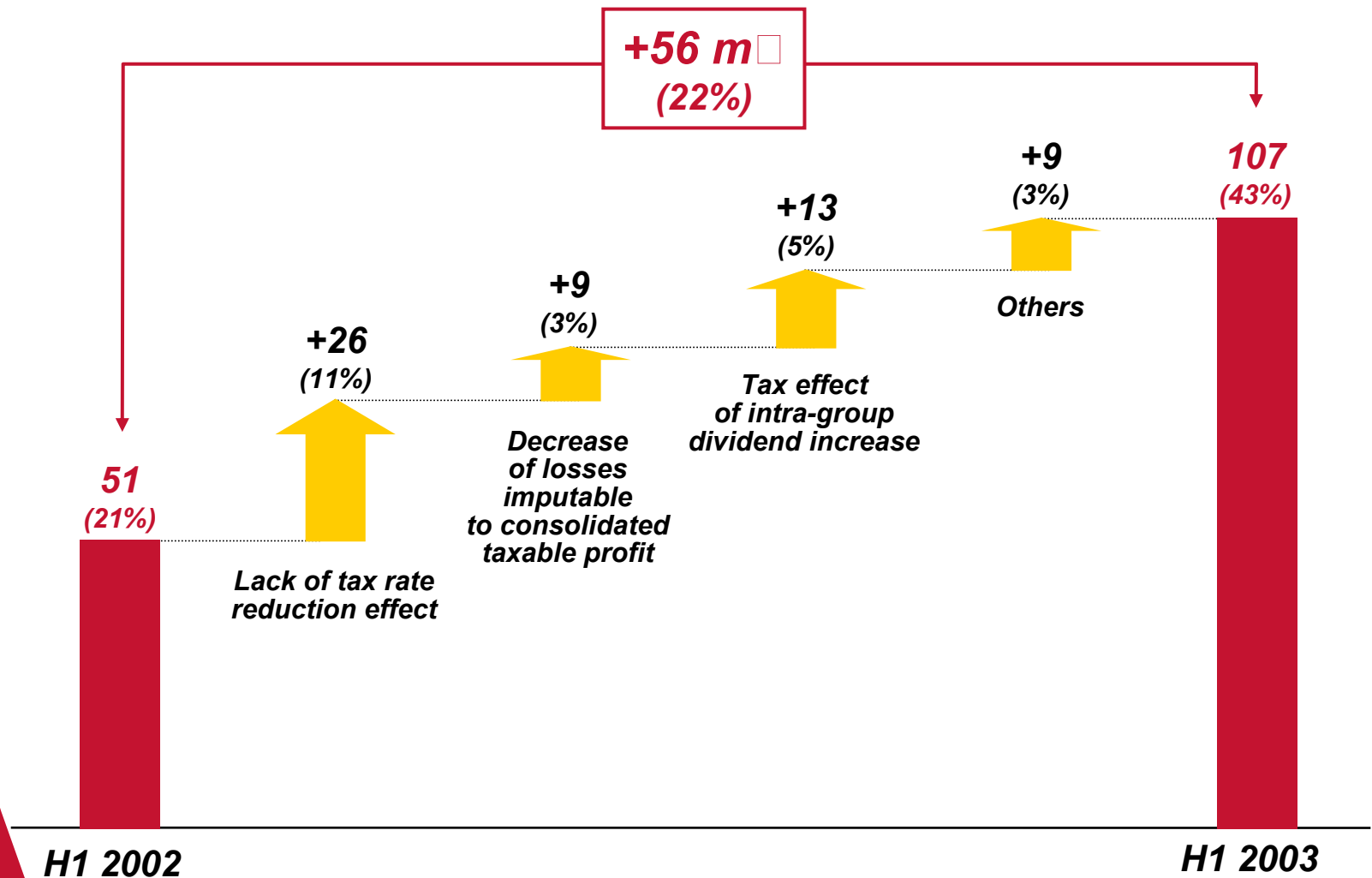
## **Connectors division on target**

- ▶ ***The recovery plan is running as projected***
  - ◆ ***Reorganization of production capacities***
  - ◆ ***Sale of MAI (April 2003)***
  - ◆ ***Sale of Cable & Assembly of the CDC BU (in progress)***
- ▶ ***The plan is producing the expected effects***
  - ◆ ***Operating income in the black, before restructuring costs***
  - ◆ ***Return to positive cash flow, before restructuring costs***
- ▶ ***Continuation of a substantial restructuring plan over the second half of 2003***

