# FIRST HALF REPORT JUNE 30, 2004

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# 1. Key events during the period

- Alstom's Transmission and Distribution business (T&D) was acquired on January 9, 2004.

- Philippe Guillemot was named chairman and Chief Executive Officer of AREVA T&D in early February 2004. Olivier Mallet was named executive vice president of AREVA T&D on September 13, 2004.

- On March 17, 2004, Finmeccanica, AREVA and France Telecom signed a new shareholders agreement governing the parties' indirect participating interests in STMicroelectronics. The new agreement confirms the Italian and French parties' decision to manage jointly their respective participating interests in STMicroelectronics NV. Its main provisions are as follows:
  - equal governance by FT1CI (held by AREVA and France Telecom) and Finmeccanica over the STH holding for a period of at least four years, as long as each party retains a participating interest of no less than 9.5% in ST's share capital;
  - rules governing the disposal process for participating interests held by the parties in STM have been simplified.

- Mr. Shoichi Nagakawa, Japanese minister of the Economy, trade and Industry (METI), toured the La Hague plant on May 1, 2004. This visit took place after a series of seven training sessions during which 99 Japanese operators were trained as part of a know-how transfer agreement signed with JNFL in 2001.

- Two memoranda of intent to cooperate on the technology to be used in Chinese reactors were signed on June 11, 2004 in the presence of French Prime minister Jean-Pierre Raffarin, Chinese vice Premier Zeng Peiyan and Anne Lauvergeon, Chairman of AREVA's Executive Board.

*NB: Key events regarding operations are described in the review of operating divisions.*

# 2. Income statement

## 2.1. Sales revenue

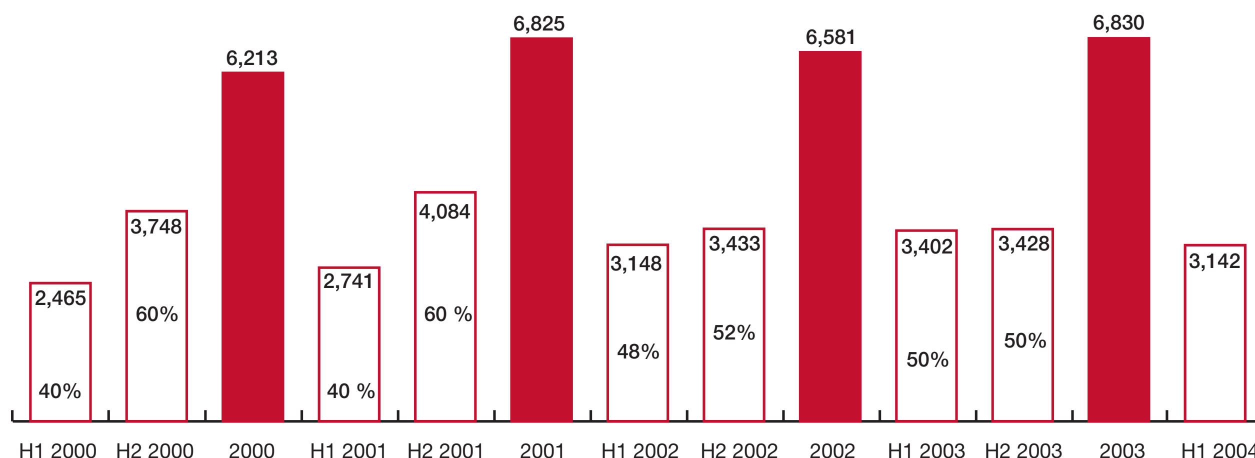
Consolidated sales were €5,339 million in H1 2004, up 29% compared with H1 2003.

| *In millions of euros* | H1 2004 | H1 2003 | H1 2003R* | Change 04/03 in % | Change 04/03R* in % |
|---|---|---|---|---|---|
| **Sales revenue** | **5,339** | **4,138** | **5,576** | **+29.0** | **-4.2** |
| *- Nuclear power* | *3,142* | *3,402* | *3,402* | *-7.6* | *-7.6* |
| *- T&D* | *1,533* | *-* | *1,438* | *-* | *+6.6* |
| *- Connectors* | *653* | *690* | *690* | *-5.2* | *-5.4* |
| *- Corporate & other* | *10* | *46* | *46* | *n.a.* | *n.a.* |

** Reconstituted unaudited financial data integrating the Transmission & Distribution division acquired on January 9, 2004.*

- In **Nuclear power**, H1 2004 sales were €3,142 million, down 2.5% compared with H1 2003 on a like-for-like basis (consolidated group + exchange rates) and down 7.6% on a reported basis. Business had been exceptionally strong during the first half of 2003. It should be noted that nuclear operations are not evenly spread out over the year, as shown in the chart below. Accordingly, half-year on half-year comparisons are not a relevant indicator of future growth.

## Change in nuclear sales revenue over the 2000 to 2004 period - Half-year and full-year data




- **Transmission & Distribution** operations became part of the group on January 9, 2004. This division reported €1,533 million in H1 2004 sales, up 7.4% on a like-for-like basis and up 6.6% on a reported basis. New orders were up 3.1% over H1 2003, and up 4.3% on a like-for-like exchange rate basis.

- Sales for the **Connectors** division were up 8.6% like-for-like, though down 5.4% on a reported basis. Sales grew on all market segments.

- Sales revenue from "Corporate & Other activities" represented €10 million in H1 2004, compared with €46 million in H1 2003. This drop reflects the disposal of non-strategic operations, in particular the December 17, 2004 disposal of Packinox.

## 2.2. Research and development

The group had H1 2004 research and development expenses of €184 million, or 3.4% of sales for the period, compared with €141 million in H1 2003, which was also 3.4% of sales for that period. The integration of Transmission and Distribution operations accounts for most of the difference between the two periods.

| *In millions of euros* | H1 2004 | H1 2003 |
|---|---|---|
| Energy - Nuclear operations | 92 | 93 |
| *In % of sales revenue* | *2.9%* | *2.7%* |
| Energy - Transmission & Distribution operations | 54 | - |
| *In % of sales revenue* | *3.5%* | |
| Connectors | 38 | 48 |
| *In % of sales revenue* | *5.8%* | *7.0%* |
| **Total** | **184** | **141** |
| *In % of sales revenue* | *3,4%* | *3,4%* |

Nuclear R&D continued to focus on improving fuel performance and reactor operating costs. In the back end of the fuel cycle, the challenge was to optimize technical and cost considerations for used fuel management solutions.

Transmission and Distribution operations were acquired in early January 2004. R&D spending is earmarked almost exclusively for product development, particularly the creation of high and medium voltage product families customized to meet the specific requirements of various market segments or customers.

In Connectors, signal transmission speed and quality remain key objectives. The division's R&D programs are pursuing these goals aggressively.

## 2.3. Operating income

Operating income for the group was €327 million in H1 2004, compared with €161 million in H1 2003. This 103% increase is largely due to regained profitability in the **Connectors** division.

| In millions of euros | H1 2004 | | H1 2003 | | H1 2003R* | | Change | Change |
|---|---|---|---|---|---|---|---|---|
| | €M | % sales | €M | % sales | €M | % sales | 04/03 in % | 04/03R in % |
| **Operating income** | **327** | **6.1** | **161** | **3.9** | **186** | **3.3** | **+103** | **+75.8** |
| *- Nuclear power* | *281* | *8.9* | *274* | *8.1* | *274* | *8.1* | *+2.6* | *+2.6* |
| *- T&D* | *30* | *2.0* | *-* | *-* | *25* | *1.7* | *-* | *+20.0* |
| *- Connectors* | *45* | *6.9* | *(62)* | *(9.0)* | *(62)* | *(9.0)* | *n.a.* | *n.a.* |
| *- Corporate & Other* | *(29)* | *n.a.* | *(51)* | *n.a.* | *(51)* | *n.a.* | *n.a.* | *n.a.* |

** Reconstituted unaudited financial data integrating the Transmission & Distribution division acquired on January 9, 2004.*

- **Nuclear** operations contributed €281 million to the group's operating income in H1 2004, up 2.6% from the €274 million contribution for H1 2003. AREVA's operating margin rate from nuclear operations was 8.9% in H1 2004, compared with 8.1% in H1 2003

- **Transmission & Distribution** operations contributed €30 million to consolidated operating income, down sharply compared with the €85 million before restructuring expenses for H1 2003. Restructuring expenses represented €60 million in H1 2003.

- The **Connectors** division was back in the black for the first time since H1 2001. The division's H1 2004 operating income was €45 million, compared with a loss of €62 million in H1 2003.

- **Corporate & Other** activities include:
- expenses concerning AREVA SA and its non-strategic direct subsidiaries;
- income from non-strategic subsidiaries earmarked for sale.

## 2.4. Net financial income before tax

The group's net financial income before tax was €104 million in H1 2004, compared with €6 million in H1 2003.

| In million of euros | H1 2004 | H1 2003 |
|---|---|---|
| Income related to decommissioning | 51 | (47) |
| *- Financial income from earmarked portfolio* | *68* | *(31)* |
| *- Inflation impact on decommissioning provisions* | *(17)* | *(16)* |
| Income from investments | 28 | 45 |
| Interest expense | (16) | (36) |
| Foreign exchange income | 0 | 2 |
| Gain on disposal of securities | 37 | 1 |
| Dividends received | 22 | 38 |
| Net depreciation on securities | 6 | 19 |
| Other financial income and expenses | (26) | (6) |
| **Net financial income before tax** | **104** | **6** |

The change in net financial income before tax from H1 2003 to H1 2004 is due for the most part to the following:
- a gain on the disposal of 382,500 shares of Total in H1 2004. The group held 1,837,516 Total shares at June 30, 2004, representing €143 million in net book value, compared with 2,220,016 shares at December 31, 2003;
- financial income from the portfolio earmarked to cover future decommissioning expenses rose to €68 million in H1 2004, compared with a negative €31 million in H1 2003. Due to stronger financial markets in H1 2004, AREVA was able to recapture €39 million from provisions on securities. Increased provisions had been required in H1 2003.

## 2.5. Exceptional items

The group recorded €2 million in exceptional items in H1 2004, compared with €81 million in H1 2003. The group's H1 2003 exceptional items resulted largely from a €66 million gain on the sale of the Connectors division's MAI business *(Military/Aerospace & Industrial)* and from a €20 million recapture of a provision for tax penalty following the favorable resolution of a tax dispute.

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## 2.6. Income tax

The group's tax expense for H1 2004 was €107 million, the same as for H1 2003. The actual tax rate for H1 2004 was 24.7%, significantly less than the actual tax rate of 43.1% recorded in H1 2003.

This change in actual tax rate reflects the use of prior year tax credits and the lower rate applicable to gains on asset disposals.

## 2.7. Share in net income of equity affiliates

The group's share in the net income of equity affiliates rose to €44 million in H1 2004, compared with €18 million in H1 2003. The increase came primarily from AREVA's share in the net income of STMicroelectronics, which rose from €14 million in H1 2003 to €33 million in H1 2004.

## 2.8. Goodwill amortization

Goodwill amortization was €76 million in H1 2004, compared with €55 million in H1 2003. The increase reflects:

- €14 million in goodwill amortization recorded for AREVA T&D for the first time in H1 2004;
- €10 million in exceptional amortization of goodwill recorded when AREVA was established. The exceptional amortization is related to the H1 2004 sale of Total shares. No Total shares had been sold in H1 2003.

## 2.9. Minority interests in subsidiaries' earnings

Minority interests in AREVA's subsidiaries' earnings were relatively stable in H1 2004 compared with H1 2003, at €51 million versus €48 million:

| *In millions of euros* | H1 2004 | H 1 2003 |
| --- | --- | --- |
| Siemens' interest in Framatome ANP (34%) | 25 | 23 |
| France Telecom's interest in STMicroelectronics (6.3%) | 9 | 12 |
| Eurodif's minority shareholders (40%) | 16 | 11 |
| Other | 1 | 2 |

## 2.10. Consolidated net income

Taking the above into account, AREVA's consolidated net income for H1 2004 rose to €243 million from the €55 million reported in H1 2003. Restated to reflect integration of Transmission & Distribution operations, consolidated net income would have been €34 million in H1 2003.

Net earnings are €6.86 per share or investment certificate in H1 2004, compared with €1.56 per share or investment certificate in H1 2003.

# 3. Review of operating divisions

## 3.1. Front End division

### 3.1.1. Financial performance

| *In millions of euros* | H1 2004 | H1 2003 | Change |
| --- | --- | --- | --- |
| Sales revenue | 1,179 | 1,425 | -17.3% |
| EBITDA | 241 | 248 | -2.8% |
| *% of sales* | *20.4%* | *17.4%* | *+3.0pts* |
| Operating income | 157 | 168 | -6.5% |
| *% of sales* | *13.3%* | *11.8%* | *+1.5pt* |
| Operating cash flow* | 109 | 381 | - 272 |

** Operating cash flow = EBITDA minus gain or loss on disposal of operating assets plus changes in working capital requirement minus net operating Capex.*

First-half 2004 sales in the Front End division, at €1,179 million, were down 17.3% on a reported basis and down 15.8% like-for-like, compared with €1,425 million in H1 2003.

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Unlike 2003, when H1 and H2 sales levels were similar, 2004 saw a return to traditional delivery cycles, with a second half-year stronger than the first half. The half-year on half-year comparison is therefore unfavorable in the *Mining* business, where sales were down 20.7% like-for-like, and in the *Enrichment* business, where sales were down 17.9% like-for-like. Higher sales figures are anticipated for the second half of the year. *Fuel business* revenue, representing 50% of H1 2004 sales for the division, is down 17% like-for-like, reflecting slightly lower volumes.

Operating income was €157 million, giving an operating margin of 13.3%, compared with €168 million in H1 2003, when the operating margin was 11.8%. Operating income decreased in absolute terms due to later materials delivery dates in 2004 compared with 2003, reflected in lower sales revenue for the half-year. The division's operating margin strengthened on two favorable developments:

- A positive price impact in the Mining business, reflecting certain price revision clauses providing for readjustments based on price trends.

- A favorable operating margin in the Fuel business, reflecting a change in product mix.

While EBITDA was in line with operating income for the period, operating cash flow [1] was down to €109 million, compared with €381 million in H1 2003.

Unlike 2003, the change in working capital requirement (WCR) was negative in H1 2004, since uranium inventories had been drawn down substantially in H1 2003 to offset the three-month production shutdown at the McArthur mine in Canada due to flooding. These inventories were reconstituted in early 2004. In addition, large one-time customer prepayments were recorded in H1 2003; these will not recur in 2004.

Lastly, operating Capex increased significantly period-on-period. Additional capital was expended to increase the group's production capacities in the mining sector and to optimize its fuel fabrication facilities.

### 3.1.2. Key events

In the *Mining* business, uranium supply sources were secured in the first half of 2004:

- On April 28, 2004, AREVA and Kazatomprom signed an agreement to launch the industrial phase of a joint uranium production project in Kazakhstan. The agreement kicks off development of the Katco project, with production scheduled to begin in 2006. The total investment is $90 million. After three years of successful operation of a pilot uranium production plant at the Muyunkum deposit in southern Kazakhstan, Katco, a jointly-owned company of AREVA (51%) and Kazatomprom (49%) will now work on detailed design followed by the construction of facilities at the production site. Industrial production should begin in late 2005 and capacity will increase gradually to 1,500 metric tons per year. AREVA will initially market all of the uranium produced.

- In the HEU [2] product line, Technabexport (Tenex) and a consortium of COGEMA, Cameco and Nukem have signed an amendment to their agreement, thus fixing the quantities and price of uranium to be taken by the consortium through 2013. AREVA's share is 26,000 metric tons over the period, for an average of around 2,600 metric tons per year.

- On June 4, the Canadian Federal Court of Appeal approved the operating license for the McClean mine. In a unanimous decision, the court recognized the validity of the McClean mining site operating license and denied the motion submitted by the anti-nuclear Inter-Church Uranium Committee Educational Co-operative (ICUCEC), which had successfully challenged the issuance of the license in lower courts. ICUCEC is appealing the court of appeal's decision.

Long- and short-term price indicators for uranium concentrates maintained their upward trend over the period. At June 30, 2004, the price was close to $20/lb of U3O8, compared with $14/lb at year-end 2003, an increase of 38%. AREVA benefits from the favorable prices only for contracts signed since the beginning of the year, and the impact on the bottom line will be very gradual.

Also, a global contract was signed with Finnish utility Teollisuuden Voima Oy (TVO) in the first half of the year. This €100 million contract covers uranium and fuel fabrication services for the recently ordered Olkiluoto 3 EPR. The group's *Mining, Chemistry* and *Enrichment business* units will work under the contract, which covers uranium concentrate production, uranium conversion and uranium enrichment services for the first EPR core and the following two reloads. Deliveries will span the 2007 to 2010 period.

The *Fuel* business unit is actively engaged in the construction of facilities to fabricate fuel pellets incorporating HEU [2] diluted in the United States as part of the "Bleu" project. The first pellets will be produced at year-end 2004 and the corresponding fuel assemblies will be delivered to US utility Tennessee Valley Authority (TVA) in early 2005. A contract was also signed to supply six BWR [3] fuel reloads to the Susquehanna nuclear plant in the United States.

*(1) Operating cash flow = EBITDA minus gain or loss on disposal of operating assets plus changes in working capital requirement minus net operating Capex.*
*(2) HEU: highly enriched uranium.*
*(3) BWR: boiling water reactor.*

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## 3.2. Reactor & Services division

### 3.2.1. Financial performance

| *In millions of euros* | H1 2004 | H1 2003 | Change |
|---|---|---|---|
| Sales revenue | 959 | 990 | -3.1% |
| EBITDA | 53 | 70 | -24.3% |
| *% of sales* | *5.5%* | *7.1%* | *-1.6pt* |
| Operating income | 16 | 57 | -71.9% |
| *% of sales* | *1.7%* | *5.8%* | *-4.1pts* |
| Operating cash flow | 113 | 134 | - 21 |

Sales for the **Reactors & Services** division were down 3.1% (but were up 1% on a like-for-like basis) to €959 million, compared with €990 million in H1 2003.

In the *Reactors* business, new projects, particularly the construction of a third reactor at the Olkiluoto site in Finland, had a limited impact on H1 2004 sales, which were down 8.1% like-for-like. Sales for the same period in 2003 were boosted by performance bonuses related to the construction of the last reactors to be delivered by the group: Angra 2 in Brazil, Ling Ao 2 in China and Civaux in France. The volume of activity also slowed in reactor *Services*, with sales down 6.4% like-for-like. There were fewer reactor outages for maintenance than in H1 2003, especially in the United States. *Equipment* sales, up 17.1% like-for-like, benefited from strong demand for heavy components for ongoing replacement programs in the United States.

Operating income for the division was €16 million in H1 2004, compared with €57 million in H1 2003. The gap essentially reflects one-time performance bonuses billed in H1 2003 and the low level of activity in Services in H1 2004 compared with H1 2003. However, numerous maintenance outages are scheduled for the second half of the year and the group expects the level of activity to pick up in the services business. In H1 2003, the group had constituted provisions in on a service contract in the Ukraine. A contract amendment was negotiated with the customer in 2003 and the additional cost was allocated between the parties. Expert evaluations performed in H1 2004 indicate that the services to be provided require a significant change in the treatment process to be used. Negotiations are under way to define the necessary contract amendments. No provision was recorded in H1 2004.

EBITDA suffered overall for the reasons outlined above. However, operating cash flow erosion has been held in check as a result of customer prepayments for engineering services and good control over working capital requirements. H1 2004 operating cash flow, at €113 million, is slightly down from the €134 million level of H1 2003.

### 3.2.2. Key events

The contract to build the Olikuoto 3 turnkey EPR power plant in Finland became effective January 1, 2004. In addition, on April 15, 2004, the French government announced its support for construction of a demonstration EPR reactor in France.

On June 11, 2004, two major memoranda of intent were signed with Chinese officials regarding the technology to be used in nuclear reactors to be built in China:

- A memorandum of intent was signed with Mr. Wang Yumin, president of the Chinese utility China Guangdong Nuclear Power Company (CGNPC). AREVA, through Framatome ANP, its joint subsidiary with Siemens, will share its expertise and provide assistance during phase 2 construction of the Ling Ao 2 nuclear power plant in Guangdong province. Two new reactors will be built at Ling Ao, where two 1,000 MWe units were already commissioned in 2002 and 2003.

- Another memorandum of intent was signed with Mr. Kang Rixin, president of the China National Nuclear Corporation (CNNC), covering support for construction of two reactors for Qinshan 2-phase 2 in Zhejiang province.

The *Equipment* business unit met with significant success in H1 2004, both commercially and in terms of performance on steam generator, vessel head and pressurizer replacements and pump motor refurbishing:

- A €44 million contract to replace two steam generators at the Angra 1 nuclear plant in Brazil was signed with Electrobras Termonuclear SA. The AREVA group will design the new steam generators and manage all procurement under the contract. The steam generators will be built at the Nuclep nuclear component manufacturing plant in Brazil with technical support from the *Equipment* business unit and will be delivered in the fall of 2007 for installation by year-end 2007.

- The pressurizer market is taking off in the United States, as evidenced by the order from Florida Power & Light for two units for the Sainte-Lucie reactors. The contract covers the design, fabrication, delivery and installation of the pressurizers and also provides for replacement of the heating systems. The pressurizers will be manufactured at the Chalon-Saint-Marcel plant in France for delivery and installation in the fall of 2005. The AREVA group will also replace the vessel head during the reactor outage.

- The AREVA group also delivered its first steam generators to the United States: two replacement steam generators were shipped to the Prairie Island nuclear plant in Minnesota operated by Nuclear Management Company. The delivery of these steam generators, built at the Chalon-Saint-Marcel plant, made good on AREVA's first steam generator replacement contract for the U.S. market, signed in 2000. The group's Chalon-Saint-Marcel plant also delivered a vessel head to the Arkansas nuclear plant.

## 3.3. Back End division

### 3.3.1. Financial performance

| *In millions of euros* | H1 2004 | H1 2003 | Change |
|---|---|---|---|
| Sales revenue | 1,004 | 987 | +1.7% |
| EBITDA | 225 | 263 | -14.4% |
| *% of sales* | *22.4%* | *26.6%* | *-4.2pts* |
| Operating income | 108 | 49 | +120.5% |
| *% of sales* | *10.7%* | *5.0%* | *+5.7pts* |
| Operating cash flow | 588 | 350 | +238 |

Sales for the **Back End** division were €1,004 million in H1 2004, up 1.7% over H1 2003 and up 15.1% on a like-for-like consolidated group and exchange rate basis. The increase primarily reflects high output in the used fuel *Treatment* business. This trend is the result of production scheduling considerations, and total volume is expected to remain stable in 2004 as a whole.

Operating income for the division was €108 million in H1 2004, against €49 million in H1 2003, essentially due to the high volumes processed in the first half. It also reflects positive effects from the discontinuation of production operations at the MOX plant in Cadarache, for which no depreciation or provision was required in 2004. Finally, H1 2003 operating income in *Recycling* was impacted by the standardization of revenue recognition methods based on the percentage of completion.

EBITDA did not match operating income performance, at €225 million in H1 2004, versus €263 million in H1 2003. This is due to relatively higher billings for the customers' shares of fixed assets in 2003. The billings affect divisional EBITDA but not its operating income, where increased depreciation and provisions offset the billings.

The change in WCR for the division was a positive €396 million in H1 2004, compared with €189 million in H1 2003. As in 2003, significant customer prepayments were received corresponding primarily to contracts for more than €450 million signed during the period. As in 2003, operating cash flow rose to an exceptionally high level. It reached €588 million in H1 2004, up from €350 million in H1 2003.

### 3.3.2. Key events

In H1 2004, the **Back End** division received a letter of intent from RWE for *Treatment-Recycling* of fuel from the German research reactor, Kalkar. A letter of intent was also received from Dutch utility EPZ concerning used fuel treatment at COGEMA's La Hague plant during the 2009-2015 period. These new contracts are valued at €450 million.