# Group income statement

in millions of euros	H1 2002	2002	H1 2003	Δ H1 03 / H1 02
<b>Sales revenues</b>	3,982	8,265	4,137	+3.9%
<b>Operating income</b>	168	180	161	-4.2%
<b>Financial income / (expense)</b>	(1)	587	6	n.s
<b>Exceptional income</b>	76	289	81	+6.6%
<b>Income tax</b>	(51)	(220)	(107)	-109.8%
<b>Income from equity affiliates</b>	31	83	18	- 41.9%
<b>Amortization of goodwill</b>	(75)	(593)	(55)	+26.7%
<b>Minority interests</b>	(44)	(86)	(48)	-9.1%
<b>Net income - Group share</b>	104	240	55	-47.1%

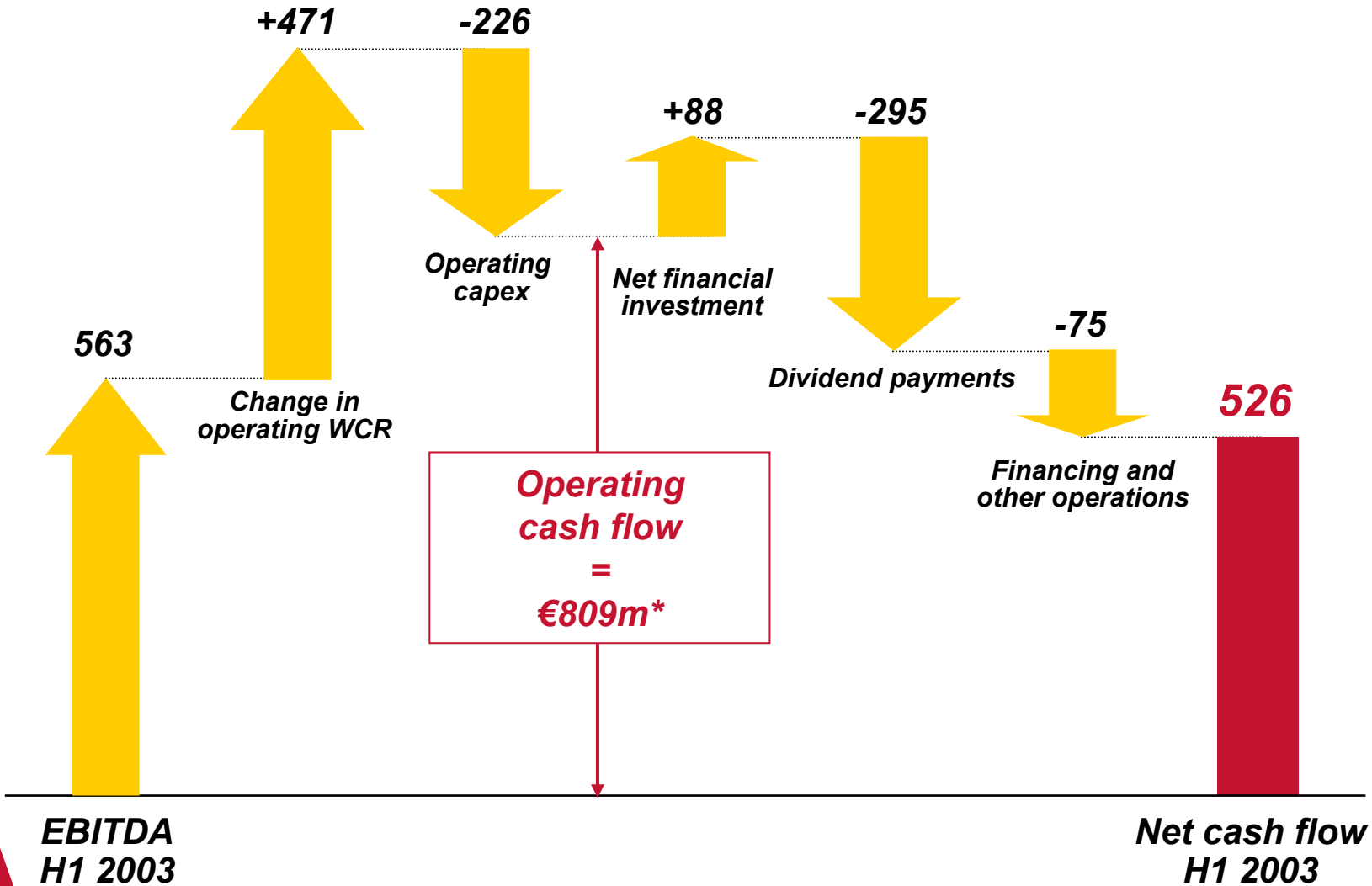
## Evolution of tax expenses in millions of euros and effective tax rate on profit before tax