The division completed the last training session under its contract for startup assistance for the JNFL plant at Rokkasho Mura, Japan. The group continues to provide support to the project and is studying the possibility of continuing to cooperate with JNFL on start-up of the plant.

In *Recycling*, ramp-up of the Melox plant continues. License applications are to be submitted in 2004 to increase Melox production to 195 metric tons. The current licensed capacity is 145 metric tons. A contract was signed with a European operator to fabricate MOX fuel.

At Cadarache, fabrication of the Eurofab test assemblies as part of the program to recycle US defense plutonium is scheduled for the second half of the year. The US plutonium arrived at the Cadarache plant on October 8, 2004.

## 3.4. Transmission & Distribution division

### 3.4.1. Financial performance

| *In millions of euros* | H1 2004 | H1 2003 | Change |
|---|---|---|---|
| Sales revenue | 1,533 | 1,439 | +6.6% |
| EBITDA | n.a. | n.a. | - |
| *% of sales* | *0%* | *n.a.* | - |
| Operating income before restructuring expenses | 30 | 85 | -64.7% |
| *% of sales* | *2.0%* | *5.9%* | *-3.9pts* |
| Operating income | 30 | 25 | n.a. |
| *% of sales* | *2.0%* | *1.7%* | *n.a.* |
| Operating cash flow | -45 | n.a. | n.a. |

H1 2004 sales for the **Transmission & Distribution** division were €1,533 million, compared with €1,439 million in H1 2003, up 6.6% on a reported basis and up 7.4% like-for-like. Sales volume was up about 9% on like-for-like, but price pressures erased 2% of this growth. The growth in sales largely occurred in the second quarter, when they were up 23.8% compared with Q2 2003. Sales were down 7.6% during the first quarter compared with Q1 2003.

Sales grew across the board. High voltage equipment fueled growth in *Products*. The *Systems* business unit benefited from the catch-up effect on a few major contracts, with large new orders in North Africa and the Middle East. Sales and new orders grew also in the *Automation and Information systems* business unit (network management), albeit at a slower pace. Business was slightly down in *Services*.

Operating income before restructuring expenses was sharply down to €30 million in H1 2004, or 2% of sales revenue, compared with €85 million in H1 2003, or 5.9% of sales. One-time provision recaptures in the amount of €30 million had been recorded in H1 2003, equivalent to 2 points of operating margin. The balance of the gap between H1 2004 and H1 2003 is due to the deterioration in gross margin on contracts in backlog at the beginning of 2004. Expenses not directly related to production were stable.

Consistent with French accounting standards, some restructuring expenses will be charged directly against goodwill rather than recorded as an income statement item. Restructuring expenses for the period rose to €23 million. These expenses were not recorded on the income statement but were allocated to goodwill.

Affected by the deterioration of gross margin, EBITDA was essentially nil. Operating cash flow was €(45 million), including €37 million in cash spending corresponding to restructuring costs covered by a provision set up prior to the beginning of the year. Capital expenditure was limited, at €21 million. The working capital requirement ballooned to €24 million in H1 2004 and the group took action to remedy this situation.

### 3.4.2. Key events

A new organization was set up following a strategic review of the division's business portfolio and performances to facilitate effective reporting on business line performance. The new organization features four business units:

- the *Products* business unit combines the former High Voltage and Medium Voltage businesses;
- the *Systems* business unit combines the former Transmission Projects and Electrical Distribution Systems businesses;
- the *Automation and Information Systems* business unit retains its previous configuration;
- the *Service* business unit combines the former Service business and the former marketing and country organizations.

The **Transmission & Distribution** division strengthened its operations in China in the first half of 2004 with two new plants in Suzhou, Jiangsu province. The new units use the latest industrial processes developed at the group's European sites to produce high voltage and medium voltage equipment for the Asian market. They employ 400 people. The plants are part of two joint ventures created and majority owned by AREVA, in partnership with Suzhou Chuang Yuan Group.

Major contracts were signed in H1 2004:

- A €124 million turnkey contract signed in Dubai with local utility Dubai Electricity and Water Authority (Dewa). This is largest contract ever signed by the group in the Gulf region. It provides for the construction of two high voltage turnkey substations. AREVA T&D will supply, install and start up two 400/132 kV substations at Jebel Ali Free Zone (Jafza) and Bukadra in the Emirate of Dubai.

- A €33 million turnkey contract with Aluar Aluminio Argentino, Argentina's top aluminum producer, for the design and installation of a new power supply system at its Puerto Madryn smelter in Patagonia. Under the terms of the contract, AREVA's T&D division will upgrade two of the smelter's three potlines. AREVA will replace the eight existing 50kA, 900V conversion groups with eight new 74kA, 1,000V groups and will install a new electrical supply system with all the necessary equipment.

## 3.5. Connectors division

### 3.5.1. Financial performance

| *In millions of euros* | H1 2004 | H1 2003 | Change |
|---|---|---|---|
| Sales revenue | 653 | 689 | -5.3% |
| EBITDA | 60 | -9 | +69 |
| *% of sales* | *9.2%* | *-1.3%* | *+10.5pts* |
| Operating income | +45 | -63 | +108 |
| *% of sales* | *+6.9%* | *-9.1%* | *+16pts* |
| Operating cash flow | 22 | -43 | +65 |

The **Connectors** division had first-half 2004 sales of €653 million, down 5.3% from €689 million in H1 2003. Sales revenue was up 8.6% like-for-like (consolidated group and exchange rate). Growth was recorded in all business units.

*Communication, Data, Consumer* sales were up 8.7% in H1 2004 like-for-like, but down 4.3% on a reported basis. *Automotive* sales were up 5.8% like-for-like and up 1.7% on a reported basis. The *Electrical Power Interconnect* business unit recovered from 2003, when sales were sharply down. H1 2004 sales were up 5.4% like-for-like compared with H1 2003, with growth reported for all regions.

Operating income for the Connectors division was positive for the first time since H1 2001 at €45 million, representing a 6.9% margin, compared with a €63 million loss in H1 2003. This performance reflects:
- increased volume, which contributed €32 million, and the positive effect of restructuring programs, which contributed €46 million;
- a €42 million decrease in restructuring expenses;
- the favorable resolution of an intellectual property conflict, which made a one-time contribution of €13 million.

The Connectors division's operating margin was 4.9% in H1 2004, excluding the non-recurring event mentioned above.

Operating cash flow was positive as well, rising to €22 million versus €(43 million) in H1 2003. The H1 2004 figure includes €35 million in restructuring expenses. Organic sales growth boosted the division's EBITDA to €60 million, compared with €(9 million) in H1 2003. The working capital requirement remained under control, decreasing €6 million. Capital expenditures were up, however, reflecting to a large extent the opening of a second *Microconnections* plant in Singapore to meet the growing Asian demand in the medical and banking sectors, particularly in Japan.

### 3.5.2. Key events

Demand remained strong in *Communication Data Consumer*, particularly for mobile telephony and ADSL in Europe and the United States. New products represented close to 50% of sales during the half year, thus validating the decision to maintain R&D spending levels during the recent restructuring.

The automobile market was lackluster in Europe and the United States. Asian car manufacturers, where AREVA's penetration is more limited, captured market share in the regions where growth remained strong. The quantity of connectors per car continues to rise by a few percentage points each year. The automotive connectors market was therefore up slightly overall in H1 2004. The *Automotive* business unit acquired new clients, including General Motors, and introduced new products at Daimler and BMW.

The *Electrical Power Interconnect* market remained stable in Europe and the United States, where AREVA has significant market share. However, the drop in revenue recorded over the last few quarters seems to have been checked.

The renewed growth observed in the fourth quarter of 2003 was confirmed in early 2004. However, the markets seem to have stabilized at the end of the second quarter of 2004, with a *book-to-bill* ratio of approximately 1.

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# 4. Cash flow statement

## 4.1. Summary cash flow statement

| *In millions of euros* | H1 2004 | H1 2003 | Change H104/S103 |
|---|---|---|---|
| EBITDA | 553 | 558 | - 5 |
| *% of sales* | *10.4%* | *13.5%* | *-3.1pts* |
| Gain on disposal of operating assets | 4 | 6 | - |
| Change in WCR | 353 | 471 | -118 |
| Net operating Capex | -204 | -226 | +22 |
| **Operating cash flow** | **706** | **809** | **-103** |
| T&D acquisition | -805* | - | -805 |
| Dividends paid | -276 | -295 | +19 |
| Other cash transactions | +33 | +13 | +20 |
| **Net change in cash position** | **-342** | **526** | **-868** |
| Net cash position** | 894 (30/06/2004) | 1,236 (31/12/2003) | -342 |

** I.e. €930 million less €125 million representing T&D's cash position.*
*** Cash plus marketable securities plus current accounts minus debt.*

## 4.2. Free cash flow

Consolidated EBITDA remained stable at €553 million in H1 2004, compared with €558 million in H1 2003. The working capital requirement was strongly negative at €(1,123 million) at June 30, 2004. The working capital requirement decreased by €353 million over the period, mostly reflecting prepayments from customers in the nuclear businesses (Back End division). Net operating Capex was relatively stable at €204 million, versus €226 million in H1 2003.

Cash flow from the business lines (operating cash flow [1]) represented €706 million, compared with €809 million in H1 2003. Operating cash flow was particularly strong in H1 2003 due to non-recurring events.

| | EBITDA | | △ Operating WCR change | | Net operating Capex | | Operating cash flow | |
|---|---|---|---|---|---|---|---|---|
| | H1 04 | H1 03 | H1 04 | H1 03 | H1 04 | H1 03 | H1 04 | H1 03 |
| Nuclear | 519 | 581 | 430 | 462 | -140 | -179 | +810 | +864 |
| T&D | 0 | n.a. | 24 | n.a. | -21 | n.a. | -45 | n.a. |
| **Energy** | **519** | **581** | **406** | **462** | **-161** | **-179** | **+764** | **+864** |
| Connectors | 59 | -9 | -6 | -11 | -31 | -23 | +22 | -43 |
| Other | -26 | -13 | -48 | 20 | -6 | -19 | -80 | -12 |
| Total group | 553 | 558 | 353 | 471 | -198 | -221 | +706 | +809 |

- Operating cash flow in Nuclear power was €810 million, compared with €864 million in H1 2003. This decrease is a reflection of significant uranium inventory reductions in H1 2003, contributing to a lower working capital requirement during that period. H1 2004 cash flow remains high, however, reflecting substantial customer prepayments received in the Back End division. The level of cash flow generated in H1 2004, as well as in H1 2003, is atypical and is not a good indication of annual cash flow levels

- The Transmission & Distribution division consumed €45 million in cash in H1 2004, including cash spent on restructuring expenses covered by provisions made in 2003.

- The Connectors division generated €22 million in operating cash flow, compared to €43 million consumed in H1 2003.

## 4.3. Investments

The Transmission and Distribution business was acquired in January 2004. The net cash flow associated with this acquisition was €(805 million).

*(1) Operating cash flow = EBITDA minus gain or loss on disposal of operating assets plus changes in working capital requirement minus net operating Capex.*

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The acquisition of the Transmission and Distribution business from Alstom closed on January 9, 2004 for the purchase price of €950 million reflecting its enterprise value, subject to an adjustment clause based on the "Net Financial Debt" of the business. The adjustment clause covers working capital items and the net financial debt of the business at December 31, 2003.

The net impact on cash for H1 2004 was €805 million, i.e. the difference at June 30, 2004 between the €930 million cash payment to Alstom and the €125 million in cash and cash equivalents per the opening balance sheet. The balance of the payment will be made when the parties reach an agreement on the final price.

### 4.4. Cash flow from activities other than operating and financial activities

A total of €276 million was paid in H1 2004 for fiscal year 2003 dividends. Of this amount, €220 million were paid to AREVA shareholders and €56 million were paid to minority shareholders in group subsidiaries, in particular to Siemens, a 34% minority shareholder in Framatome ANP.

### 4.5. Cash position at the end of the reporting period

The group generated €463 million in free cash flow in H1 2004, excluding Transmission & Distribution operations, compared with €526 million in H1 2003. AREVA's net cash position, after cash payment for the acquisition of the Transmission & Distribution business, decreased by €342 million from December 31, 2003.

AREVA's net opening cash position was €1,236 million [1] at the beginning of the year. The group's closing cash position at the end of the first half year was €894 million.

A pro-forma net cash position is presented in paragraph 5.5.

## 5. Balance sheet items

### 5.1. Simplified balance sheet

| *In millions of euros* | 06/30/2004 | 12/31/2003 | 12/31/2003R* |
|---|---|---|---|
| ASSETS | | | |
| **Fixed assets** | **19,813** | **19,094** | **20,020** |
| *Goodwill* | *1,641* | *1,265* | *1,694* |
| *Tangible and intangible assets* | *4,417* | *3,929* | *4,396* |
| *Decommissioning assets* | *9,086* | *9,109* | *9,109* |
| *Earmarked assets* | *2,284* | *2,234* | *2,234* |
| *Equity in net assets of affiliates* | *1,486* | *1,492* | *1,492* |
| *Other long-term notes and investments* | 899 | *1,065* | *1,094* |
| **WCR** | **(1,121)** | **(1,051)** | **(681)** |
| **Net cash** | **894** | **1,236** | **431** |
| Total | 19,586 | 19,279 | 19,770 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| **Shareholders' equity** | **4,162** | **4,113** | **4,113** |
| **Perpetual subordinated debt** | **0** | **215** | **215** |
| **Minority interests** | **979** | **959** | **976** |
| **Decommissioning provisions** | **12,368** | **12,316** | **12,316** |
| **Other provisions** | **2,077** | **1,676** | **2,150** |
| Total | 19,586 | 19,279 | 19,770 |

### 5.2. Fixed assets

Net goodwill was €1,641 million at June 30, 2004, compared with €1,265 million at year-end 2003. The increase is primarily the result of the integration of T&D operations, for which the goodwill calculated during the first consolidation represents €429 million. The goodwill was calculated based on the provisional acquisition price, as indicated in paragraph 4.3. This first consolidation goodwill will be adjusted based on the final price.

*(1) Cash and cash equivalents plus marketable securities plus current accounts minus debt.*

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Net tangible and intangible assets went from €3,929 million at December 31, 2003 to €4,417 million at June 30, 2004. This change was mainly the result of T&D's integration into the consolidated group, which contributed almost €470 million to the group's net fixed assets.

Equity in net assets of affiliates was not significantly different from year-end 2003.

Other long-term notes and investments, excluding financial assets earmarked for decommissioning, went from €1,065 million at December 31, 2003 to €899 million at June 30, 2004. This decrease followed the consolidation of the investment company holding the perpetual subordinated bonds as of January 1, 2004 [1]. The effect of that consolidation was to remove the amount for TSDI from the liabilities side of the consolidated balance sheet (€215 million) and the amount for the security deposit from the assets side (€180 million), which previously had been recorded under "other long-term notes and investments".

## 5.3. Decommissioning and waste retrieval and packaging assets and provisions

Balance sheet changes from December 31, 2003 to June 30, 2004 concerning decommissioning and WRP [2] assets and liabilities are summarized in the table below:

| *In millions of euros* | 06/30/2004 | 12/31/2003 |
|---|---|---|
| **ASSETS** | | |
| **Decommissioning and WRP assets** | **9,086** | **9,109** |
| *- AREVA share (remaining to be amortized)* | *1,084* | *1,118* |
| *- Third party share* | *8,002* | *7,991* |
| **Net financial portfolio** | | |
| - Book value | 2,284 | 2,234 |
| - After tax market value | 2,320 | 2,221 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Decommissioning and WRP assets** | **12,365** | **12,316** |
| *- Provisions relating to AREVA* | *4,328* | *4,325* |
| *- Provisions relating to third parties* | *8,037* | *7,991* |

The type of commitment and the determination of the provision are described in note 13 of the notes to the consolidated financial statements.

The €49 million increase in decommissioning provisions, which went from €12,316 million at December 31, 2003 to €12,365 million at June 30, 2004, is due mainly to recognition of inflation.

The earmarked financial portfolio constituted on the assets side yielded 6.9% in H1 2004 and 28.6% year-on-year. This performance was better than its reference index, MSCI Europe, which rose by 6.8% and 21.6% respectively over the same periods. Given the conservative projected schedule for decommissioning expenditures, the required return for the covering portfolio after taxes and inflation is 3.3% per year.

Negotiations on the decommissioning question are still in progress between AREVA, EDF and the CEA. Considering the umbrella nature of these negotiations, and the fact that no definitive conclusions have been reached at this stage, AREVA used the same methods to calculate the provisions for the financial statements at June 30, 2004 as were used for the December 31, 2003 financial statements.

## 5.4. Working capital requirement

AREVA has a built-in negative working capital requirement due to significant customer prepayments, primarily relating to operations in the Back End division.

The consolidated working capital requirement was thus €(1,051 million) at December 31, 2003. Restated to include the integration of Transmission & Distribution operations, which had an opening WCR of €370 million, consolidated WCR was €(681 million) at opening. Over the H1 2004, the change in operating WCR was €(353 million), and the change in non-operating WCR was €(87 million). In the end, WCR for the group was relatively stable at €(1,121 million) at June 30, 2004.

*(1) See note 11 of the Notes to the consolidated financial statements.*
*(2) Waste retrieval and packaging.*

## 5.5. Net cash position

AREVA had net cash[1] of €894 million at June 30, 2004, compared with €1,236 million at December 31, 2003. The change in cash position is presented in detail in paragraphs 4.2 and 4.5.

To assess AREVA's net cash position in economic terms, the following items should be taken into consideration:

- The net cash position presented includes €3 million in provisions for write-down of marketable securities, which should be added back before valuing the securities at their market value.

- The marketable securities are recorded at their historical value. Unrealized gains after taxes, calculated based on market values, were €145 million at June 30, 2004.

This gives a consolidated "pro-forma" net cash position of €1,042 million[2] at June 30, 2004.

## 5.6. Shareholders' equity

Shareholders' equity went from €4,113 million at December 31, 2003 to €4,162 million at June 30, 2004. The increase mainly reflects the combination of net income recognized in H1 2004 and the payment of dividends for fiscal year 2003.

In application of the financial security law, the investment company holding perpetual subordinated bonds, previously treated as perpetual subordinated debt by the group, and the corresponding security deposit constituted on the asset side of the balance sheet, has been consolidated in AREVA's financial statements since January 1, 2004. The consolidation had the effect of removing the €215 million in perpetual subordinated bonds from the liabilities side of the group's consolidated balance sheet at December 31, 2003, and the €180 million of the security deposit from the assets side at December 31, 2003. The net balance of €36 million at January 1, 2004 was recorded as debt.

## 5.7. Non-decommissioning provisions

Non-decommissioning provisions rose €400 million to €2,077 million, up from €1,676 million at December 31, 2003. This change is primarily the result of the integration of Transmission and Distribution operations, which mainly impacted provisions for risk (up €119 million), provisions for restructuring (up €28 million), and provisions for pensions (up €241 million).

# 6. Transition to International Accounting Standards

The project committee set up in 2003 to prepare the transition to International Accounting Standards (IAS) continued its work in 2004.

AREVA did not identify significant discrepancies between the accounting, evaluation and presentation principles and methods defined under IAS and the principles and methods used by the group, except as indicated in article 5.1.9. of AREVA's 2003 annual report:

- Discrepancies relating to the treatment of provisions for facility decommissioning and waste retrieval and packaging, and the decommissioning assets that offset these provisions: these items will be revalued periodically based on the projected schedule for decommissioning and waste retrieval operations, which will substantially reduce the amounts in question. The following impacts on the income statement can be expected:
  - lower amortization expense for decommissioning assets, computed on a reduced basis, with a corresponding impact on operating income;
  - a financial expense will be recorded to reverse the discounting of the provision.

- Discrepancies relating to the treatment of pensions and retirement obligations: in accordance with options available under IAS 1 for initial implementation of the standards, AREVA will adjust its provisions to recognize established actuarial differences for pensions and retirement obligations, with a corresponding adjustment to shareholders' equity. The following impacts on the income statement can be expected:
  - lower annual pension provision expense;
  - the financial impact of annual pension and retirement obligations, after income from pension assets, including reversal of the discounting of the provision, will be recorded under financial income.

*(1) Cash plus marketable securities plus current accounts assets minus debt (see note 14 of the Notes to the consolidated financial statements).*
*(2) I.e. 894 + 3 + 145 = €1,042 million.*

- Discrepancies relating to goodwill: goodwill will no longer be subject to amortization and a valuation test will be performed when an indication of loss of value has been noted and in any event at least once a year.

Moreover, AREVA confirms that it has made the following elections regarding initial implementation of the standards:

- Merger and acquisition transactions prior to January 1, 2004 will not be adjusted, as allowed under IAS 1.

- IAS 39 relating to financial instruments will be implemented as of January 1, 2005. However, this norm will not be applied to the corresponding 2004 data.

- An ad-hoc project committee was set up to evaluate the impact of the international accounting standards on the financial statements and financial information systems of the AREVA group. The committee will continue its work into H2 2004.

AREVA's statutory auditors are currently reviewing the adjustments to consolidated equity and related headings of the balance sheet as of January 1, 2004 resulting from IAS implementation. The group confirms that it should be able to communicate on the main financial impacts of the transition to IAS when the 2004 statements are published.

## 7. Events subsequent to the end of the reporting period

On August 24, 2004, EDF and AREVA signed an agreement formalizing the memorandum of agreement concluded by the two groups on August 30, 2001 relating to AREVA's treatment of 5,250 metric tons of used nuclear fuel from EDF power plants over the 2001 to 2007 period. The value of the contract is €4 billion.

On October 6, 2004, the European Commission authorized the creation of a jointly-owned company of the French nuclear group AREVA and Urenco, a company founded by the governments of the United Kingdom, Germany and the Netherlands. The Commission was able to authorize the deal upon receiving assurances that AREVA and Urenco will act independently, in particular for decisions on their future capacities, and that Euratom's supply agency will increase its inspection resources. As part of the deal, AREVA acquires control of Enrichment Technology Company (ETC), which designs and manufactures centrifuges. Centrifuge technology offers significant advantages over older gaseous diffusion technology currently used by AREVA. In future, ETC, formerly controlled solely by Urenco, will supply both parent companies as well as third parties. AREVA and Urenco will nonetheless remain competitors on the back end market for enriched uranium.

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# 8. Consolidated financial statements

## 8.1. Auditors' report on the limited review of consolidated half-year financial statements for the period January 1 to June 30, 2004

In our capacity as independent Auditors and in compliance with article L. 232-7 of the French Commercial Code, we conducted:

- a limited review of the operations and financial performance of AREVA for the period January 1 to June 30, 2004, presented in the form of the consolidated half-year financial statements attached to this report;

- an audit of the information provided in the half-year report.

These consolidated half-year financial statements were established under the authority of the Executive Board. Our role is to express an opinion on these financial statements based on our limited review.

We conducted our limited review in accordance with French accounting standards, which require that we use due care to obtain assurance, but at a lesser level than an audit, that the consolidated half-year financial statements are free of material misstatements. A review of this nature does not include all of the checks inherent in an audit, but is limited to the use of analytical procedures and to obtaining such information as we deemed necessary from executives and any other person of authority.

Based on our limited review, and from the standpoint of French accounting rules and principles, we did not detect any material misstatements that would call into question the consistency or reliability of the consolidated half-year financial statements or the fair presentation they give of operating results for the period and of the financial position and assets of the consolidated whole as it was constituted at the end of that period.

Without prejudice to the above conclusion, we call your attention to the following three items:
- note 1 of the notes to the consolidated financial statements, in which it is mentioned that special mutual funds are not consolidated;
- note 2 of the notes to the consolidated financial statements, which mentions the provisional nature of calculations related to consolidation of T&D affecting the opening balance sheet and the acquisition price;
- note 13 of the notes to the consolidated financial statements, which mentions the uncertainty related to end-of-cycle costs and the finalization of framework negotiations with EDF and the CEA.

In accordance with French accounting standards, we also verified information given in the half-year report commenting on the consolidated financial statements, which were the subject of our limited review.

We have no comments to make on the reliability of this information or its consistency with the consolidated half-year financial statements.