# High cash flow over the first half of 2003

In millions of euros



\* includes €12M from "Corporate" (corporate expenses and non-strategic activities)

# Consolidated balance sheet

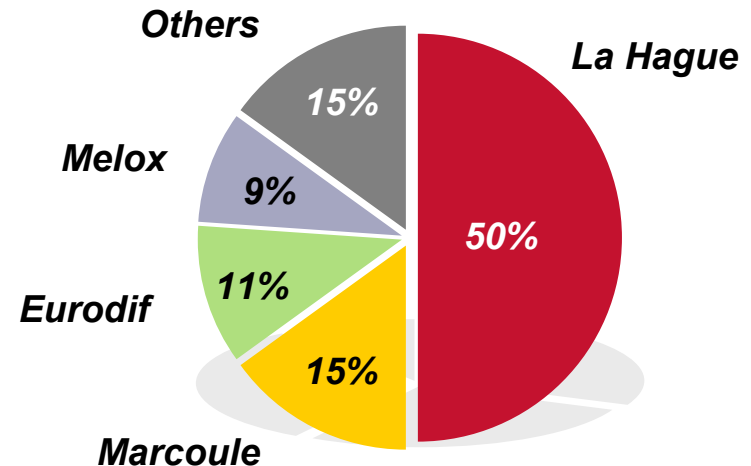
<b>Assets</b>	Dec. 31, 02	June 30, 03	<b>Liabilities</b>	Dec. 31, 02	June 30, 03
	Intangible fixed assets	2,047		1,953	Shareholders' equity
Tangible fixed assets	4,647	4,477	Other shareholders' equity	216	216
<i>Dismantling assets</i>	<i>9,223</i>	<i>9,161</i>	Minority interests	988	947
<i>Earmarked fin. portfolio</i>	<i>2,127</i>	<i>2,063</i>			
Industrial interests	1,652	1,610	<i>Dismantling provisions</i>	<i>12,283</i>	<i>12,259</i>
Financial assets	453	549	<i>of which Areva's share</i>	<i>4,263</i>	<i>4,274</i>
Total fixed assets	20,149	19,813	Other provisions	2,770	2,747
Working capital	(985)	(1,572)	<i>Net cash</i>	<i>(1,113)</i>	<i>(1,737)</i>
<b>Total assets</b>	<b>19,164</b>	<b>18,241</b>	<b>Total liabilities</b>	<b>19,164</b>	<b>18,241</b>

\* : Book cash and cash equivalents + Marketable securities - Financial debt

# Revision of dismantling estimates: general process

- ▶ **Dismantling of La Hague**
  - ◆ **Costings worked out by SGN**
  - ◆ **Calculation tools, resources and procedures verified by VERITAS**
  - ◆ **Results do not reveal any significant differences**
- ▶ **Marcoule: revision of estimates in progress**

## Analysis of Areva share dismantling provision by site as of June 30, 2003\*



\* Areva's share : 4 274 millions d'euros

- ▶ **As the revision assessments are due to be completed by end of 2003, the estimates at June 30, 2003 have not been amended**

# ***Negotiations between EDF and Areva concerning La Hague***

- ▶ ***Overall negotiation process***
  - ◆ ***Legal and financial terms for the transfer to Areva of EDF's current financial obligations concerning La Hague***
  - ◆ ***Financial stake in waste recovery and packaging at the La Hague site***
  - ◆ ***Economic conditions of the future contract for reprocessing spent fuel for the period from 2008-2020***
  
- ▶ ***Summary of decision accepted by the parties***
  - ◆ ***Revision of dismantling estimates for La Hague plant***
  - ◆ ***Respective shares of dismantling at the La Hague plant***
  