Done at Paris, September 29, 2004

The Auditors

DELOITTE TOUCHE TOHMATSU / Pascal Colin, Jean-Paul Picard
MAZARS & GUERARD / Thierry Blanchetier, Michel Rosse
RSM SALUSTRO REYDEL / Denis Marangé, Hubert Luneau

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## 8.2. Consolidated income statement

| *In millions of euros* | Notes | H1 2004 | H1 2003 | Fiscal year 2003 |
|---|---|---|---|---|
| **SALES REVENUE** | | **5,339** | **4,137** | **8,255** |
| Cost of sales | | (3,988) | (3,150) | (6,138) |
| **GROSS MARGIN** | | **1,351** | **987** | **2,117** |
| Research and development expenses | | (184) | (141) | (285) |
| Sales and marketing expenses | | (294) | (169) | (352) |
| General and administrative expenses | | (399) | (278) | (587) |
| Other operating income and expenses | 3 | (148) | (237) | (551) |
| **OPERATING INCOME*** | | **327** | **161** | **342** |
| Financial income | 5 | 104 | 6 | 334 |
| **INCOME FROM CONSOLIDATED COMPANIES** | | **431** | **167** | **676** |
| Exceptional items | 6 | 2 | 81 | 135 |
| Income tax | 7 | (107) | (107) | (184) |
| **NET INCOME FROM CONSOLIDATED COMPANIES** | | **326** | **141** | **627** |
| Share in net income of equity affiliates | 10 | 44 | 18 | 20 |
| **NET INCOME BEFORE GOODWILL AMORTIZATION** | | **370** | **159** | **647** |
| Goodwill amortization | 8 | (76) | (55) | (174) |
| **NET INCOME BEFORE MINORITY INTERESTS** | | **294** | **103** | **473** |
| Minority interests | | (51) | (48) | (84) |
| **CONSOLIDATED NET INCOME** | | **243** | **55** | **389** |
| Average number of outstanding shares | | 35,442,701 | 35,442,701 | 35,422,701 |
| Net earnings per share | | 6.86 | 1.56 | 10.97 |
| Net earnings per diluted share | | 6.86 | 1.56 | 10.97 |

* *Current operating income.*

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## 8.3. Consolidated balance sheet

### Assets

| *In millions of euros* | Notes | 06/30/2004 | 12/31/2003 |
|---|---|---|---|
| FIXED ASSETS | | | |
| Net goodwill | 8 | 1,641 | 1,265 |
| Net intangible assets | | 658 | 482 |
| Decommissioning assets | 9 | 9,086 | 9,109 |
| Net tangible assets | | 3,759 | 3,447 |
| Equity in net assets of affiliates | 10 | 1,486 | 1,492 |
| Other long-term notes and investments | 11 | 3,183 | 3,299 |
| **TOTAL FIXED ASSETS** | | **19,813** | **19,094** |
| WORKING CAPITAL | | | |
| Inventories and in-process | | 2,293 | 1,619 |
| Trade accounts receivable and related accounts | | 3,208 | 2,234 |
| Other accounts receivable | | 1,597 | 1,208 |
| Cash and marketable securities | 12 | 1,842 | 2,036 |
| **TOTAL WORKING CAPITAL** | | **8,940** | **7,097** |
| TOTAL ASSETS | | 28,753 | 26,191 |

### Liabilities and shareholders' equity

| *In millions of euros* | Notes | 06/30/2004 | 12/31/2003 |
|---|---|---|---|
| Share capital | | 1,347 | 1,347 |
| Consolidated premiums and reserves | | 2,578 | 2,414 |
| Currency translation reserves | | (6) | (37) |
| Consolidated net income – current year | | 243 | 389 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **4,162** | **4,113** |
| **PERPETUAL SUBORDINATED DEBT** | | | **215** |
| **MINORITY INTERESTS IN EQUITY OF SUBSIDIARIES AND AFFILIATES** | | **979** | **959** |
| Pensions and retirement obligations | | 850 | 609 |
| Provisions for risk and liabilities | 13 | 13,593 | 13,383 |
| Debt | 14 | 948 | 800 |
| Advances and prepayments | | 4,431 | 3,615 |
| Trade accounts payable and related accounts | | 1,403 | 1,009 |
| Other operating liabilities | | 2,387 | 1,488 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 28,753 | 26,191 |

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## 8.4. Consolidated cash flow statement

| *In millions of euros* | H1 2004 | H1 2003 | Fiscal year 2003 |
|---|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| CONSOLIDATED NET INCOME | 243 | 55 | 389 |
| Minority interests in subsidiaries' earnings | 51 | 48 | 84 |
| Net income before minority interests | 294 | 103 | 473 |
| Share of loss (gain) in net income of equity affiliates, net of dividends | (17) | 12 | 9 |
| Net depreciation of fixed assets | 292 | 470 | 721 |
| Net goodwill amortization | 76 | | 176 |
| Net provisions | (91) | (17) | (65 |
| Loss (gain) on disposals of fixed assets and marketable securities | (35) | (63) | (494) |
| Other non-cash items | 3 | (10) | 19 |
| CASH FLOW FROM OPERATIONS | 521 | 495 | 839 |
| Change in working capital requirement */** | 423 | 453 | 379 |
| **CASH FROM OPERATING ACTIVITIES** | **944** | **947** | **1,218** |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Acquisition of tangible and intangible assets | (218) | (180) | (365) |
| Acquisition of long-term notes and investments, impact of changes in consolidation | (844) | (117) | (277) |
| Change in customer prepayments financing fixed assets** | - | (30) | - |
| Disposals of tangible and intangible assets | 15 | 25 | 29 |
| Disposals of long-term notes and investments | 61 | 201 | 284 |
| **CASH FROM (USED FOR) INVESTING ACTIVITIES** | **(987)** | **(101)** | **(329)** |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Capital contributions received | - | - | - |
| Dividends paid | (278) | (295) | (297) |
| Increase (decrease) in debt* | 19 | (108) | (1,670) |
| **CASH FROM (USED FOR) FINANCING ACTIVITIES** | **(259)** | **(403)** | **(1,967)** |
| Decrease (increase) in marketable securities | 24 | 80 | 621 |
| Impact of foreign exchange variations | (2) | 3 | (12) |
| **RECLASSIFICATION OF CASH AND CASH EQUIVALENTS** | | | **(176)** |
| **INCREASE (DECREASE) IN NET CASH** | **(280)** | **526** | **(645)** |
| Beginning cash position | 1,355 | 2,045 | 2,045 |
| Less bank credit balances | (71) | (116) | (116) |
| **CASH AT THE BEGINNING OF THE YEAR** | **1,284** | **1,929** | **1,929** |
| Closing cash position | 1,157 | 2,626 | 1,367 |
| Reclassification of non-trade current accounts*** | | | (12) |
| Less bank credit balances | (152) | (170) | (71) |
| **NET CASH AT THE END OF THE YEAR** | **1,005** | **2,456** | **1,284** |

* *Interest-bearing customer advances and prepayments have been treated as debt since December 31, 2003.*

** *The use of customer prepayments invested in fixed assets, recorded as an increased in fixed assets at June 30, 2003, has been recorded as changes in working capital requirement since December 31, 2003.*

*** *Non-trade current accounts have been included in the cash position since December 31, 2003.*

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## 8.5. Change in consolidated shareholders' equity

| *In millions of euros* | Number of shares and investment certificates outstanding | Share capital | Consolidated premiums and reserves | Currency translation reserves | Total shareholders' equity | Minority interests |
|---|---|---|---|---|---|---|
| **January 1, 2003** | **35,442,701** | **1,347** | **2,573** | **100** | **4,020** | **988** |
| Net 2003 income | | | 389 | | 389 | 84 |
| Dividends paid | | | (220) | | (220) | (77) |
| Change in accounting methods and other adjustments [1] | | | 61 | (9) | 52 | (2) |
| Currency translation adjustment | | | | (128) | (128) | (34) |
| **December 31, 2003** | **35,442,701** | **1,347** | **2,803** | **(37)** | **4,113** | **959** |
| Net income | | | 243 | | 243 | 51 |
| Dividends paid | | | (220) | | (220) | (60) |
| Change in accounting methods and other adjustments | | | (4) | | (4) | |
| Change in consolidated group | | | | | | 19 |
| Currency translation adjustment | | | | 31 | 31 | 10 |
| **June 30, 2004** | **35,442,701** | **1,347** | **2,821** | **(6)** | **4,162** | **979** |

*(1) Other adjustments recorded in 2003 correspond to the reclassification of the balance of an equalization tax previously recorded under other operating liabilities, the tax no longer being applicable.*

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## 8.6. Data by division and region

### Data by division

### H1 2004

| *In millions of euros (excluding personnel data)* | Front end | Reactors and services | Back end | Transmission and distribution | Energy | Connectors | Holding and other operations and consolidated entries | Group total |
|---|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | | |
| Gross sales | 1,225 | 1,032 | 1,109 | 1,533 | **4,899** | **653** | (213) | 5,339 |
| Inter-company sales | (46) | (73) | (104) | - | **(223)** | **-** | 223 | - |
| Contribution to consolidated sales | 1,179 | 960 | 1,004 | 1,533 | **4,676** | **653** | 10 | 5,339 |
| Operating income | 157 | 16 | 108 | 30 | **312** | **45** | (29) | 327 |
| *% of contribution to consolidated sales* | *13.3* | *1.7* | *10.8* | *2* | ***6.7*** | ***6.9*** | *n.s.* | *6.1* |
| **Cash** | | | | | | | | |
| EBITDA * | 241 | 53 | 225 | 0 | **519** | **59** | (26) | 553 |
| % of contribution to consolidated sales | 20.4 | 5.5 | 22.4 | n.s. | **11.1** | **9.0** | n.s. | 10.4 |
| Net cash used in investing activities | (79) | (27) | (37) | (22) | **(165)** | **(33)** | (6) | (204) |
| Gain from disposals of tangible and intangible assets | - | - | 3 | - | **3** | **1** | - | 4 |
| Change in operating working capital requirement** | (53) | 87 | 396 | (24) | **406** | **(6)** | (47) | 353 |
| Operating cash flow*** | 109 | 113 | 588 | (45) | **765** | **21** | (80) | 706 |
| **Other** | | | | | | | | |
| Fixed assets | 2,035 | 517 | 10,790 | 940 | **14,282** | **729** | 4,802 | 19,813 |
| Working capital requirement | 664 | 9 | (2,313) | 401 | **(1,238)** | **226** | (110) | (1,123) |
| Employees | 10,419 | 13,189 | 10,594 | 21,328 | **55,530** | **12,524** | 2,097 | 70,151 |

* *EBITDA is understood as operating income before depreciation, depletion, amortization and provisions.*

** *Operating working capital requirement includes inventories, receivables and debt directly related to operations.*

*** *Operating cash flow is cash flow generated by operating activities. It includes EBITDA, net investment in tangible and intangible assets, the net gain or loss on disposals of tangible and intangible assets, and changes in the operating working capital requirement.*

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## H1 2003

| *In millions of euros (excluding personnel data)* | Front end | Reactors and services | Back end | Nuclear power | Connectors | Holding and other operations, and consolidated entries | Group total |
|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | |
| Gross sales | 1,437 | 1,065 | 1,085 | **3,587** | **689** | (140) | 4,136 |
| Inter-company sales | (12) | (75) | (98) | **(185)** | | 185 | 0 |
| Contribution to consolidated sales | 1,425 | 990 | 987 | **3,402** | **689** | 45 | 4,136 |
| Operating income | 168 | 57 | 49 | **274** | **(62)** | (51) | 161 |
| *% of contribution to consolidated sales* | *11.7* | *5.7* | *4.9* | ***8.0*** | | | *3.9* |
| **Cash** | | | | | | | |
| EBITDA | 248 | 70 | 263 | **581** | **(9)** | (14) | 558 |
| % of contribution to consolidated sales | 17.4 | 7 | 26.6 | **17** | | | 13.5 |
| Net cash used in investing activities | (51) | (25) | (104) | **(180)** | **(26)** | (19) | (226) |
| Gain (loss) from disposals of tangible and intangible assets | (1) | 1.5 | 1 | **1.5** | **2.8** | 0.8 | 5.1 |
| Change in operating working capital requirement | 185.3 | 87.4 | 189.6 | **462.3** | **(11.3)** | 20.2 | 471.3 |
| Operating cash flow | 381.1 | 133.8 | 349.5 | **864.4** | **(43.2)** | (12.1) | 809.1 |
| **Other** | | | | | | | |
| Fixed assets | 2,098 | 525 | 11,921 | **14,544** | **822** | 4,447 | 19,813 |
| Working capital requirement | (48) | 45 | 628 | **625** | **280** | (2,497) | (1,592) |
| Employees | 9,851 | 13,151 | 10,893 | **33,895** | **12,383** | 2,397 | 48,675 |

In 2003, the group reallocated to the energy business certain overheads previously recorded under “Holding and other operations” that could be directly related to the energy divisions.

## H1 2003 (after reallocation of energy overheads)

| *In millions of euros (excluding personnel data)* | Front end | Reactors and services | Back end | Nuclear power | Connectors | Holding and other operations, and consolidated entries | Group total |
|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | |
| Gross sales | 1,437 | 1,065 | 1,085 | **3,587** | **689** | (140) | 4,136 |
| Inter-company sales | (12) | (75) | (98) | **(185)** | **-** | 185 | - |
| Contribution to consolidated sales | 1,425 | 990 | 987 | **3,402** | **689** | 45 | 4,136 |
| Operating income | 154 | 40 | 56 | **250** | **(62)** | (27) | 161 |
| *% of contribution to consolidated sales* | *10.8* | *4.0* | *5.2* | ***7.3*** | ***(9)*** | *n.s.* | *3.9* |

The operations of Duke Engineering & Services, acquired in April 2002, generated sales of €149 million in H1 2003.

The MAI division of the FCI group had sales of €40 million up to the date of its disposal in May 2003.

## Fiscal yeard 2003

| In millions of euros (excluding personnel data) | Front end | Reactors and services | Back end | Nuclear power | Connectors | Holding and other operations, and consolidated entries | Group total |
|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | |
| Gross sales | 2,707 | 2,288 | 2,226 | **7,221** | **1,338** | (304) | 8,255 |
| Inter-company sales | (24) | (164) | (203) | **(391)** | **0** | 391 | 0 |
| Contribution to consolidated sales | 2,683 | 2,124 | 2,023 | **6,830** | **1,338** | 87 | 8,255 |
| Operating income | 316 | 52 | 155 | **523** | **(114)** | (67) | 342 |
| *% of contribution to consolidated sales* | *11.8* | *2.4* | *7.7* | ***7.7*** | ***(8.5)*** | *n.a.* | *4.1* |
| **Cash** | | | | | | | |
| EBITDA | 416 | 86 | 467 | **969** | **25** | (57) | 937 |
| % of contribution to consolidated sales | 15.5 | 4.0 | 23.1 | **14.2** | **1.9** | *n.a.* | 11.4 |
| Net cash used in investing activities | (126) | (67) | (75) | **(268)** | **(62)** | (6) | (336) |
| Gain from disposals of tangible and intangible assets | | 2 | 7 | **9** | **2** | | 11 |
| Change in operating working capital requirement | 49 | 123 | 75 | **247** | **11** | 31 | 289 |
| Operating cash flow | 340 | 145 | 473 | **958** | **(24)** | (33) | 902 |
| **Other** | | | | | | | |
| Fixed assets | 2,662 | 693 | 12,289 | **15,644** | **729** | 2,721 | 19,094 |
| Working capital requirement | 682 | 101 | (1,975) | **(1,192)** | **(60)** | 201 | (1,051) |
| Capital employed | 2,000 | 721 | 282 | **3,003** | **1,127** | 854 | 4,984 |
| Employees | 9,719 | 13,251 | 10,542 | **33,512** | **12,211** | 2,288 | 48,011 |

Capital employed includes net tangible and intangible assets, the operating working capital requirement, customer prepayments invested in fixed assets, and provisions for liabilities.

## Data by region

| *In millions of euros* | H1 2004 | | | | | H1 2003 | Fiscal year 2003 |
|---|---|---|---|---|---|---|---|
| | Nuclear power | Connectors | T&D | Other | Total | | |
| France | **1,419** | **45** | 140 | 3 | 1,607 | 1,386 | 3,029 |
| Europe (excluding France) | **644** | **240** | 571 | 0 | 1,455 | 1,000 | 2,011 |
| North America | **648** | **160** | 210 | 6 | 1,024 | 901 | 1,795 |
| Asia Pacific | **410** | **177** | 300 | 0 | 887 | 810 | 1,322 |
| Africa and the Middle East | **20** | **28** | 308 | 0 | 356 | 33 | 95 |
| Other countries | **1** | **2** | 5 | 0 | 8 | 6 | 2 |
| Total | 3,142 | 652 | 1,534 | 9 | 5,339 | 4,136 | 8,254 |

# 9. Notes to the consolidated financial statements

## Note 1 - Accounting principles

AREVA's consolidated half-year financial statements have been prepared following the accounting rules and methods used to prepare the consolidated annual financial statements, in accordance with:

- rule 99-02 of the Committee on Accounting Regulations pertaining to the consolidated financial statements of commercial and public companies;
- recommendation 99.R.01 of the National accounting commission (CRC) pertaining to interim financial statements.

In relation to the principles set forth in the 2003 annual report, the following items have changed:

- As required by the law on financial security, the investment firm holding the perpetual subordinated debt and the security deposit is consolidated in AREVA's financial statements, effective January 1, 2004. The consolidation removes the perpetual subordinated bonds, recorded under perpetual subordinated debt, and the security deposit, recorded under other long-term notes and investments, from the group's consolidated balance sheet, with the net amount of €36 million reclassified as debt at January 1, 2004.

- Provisions for losses on contracts, previously recorded under other operating income and expense, are now recorded under cost of sales. They amounted to €10 million for H1 2004.

Considering the discussions in progress on implementation of the Financial Security Law and of CRC 2004-03 amending CRC rule 99-02, AREVA is not consolidating the special mutual funds earmarked to cover decommissioning expenses (see note 11).

## Note 2 - Consolidation scope

### Transactions in 2004

#### Acquisition of the Transmission & Distribution business from Alstom

The AREVA group signed a final agreement with the Alstom group on January 9, 2004 to acquire the Transmission & Distribution operations, following the consent of the European Commission and of the anti-trust authorities for the countries concerned.

T&D's business – electricity transmission and distribution – is an important component of the value chain for the electric energy industry. It connects electric power generators with end-users consisting of large and small businesses as well as individual consumers. The T&D market begins at the power plant outlet and ends at the point where individual and industrial users are connected to the grid. T&D supplies electric power conversion equipment to this market, including transformers and grid connection equipment such as cutout switches and disconnect switches, often combined in a sub-station. These major equipment items go hand in hand with measurement equipment, instrument transformers, overload relays and automated grid operating systems, and with grid protection equipment such as lightning arrestors. T&D does not supply low value-added equipment, such as wires and electric towers. T&D also provides a broad range of grid monitoring and operating systems and value-added services to operators.

#### Acquisition price

AREVA's acquisition of the Transmission & Distribution business (T&D) was the subject of a stock purchase agreement (SPA) between Alstom and AREVA dated September 25, 2003, with a closing date of January 9, 2004.

The SPA set an acquisition price of €950 million for the enterprise value of the T&D business, subject to a price adjustment clause based on a "Net Financial Debt" calculation. This adjustment concerns, for the most part, working capital items and the net financial debt of the business at December 31, 2003.

In accordance with the SPA, Alstom calculated a provisional price of €930.3 million for the transaction, based on items entering into the calculation of the closing net financial debt, according to its own estimates at December 31, 2003.

Alstom proposed a price adjustment to AREVA based on the financial statements for the year ended December 31, 2003 (the "closing accounts" audited by Alstom's Statutory Auditors). AREVA and Alstom still disagree on price adjustments provided for in the SPA.

Several points tied to the conclusion of the transaction as provided for in the SPA have yet to be resolved. In particular, the T&D business (sales of approximately €100 million) included in Alstom Ltd (India) has not yet been transferred to AREVA T&D. Other entities of lesser size (Pakistan, Egypt, Indonesia) will be transferred to AREVA T&D over the course of the second half of 2004.

As part of the operations to constitute the AREVA T&D scope of consolidation, Alstom transferred 49% of the shares in a company called SPE Mexique. AREVA T&D and Alstom signed a contract for reassignment of those shares. That contract carries conditions precedent that have not yet been satisfied. Considering the terms of this contract, AREVA is not consolidating SPE Mexique in its financial statements.

#### Determination of goodwill from the acquisition of AREVA T&D

The goodwill relating to this acquisition is the difference between (i) the acquisition price paid to Alstom plus AREVA's acquisition expenses and (ii) the fair value of the acquired assets and liabilities as of the acquisition date.

The acquisition price considered at this stage is a provisional price adjusted based on the net financial debt determined as indicated above.

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### Valuation of company assets

The fair value of the acquired assets was established based on valuations performed by independent experts:
- valuations were made of the intangible assets of the company acquired, in particular patents and software;
- an exhaustive review was performed of real estate assets and led to the market value appraisal of the main manufacturing sites owned by AREVA T&D;
- a review was also performed on production equipment and led to a reassessment of a large proportion of that equipment based on market values and the estimated service life of the equipment;
- inventories and in process were valued based on realizable disposal prices less marketing and sales expenses and a normal margin.

### Valuation of company liabilities

An exhaustive review of company liabilities was performed and resulted in certain adjustments to those liabilities in the opening balance sheet, in particular:
- pension provisions: actuarial differences were recorded;
- restructuring costs settled upon and announced during the year. At June 30, 2004, restructuring activities announced as of that date were recorded on the opening balance sheet.

At the end of these computations, goodwill came to €429 million. This is a preliminary amount and may be revised through December 31, 2004 in accordance with applicable accounting rules. It will be revised during closing for 2004 based on the final acquisition price.

## Comparability of financial statements

To ensure the comparability of financial statements, a balance sheet at December 31, 2003 and an income statement at June 30, 2003 were reconstituted for the AREVA group:

## Reconstituted consolidated income statement

| *In millions of euros* | H1 2004 | Reconstituted H1 2003 | Reported H1 2003 |
|---|---|---|---|
| **SALES REVENUE** | **5,339** | **5,576** | **4,137** |
| Cost of sales | (3,988) | (4,204) | (3,150) |
| **GROSS MARGIN** | **1,351** | **1,372** | **987** |
| Research and development expenses | (184) | (192) | (141) |
| Marketing and sales expenses | (294) | (316) | (169) |
| General and administrative expenses | (399) | (387) | (278) |
| Other operating income and expenses | (148) | (291) | (237) |
| **OPERATING INCOME *** | **327** | **186** | **161** |
| Financial income | 104 | (22) | 6 |
| **INCOME FROM CONSOLIDATED COMPANIES** | **431** | **164** | **167** |
| Exceptional items | 2 | 85 | 81 |
| Income tax | (107) | (115) | (107) |
| **NET INCOME FROM CONSOLIDATED COMPANIES** | **326** | **134** | **141** |
| Share in net income of equity affiliates | 44 | 18 | 18 |
| **NET INCOME BEFORE GOODWILL AMORTIZATION** | **370** | **152** | **159** |
| Goodwill amortization | (76) | (69) | (55) |
| **CONSOLIDATED NET INCOME BEFORE MINORITY INTERESTS** | **294** | **83** | **103** |
| Minority interests | (51) | (50) | (48) |
| **CONSOLIDATED NET INCOME** | **243** | **34** | **55** |
| Average number of outstanding shares | 35,442,701 | 35,442,701 | 35,442,701 |
| Earnings per share | 6.86 | 0.959 | 1.56 |
| Net earnings per diluted share | 6.86 | 0.959 | 1.56 |

* *Current operating income.*

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## Reconstituted balance sheet