- ▶ ***At June 30, 2003: the methods for evaluating provisions maintained as at Dec. 31, 2002***

## Balance sheet headings for dismantling at June 30, 2003

### ASSETS (in millions of euros) June 30, 2003

### LIABILITIES (in millions of euros) June 30, 2003

▶ Earmarked portfolio  
at net book value 2,063

▶ Non-discounted provision  
for Areva share 4,274

Theoretical value of portfolio

Actual IRR requirement

1.6

5,0%

1.8

4.3%

1,9

3,9%

2,1

3,3%

2.3

2.8%

▶ Dismantling assets  
Third-party share 7,985

▶ Provision for third-party share 7,985

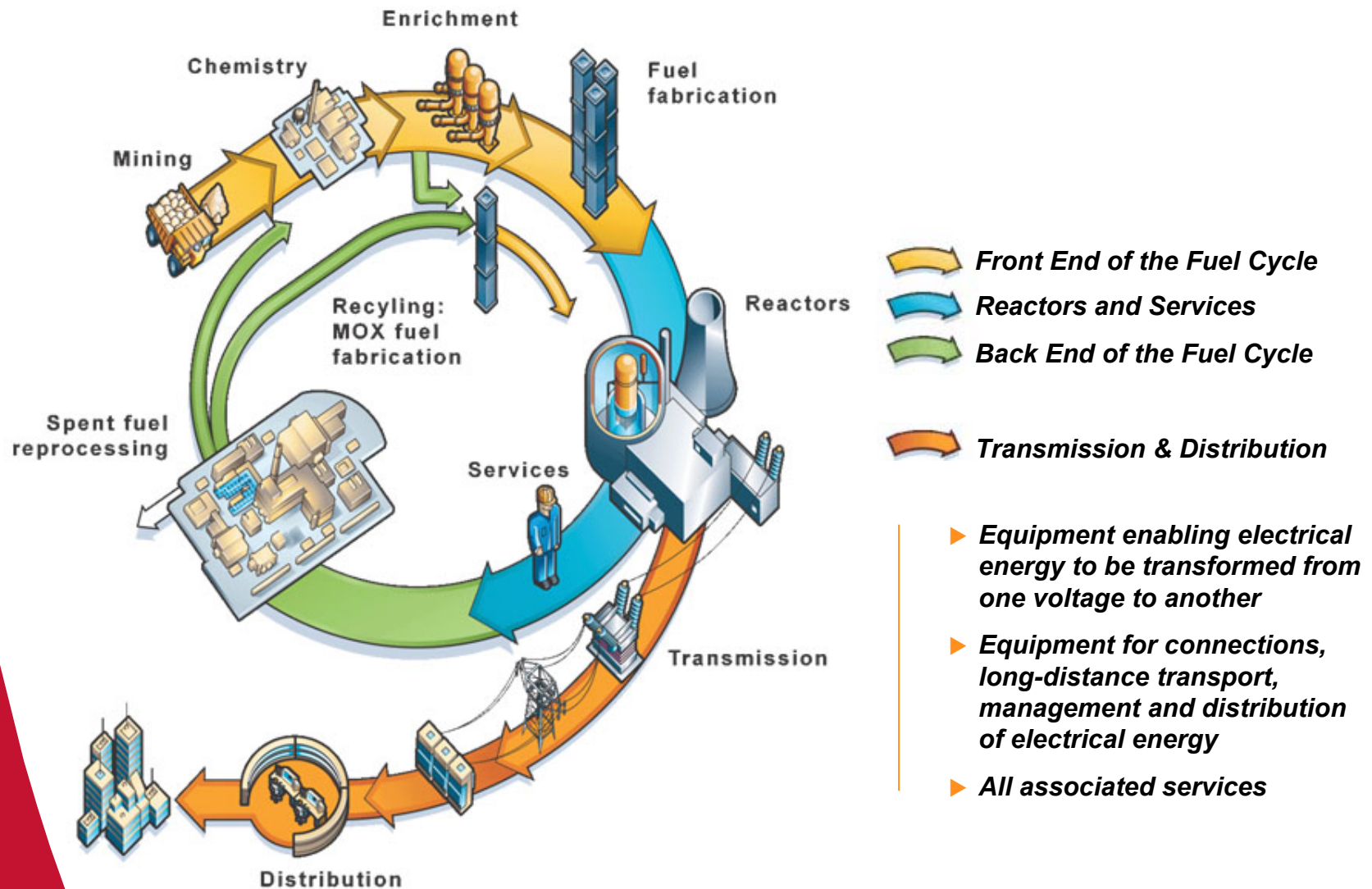
▶ Dismantling assets  
Areva share  
(to be amortized until 2015) 1,176