### Assets

| *In millions of euros* | 06/30/2004 | 12/31/2003 reconstituted | 12/31/2003 reported |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Net goodwill | 1,641 | 1,694 | 1,265 |
| Net intangible assets | 658 | 596 | 482 |
| Decommissioning assets | 9,086 | 9,109 | 9,109 |
| Net tangible assets | 3,759 | 3,800 | 3,447 |
| Equity in net assets of affiliates | 1,486 | 1,493 | 1,492 |
| Other long-term notes and investments | 3,183 | 3,328 | 3,299 |
| **TOTAL FIXED ASSETS** | **19,813** | **20,020** | **19,094** |
| **WORKING CAPITAL ITEMS** | | | |
| Inventories and in-process | 2,293 | 2,153 | 1,619 |
| Accounts receivable and related accounts | 3,208 | 3,137 | 2,234 |
| Other accounts receivable | 1,597 | 1,494 | 1,208 |
| Cash and marketable securities | 1,842 | 1,208 | 2,036 |
| **TOTAL WORKING CAPITAL** | **8,940** | **7,992** | **7,097** |
| **TOTAL ASSETS** | **28,753** | **28,012** | **26,191** |

### Liabilities and shareholders' equity

| *In millions of euros* | 06/30/2004 | 12/31/2003 reconstituted | 12/31/2003 reported |
|---|---|---|---|
| Share capital | 1,347 | 1,347 | 1,347 |
| Consolidated premiums and reserves | 2,578 | 2,414 | 2,414 |
| Currency translation reserves | (6) | (37) | (37) |
| Consolidated net income | 243 | 389 | 389 |
| **TOTAL SHAREHOLDERS' EQUITY** | **4,162** | **4,113** | **4,113** |
| Perpetual subordinated debt | - | 215 | 215 |
| Minority interests | 979 | 976 | 959 |
| Pensions and retirement obligations | 850 | 787 | 609 |
| Provisions for risk and liabilities | 13,593 | 13,679 | 13,383 |
| Debt | 948 | 777 | 800 |
| Prepayments | 4,431 | 3,940 | 3,615 |
| Trade accounts payable and related accounts | 1,403 | 1,389 | 1,009 |
| Other operating liabilities | 2,387 | 2,135 | 1,488 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **28,753** | **28,012** | **26,191** |

The assumptions used to establish the reconstituted 2003 financial statements are as follows:
- retroactive consolidation into the AREVA group of consolidated T&D (excluding India and Pakistan) at January 1, 2003;
- the impact of recording assets and liabilities revalued at their fair value and the goodwill resulting from this acquisition, as calculated for H1 2004, were transposed to 2003. In addition, restructuring costs for 2003 (in the amount of €60 million at June 30, 2003) were not offset in the reconstituted accounts;
- financial income for 2003 was corrected for the loss of earnings on investments, calculated on the AREVA T&D acquisition price;
- goodwill was amortized over a period of 20 years.

Also, the acquisition of T&D led the group to increase its off balance sheet commitments by €963 million in terms of guarantees granted.

## Transactions in 2003

The AREVA group sold the FCI group's MAI division in May 2003. The gain on the sale before taxes was €65 million.

The Cable & Assembly business, which was part of FCI's Communication Data Consumer division, was sold on May 8, 2003.

AREVA sold Packinox on December 17, 2003.

The participating interest in Assystem was subject to a public exchange offering initiated by Brime and registered with the stock market authorities (AMF) on October 22, 2003. At the same time, the Assystem shareholders' agreement was terminated. The participating interest in Assystem Brime is now recorded under marketable securities.

## Note 3 - Other operating income and expenses

| *In millions of euros* | H1 2004 | H1 2003 | Fiscal year 2003 |
|---|---|---|---|
| Net gains (losses) on sales of non-financial fixed assets | (4) | (5) | (13) |
| Restructuring costs and CATS – CASA plans | (27) | (91) | (217) |
| Other operating income and expenses | (117) | (141) | (321) |
| Total | (148) | (237) | (551) |

At June 30, 2004, restructuring costs and CATS – CASA plans related primarily to the nuclear power sector, in the amount of €24 million, and to connectors, in the amount of €3 million, compared with €44 million at June 30, 2003 for connectors and €47 million at June 30, 2003 for nuclear power.

Other operating income and expenses at June 30, 2004 mainly include net expenses associated with amortization and provisions for operations in the back end of the cycle, in the amount of €68 million, and net retirement provisions.

## Note 4 - Other operating income data

| *In millions of euros* | H1 2004 | Fiscal year 2003 |
|---|---|---|
| Payroll expense | 1,548 | 2,504 |
| Workforce at year-end | 70,151 | 48,011 |
| Increases in amortization | 309 | 660 |
| Increases in provisions | (80) | (65) |
| (Gains) / losses on disposals of non-financial assets | 4 | 13 |

## Note 5 - Financial income

| *In millions of euros* | H1 2004 | H1 2003 | Fiscal year 2003 |
|---|---|---|---|
| **INCOME (EXPENSE) RELATED TO DECOMMISSIONING PORTFOLIO** | | | |
| Net gain (loss) on sales of securities | | | 83 |
| Dividends received | 29 | 33 | 33 |
| Write-down of securities | 39 | (64) | (101) |
| Decommissioning provision inflation adjustment | (17) | (16) | (39) |
| **Sub-total** | **51** | **(47)** | **(24)** |
| **INCOME (EXPENSE) UNRELATED TO DECOMMISSIONING PORTFOLIO** | | | |
| Investment income | 28 | 45 | 99 |
| Interest expense on loans and lines of credit | (15) | (36) | (55) |
| Net foreign exchange gain (loss) | | 2 | (10) |
| Net gain (loss) on sales of securities | 37 | 1 | 288 |
| Dividends received | 23 | 28 | 32 |
| Provisions on securities | 6 | 19 | 39 |
| Other income (loss) from financial activities | (26) | (6) | (35) |
| **Sub-total** | **53** | **53** | **358** |
| Total | 104 | 6 | 334 |

Income related to the decommissioning portfolio at June 30, 2004 includes €39 million from a recaptured provision on the portfolio of securities dedicated to end-of-life-cycle operations, compared with €64 million in write-downs at June 30, 2003 and €101 million in write-downs at December 31, 2003.

At June 30, 2004 and December 31, 2003, income from sales of securities not related to decommissioning pertain to gains from sales of Total shares.

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## Note 6 - Exceptional items

Exceptional items for the first half of 2003 mainly include the gain on the sale of the MAI division in the amount of €66 million and a recaptured provision for late fees in the amount of €20 million related to the favorable outcome of litigation between the group and the tax administration concerning a 1999 dividend distribution.

## Note 7 - Income tax

### Analysis of income tax expense

| *In millions of euros* | H1 2004 | H1 2003 | Fiscal year 2003 |
|---|---|---|---|
| Current taxes (France) | (66) | (75) | (121) |
| Current taxes (other countries) | (27) | (30) | (30) |
| Total current taxes | (93) | (105) | (151) |
| Deferred taxes | (14) | (2) | (33) |
| Total | (107) | (107) | (184) |

### Reconciliation of income tax expense and income before tax

| *In millions of euros* | H1 2004 | H1 2003 | Fiscal year 2003 |
|---|---|---|---|
| Consolidated net income | 243 | 55 | 389 |
| Minority interests | 51 | 48 | 84 |
| Share in net income of equity affiliates | (44) | (18) | (20) |
| Tax expense / (income) | 107 | 107 | 184 |
| Income before tax | 357 | 192 | 637 |
| Theoretical tax profit / (expense) | (126) | (68) | (226) |
| **Reconciliation** | | | |
| Effect of income taxed abroad | 4 | | 12 |
| Transactions taxed at a reduced rate | 26 | 2 | 87 |
| Permanent differences | (36) | (1) | (52) |
| Tax credit and other taxes | 5 | | 5 |
| Change in provision for depreciation of positive deferred taxes | 20 | (39) | (10) |
| Real tax income / (expense) | (107) | (107) | (184) |

## Note 8 - Goodwill

### Changes in goodwill

| *In millions of euros* | 06/30/2004 | 12/31/2003 | Acquisitions and disposals | Increase in amortization | Currency translation and other | 06/30/2003 |
|---|---|---|---|---|---|---|
| Gross value | 4,014 | 3,520 | 434 | | 60 | 3,672 |
| Depreciation, depletion, amortization and provisions | (2,373) | (2,255) | | (76) | (43) | (2,237) |
| Net book value | 1,641 | 1,265 | 434 | (76) | 17 | 1,435 |

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The breakdown of goodwill, by company, into gross values and amortization at June 30, 2004 is as follows:

| *In millions of euros* | Gross value | Less amortization | Net book value at 06/30/2004 | Net book value at 06/30/2003 | Net book value at 12/31/2003 |
|---|---|---|---|---|---|
| **Energy** | **1,273** | **(394)** | **879** | **504** | **474** |
| T&D | 429 | (14) | 415 | | |
| ANP GmbH | 202 | (35) | 168 | 178 | 173 |
| Canberra | 104 | (19) | 85 | 96 | 85 |
| ANP USA | 100 | (31) | 68 | 81 | 69 |
| FBFC | 111 | (67) | 44 | 50 | 47 |
| Cezus | 80 | (50) | 30 | 34 | 32 |
| ANF GmbH | 35 | (6) | 29 | 26 | 30 |
| Jeumont SA | 66 | (50) | 15 | 20 | 18 |
| NDT GmbH | 9 | (2) | 8 | 8 | 8 |
| Other | 137 | (120) | 17 | 10 | 12 |
| **Connectors** | **1,658** | **(1,372)** | **286** | **338** | **285** |
| Berg | 1,293 | (1,029) | 264 | 312 | 263 |
| Other FCI | 365 | (343) | 22 | 26 | 22 |
| **Holding and others** | **1,083** | **(608)** | **476** | **593** | **506** |
| AREVA | 856 | (474) | 382 | 479 | 402 |
| STMicroelectronics | 182 | (123) | 59 | 78 | 69 |
| Eramet | 44 | (10) | 34 | 37 | 35 |
| Cilas | 1 | (1) | | | |
| **Total** | **4,014** | **(2,373)** | **1, 641** | **1,435** | **1,265** |

## Analysis of net value of goodwill

| *In millions of euros* | Period | Net value at 06/30/2004 | Acquisitions and disposals | Increases (decreases) in amortization and provisions | Currency translation differences and other variations | Net value at 12/31/2003 |
|---|---|---|---|---|---|---|
| **Energy** | | **879** | **434** | **(35)** | **6** | **474** |
| T&D | 20 | 415 | 429 | (14) | | |
| ANP GmbH | 20 | 168 | | (5) | | 173 |
| Canberra | 20 | 85 | | (3) | 3 | 85 |
| ANP USA | 15 | 68 | | (3) | 2 | 69 |
| FBFC | 15 | 44 | | (3) | | 47 |
| Cezus | 12-20 | 30 | | (2) | | 32 |
| ANF GmbH | 15 | 29 | | (1) | | 30 |
| Jeumont SA | 15 | 15 | | (2) | | 18 |
| NDT GmbH | 15 | 8 | | | | 8 |
| Other | | 17 | 5 | (2) | 1 | 12 |
| **Connectors** | | **286** | | **(11)** | **12** | **285** |
| Berg | 20 | 264 | | (9) | 11 | 263 |
| Other FCI | | 22 | | (1) | 1 | 22 |
| **Holding and others** | | **476** | | **(30)** | | **506** |
| AREVA | 20 | 382 | | (20) | | 402 |
| STMicroelectronics | 10 | 59 | | (9) | | 69 |
| Eramet | 20 | 34 | | (1) | | 35 |
| **Total** | | **1,641** | **434** | **(76)** | **17** | **1,265** |

The acquisition of the Transmission & Distribution business generated goodwill of €429 million.

In an industry in consolidation, the Connectors division has acquired a number of companies in recent years to achieve global stature in interconnection systems in the telecommunications and IT markets, including its 1998 acquisition of Berg in the United States.

With the bursting of the speculative bubble in late 2000 and the resulting downturn in the telecommunications and media technologies market, which intensified in the second half of 2001 and continued through the first quarter of 2002, the group decided to reassess the utility value of this business compared to its acquisition price. As a result, the group wrote off €730 million in goodwill for Berg in 2001 and €275 million in 2002. No write-offs were recorded in 2003 or 2004 for this division.