**TOTAL PROVISION: 12,259**

***Acquisition of Transmission  
and Distribution division  
from Alstom***



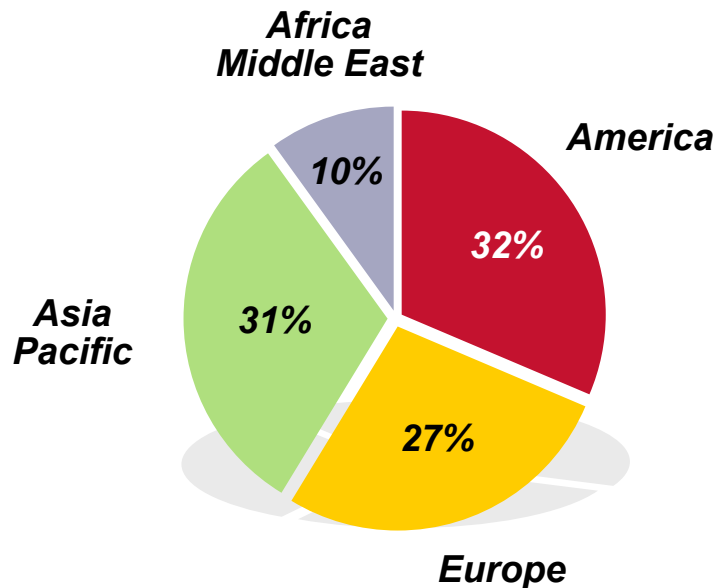
# Areva is consolidating its core business: Energy “Supplier of products and services to electricians”



# Transmission and Distribution are expected to grow in the next few years

**€30-35 billion market**

**1995-2002 average growth: +4%**



Sources : ABS Energy Research, VDD/Alstom, BCG

## ▶ Market drivers

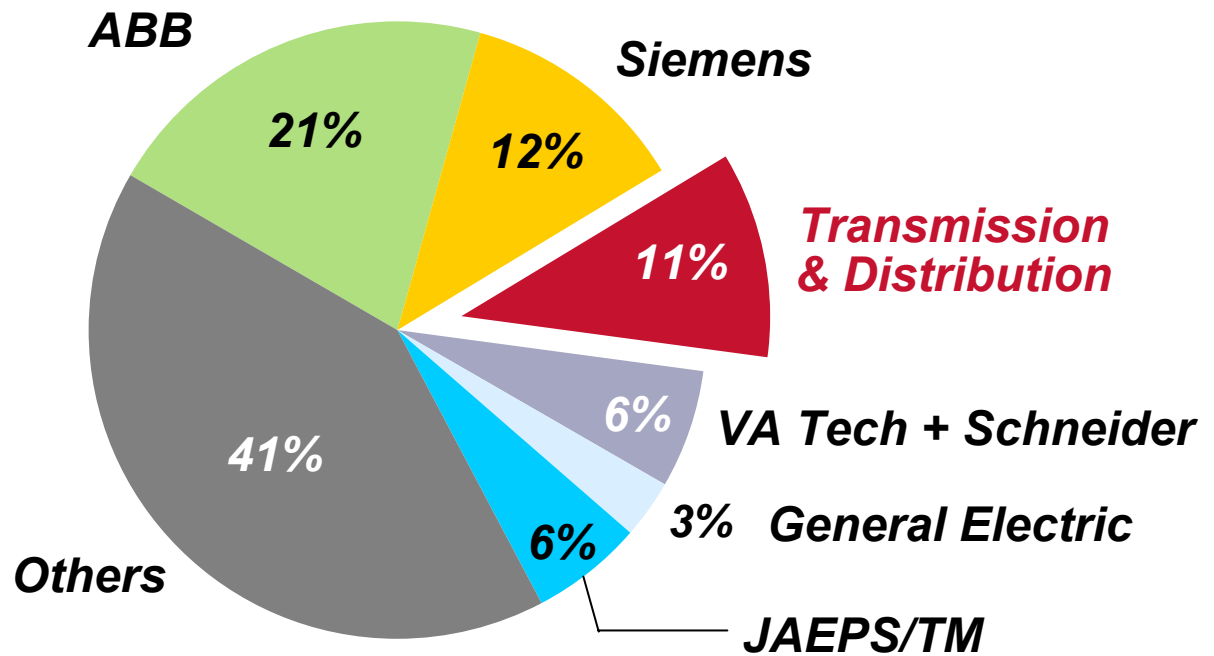
- ◆ Economic growth in emerging countries
- ◆ Deregulation in the USA and opening up of European markets
- ◆ Increasing needs for connections
- ◆ Necessity to invest in networks proven by black-outs (USA, UK, ...)

**The quality of the transport distribution network will become a major factor in operators' productivity**

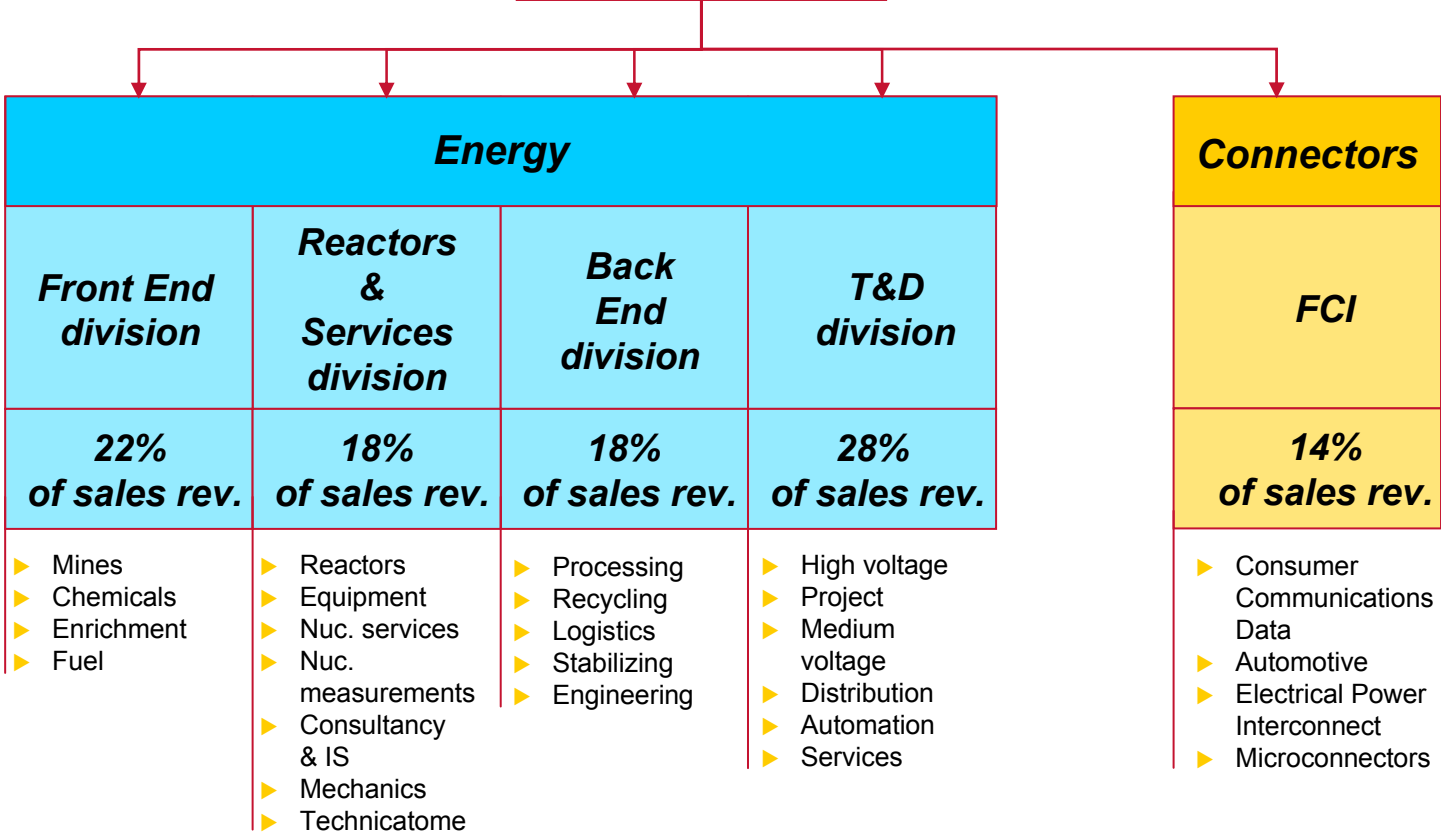


# 4 global market players

## Market share per company







▶ **Nuclear**

- ◆ *Small increase in sales revenues*
- ◆ *Operating margin comparable to 1<sup>st</sup> half 2003*

▶ **Connectors**

- ◆ *Operating income before restructuring costs at breakeven over the 2<sup>nd</sup> half 2003*

▶ **Group**

- ◆ *Growth in operating income and net income, Group share in 2003 vs 2002*



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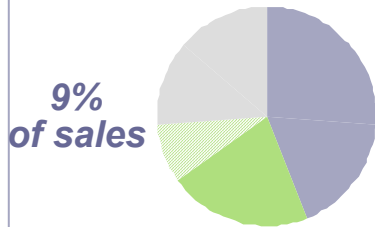
# *Exhibits*

## Systems Divisions

**Packages and turnkey systems, quality systems for energy and AC transmission**

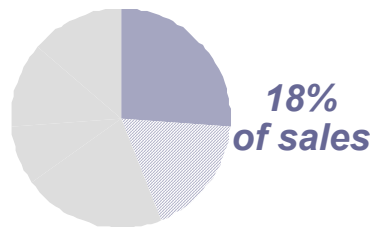


### Electrical Distribution (EDS)



- ▶ **Ranking: No.3 WW**
- ▶ **No. of sites: 13**
- ▶ **600 staff**

### Transmission Projects (TPB)



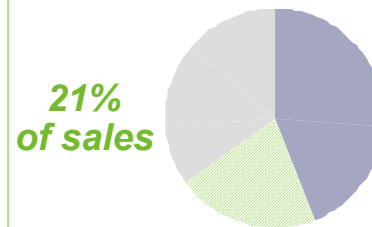
- ▶ **Ranking: No.3 WW**
- ▶ **No. of sites: 23**
- ▶ **1,900 staff**

## Products Divisions

**High and medium voltage equipment and power transformers**

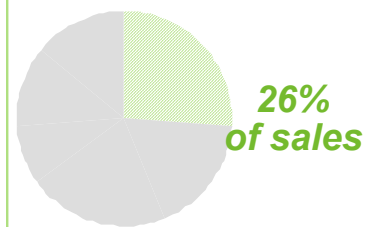


### Medium Voltage (MVB)



- ▶ **Ranking: No.3 WW**
- ▶ **No. of sites: 22**
- ▶ **7,600 staff**

### High Voltage (HVB)



- ▶ **Ranking: No.2 WW**
- ▶ **No. of sites: 24**
- ▶ **6,400 staff**

### ▶ Customers

- ◆ **Integrated utilities, Transmission companies, Distribution companies, Large industries, Power generation, electricity market participants**

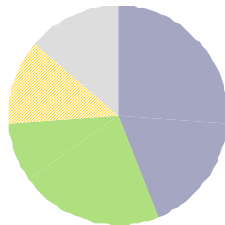
## Protection and network management

- ▶ **Manufacture of protection and control equipment and supply of information technology systems designed to optimize operations for energy and distribution transmission networks.**



### Energy Automation & Information (EAI)

12 %  
of sales



- ▶ **Ranking: No.2 WW**
- ▶ **No. of sites: 21**
- ▶ **3,700 staff**
- ▶ **Customers**
  - ◆ **Transmission (34%), Distribution (29%), Electricity market participants (17%), Industry, Power generation**

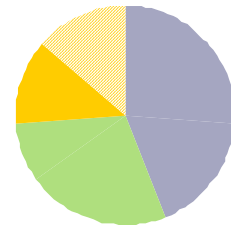
## Services

- ▶ **Global provision of services, diagnostics, maintenance, repairs, rehabilitation, renovation, operations and equipment management**



### Transmission & Distribution Services (TDS)

14 %  
of sales



- ▶ **Ranking: No.3 WW**
- ▶ **No. of sites: 12**
- ▶ **3,200 staff**
- ▶ **Customers**
  - ◆ **Industry (50%)**
  - ◆ **Utilities (50%)**