## Note 9 - Decommissioning assets

In accordance with CRC rule no. 2000-06 pertaining to liabilities, the group recognizes, in addition to the value of its tangible assets, its share of ultimate end-of-life-cycle operation costs (nuclear facility decommissioning, decontamination) including a provision for the total amount of waste retrieval and packaging costs to be borne by the group. AREVA also accounts for ultimate decommissioning costs funded by certain customers. Conversely, as soon as a facility starts operating, a provision is established to cover its total estimated end-of-cycle cost, including the cost portion ultimately charged to customers.

| *In millions of euros* | 06/30/2004 | | | | | 12/31/2003 |
|---|---|---|---|---|---|---|
| | AREVA share | | | Third party share | Total | Total |
| | Gross value | Amortization | Net value | | | |
| Dismantling | 1,613 | (529) | 1,084 | 5,219 | 6,303 | 6,349 |
| Waste retrieval and packaging | | | | 2,782 | 2,782 | 2,760 |
| **Total** | **1,613** | **(529)** | **1,084** | **8,002** | **9,086** | **9,109** |

| *In millions of euros* | Net value at 01/01/2004 | Increase | Decrease | Net depreciation, amortization and provisions | Other changes | Net value at 06/30/2004 |
|---|---|---|---|---|---|---|
| Group share | 1,118 | 19 | | (57) | 3 | 1,084 |
| Third party share | 7,991 | 67 | (56) | | 0 | 8,002 |
| **Total** | **9,109** | **86** | **(56)** | **(57)** | **3** | **9,086** |

Net decommissioning assets represented €9,086 million at June 30, 2004, compared with €9,109 million at December 31, 2003. The increase in assets is due to the adjustment for inflation and the decrease is due to amortization and to expenses invoiced to third parties.

The group's share of future dismantling expenses was €1,085 million at June 30, 2004 and €1,118 million at December 31, 2003. The share ultimately to be funded by certain customers was €8,002 million at June 30, 2004, versus €7,991 million at December 31, 2003.

AREVA

## Note 10 - Equity in net assets of affiliates

| *In millions of euros* | 06/30/2004 | | | 12/31/2003 | | |
|---|---|---|---|---|---|---|
| | % interest | Share of net income | Share of net equity | % interest | Share of net income | Share of net equity |
| **Energy** | | | | | | |
| AMC | | 0 | 0 | 40.0 | 5 | 19 |
| Comilog | 7.7 | (1) | 13 | 7.7 | (12) | 15 |
| Cominak Niger | | | - | 34.0 | 2 | 10 |
| Assystem Brime | | | - | 38.6 | 1 | 0 |
| Katco [(1)] | 45.0 | 6 | | 45.0 | 0 | (7) |
| Socodei | 49.0 | 1 | 5 | 49.0 | 3 | 4 |
| Timet Savoie | 19.8 | 1 | 9 | 19.8 | 1 | 9 |
| Other | | 1 | 11 | | 0 | 11 |
| **Other operations and holding companies** | | | | | | |
| STMicroelectronics [(2)] | 17.2 | 33 | 1,177 | 17.3 | 34 | 1,144 |
| Eramet | 26.5 | 6 | 223 | 26.5 | (14) | 230 |
| Eramet Manganèse Alliages | 30.5 | (3) | 48 | 30.5 | 1 | 57 |
| **Total** | | **44** | **1,486** | | **21** | **1,492** |

*(1) Katco, carried under the equity method through April 30, 2004, was fully consolidated beginning May 1, 2004.*
*(2) The group's share represented 11% at December 31, 2003 and June 30, 2004. STMicroelectronics Holding NV is the sole owner of STMicroelectronics Holding II BV, which in turn holds 34.4% of STMicroelectronics. STMicroelectronics Holding NV is 50% owned by FT1CI, in which AREVA holds 63.8% and which is fully consolidated. AREVA's indirect interest in STMicroelectronics is 11% and it controls 17.2% of the company's voting rights.*

## Note 11 - Other long-term notes and investments

| *In millions of euros* | 06/30/2004 | Fiscal year 2003 |
|---|---|---|
| Equity securities | 48 | 45 |
| Financial assets earmarked for facility decommissioning | 2,284 | 2,234 |
| Other long-term investments in securities | 380 | 380 |
| Accounts receivable related to equity interests | 40 | 62 |
| Loans, deposits and other accounts receivable | 431 | 576 |
| **Net book value** | **3,183** | **3,299** |

### Assets earmarked for facility decommissioning

| *In millions of euros* | Net book value | | Market value | | After tax market value | |
|---|---|---|---|---|---|---|
| | 06/30/2004 | 12/31/2003 | 06/30/2004 | 12/31/2003 | 06/30/2004 | 12/31/2003 |
| Financial assets earmarked for facility decommissioning | 2,284 | 2,234 | 2,317 | 2,187 | 2,320 | 2,221 |

Financial assets earmarked for facility decommissioning include investments made to finance future expenses for nuclear facility decommissioning and waste retrieval and packaging. These investments consist of directly held securities, investment funds, rate funds and liquid assets. The closing value of the securities in the portfolio is determined using the methods defined hereunder:

- Directly held securities: the closing value is the higher of: (a) the market price at the end of the period, or (b) the going concern value of the security, which is the average of (1) market values established by a stable panel of outside financial analysts at the close of the period and (2) the medium term value, taking into account the growth rate of future earnings, the stock market risk and the risk specific to the company in question.

A security is not written down until a valuation test based on the stock market price has been performed: if the average market price for a security over the six months preceding the end of the period is less than its book value by more than 20%, a provision for write-down is recorded. The amount of the provision is equal to the difference between the closing value of the securities, as defined above, and their book value.

- Securities held in investment funds: the closing value of the securities is the higher of: (a) the net asset value at the end of the period, or (b) the moving average of its net asset value on the market for a period of not more than 24 months preceding the end of the period. A provision for write-down is recorded when the closing value of securities held in investment funds is less than their book value.

Earmarked investment funds are not consolidated line by line, pending an upcoming decision by the national accounting board on the accounting treatment applicable to them.

At June 30, 2004, a recapture of a provision in the amount of €39.2 million had been recorded.

### Loans, deposits and other accounts receivable

Effective January 1, 2004, as required by the law on financial security, the investment firm holding the perpetual subordinated debt and the security deposit will be consolidated in AREVA's financial statements. As a result, the €215 million in perpetual subordinated debt, recorded under liabilities, and the €180 million security deposit, recorded under assets, no longer appear on the group's consolidated balance sheet, with the net balance of €36 million at January 1, 2004 reclassified as debt.

## Note 12 - Cash and marketable securities

| *In millions of euros* | 06/30/2004 | Fiscal year 2003 |
|---|---|---|
| Marketable securities (gross value) | 1,643 | 1,968 |
| Marketable securities (provisions) | (3) | (4) |
| Cash and current accounts | 202 | 72 |
| **Net value** | **1,842** | **2,036** |

Marketable securities consist primarily of publicly traded shares, mutual funds, bonds and negotiable debt instruments. The market value of these marketable securities was €2,032 million at June 30, 2004. The unrealized gain is attributable largely to appreciation of the Total shares.

### Analysis of cash and marketable securities

| *In millions of euros* | Number of shares | Market value at June 30, 2004 | Net book value at June 30, 2004 | Gross book value at June 30, 2004 |
|---|---|---|---|---|
| **Marketable securities (maturing in more than 3 months)** | | | | |
| **Publicly traded shares** | | | | |
| Total | 1,837,516 | 143 | 143 | 288 |
| Alcatel | 2,597,435 | 27 | 27 | 33 |
| Société Générale | 1,690,000 | 104 | 104 | 118 |
| Assystem Brime* | 5,672,623 | 79 | 79 | 93 |
| Other | | 333 | 332 | 337 |
| **Total marketable securities (maturing in more than 3 months)** | | **687** | **685** | **869** |
| **Cash and cash equivalents** | | | | |
| Money market investments (maturing in less than 3 months) | | 956 | 955 | 957 |
| Cash and current accounts | | 206 | 202 | 206 |
| **Total cash and marketable securities** | | **1,162** | **1,157** | **1,163** |
| **Net value at June 30, 2004** | | **1,849** | **1,842** | **2,032** |

** The book value includes purchase warrants for redeemable shares.*

## Note 13 - Provisions for risk and liabilities

| *In millions of euros* | H1 2004 | 2003 |
|---|---|---|
| Decommissioning of nuclear facilities | 8,472 | 8,458 |
| Waste retrieval | 3,893 | 3,858 |
| **Sub-total: End-of-life-cycle operations** | **12,365** | **12,316** |
| Reclamation of mining sites and dismantling of uranium processing plants | 63 | 69 |
| Provisions for risk | 466 | 342 |
| Restructuring and layoff plans | 163 | 139 |
| Contract performance risk | 382 | 430 |
| Other | 154 | 87 |
| **Total provisions** | **13,593** | **13,383** |

The table below summarizes the AREVA balance sheet accounts affected by the treatment of decommissioning operations.

| **Assets** | 06/30/2004 | 12/31/2003 | **Liabilities and shareholders' equity** | 06/30/2004 | 12/31/2003 |
|---|---|---|---|---|---|
| Decommissioning assets (note 9) | 9,085 | 9,109 | Decommissioning provisions | 12,365 | 12,316 |
| - *AREVA share* [(1)] | *1,084* | *1,118* | - *funded by AREVA* | *4,328* | *4,325* |
| - *third party share* | *8,002* | *7,991* | - *funded by third parties* [(2)] | *8,037* | *7,991* |
| Long-term financial portfolio (note 11) [(3)] | 2,284 | 2,234 | | | |

*(1) Amount of total provision to be funded by AREVA (€4,328 million) still subject to amortization.*
*(2) Amount of the provision to be funded by third parties.*
*(3) Portfolio of financial assets earmarked to finance AREVA's share of the total provision (€4,328 million).*

### Nature of the commitments

As a nuclear operator, the AREVA group has a legal obligation to secure and decommission its facilities once they have been permanently shut down. The group must also sort and package the waste and scrap from past operations and facility dismantling activities in accordance with applicable standards. The facilities subject to these obligations include facilities in the front end of the fuel cycle, in particular Eurodif's enrichment plant at Pierrelatte, but are predominantly facilities in the back end of the fuel cycle, including the treatment plants at Marcoule and La Hague and the MOX fuel fabrication plants. Like any nuclear operator, the group is also responsible for facilities that it operates but does not own, such as CEA facilities at Pierrelatte and certain Marcoule facilities. Framatome ANP sites are also subject to these obligations.

In certain instances, mainly in the case of used fuel treatment, some customers have agreed to fund a portion of the cost related to decommissioning operations and to management of the 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 other instances, decommissioning costs were included in the price of the services provided by the group.

In compliance with French accounting rule no. CRC 2000-06 relating to liabilities, the group sets up provisions for the total estimated cost of decommissioning operations (dismantling, decontamination and waste retrieval and packaging) for the nuclear facilities it operates as soon as they enter service, including, when applicable, the share funded by third parties. Conversely, a decommissioning asset is recorded under fixed assets. In current undiscounted euros, the provision for decommissioning operations at June 30, 2004 is €12,368 million.

The bulk of these expenses will be incurred after 2015 and the spending period extends beyond 2040.

### Calculation of the decommissioning provision

Decommissioning obligations are calculated facility by facility as follows:

The group has adopted the level 2 decommissioning classification of the International Atomic Energy Agency (IAEA) and ensures the passive safety of its facilities.

Expenses are estimated based on unescalated final dismantling costs.

SGN, an engineering firm and AREVA group company that served as prime contractor for the construction of the majority of the group's treatment and recycling facilities, was judged to be the most qualified to select methods for the decommissioning

of these facilities, and prepared most of the detailed cost estimates for decommissioning and waste management. Eurodif, an AREVA group company, prepared the decommissioning cost estimates for the enrichment business.

The estimates are revised annually to take inflation into account. Changes in estimates are recorded on the income statement. In cases where a special portfolio of assets has been set up to cover decommissioning expenses, the impact of inflation is recorded under financial income and expense.

In the absence of firm supplier estimates for final waste disposal, waste retrieval and packaging cost estimates were based on technical and financial assumptions derived from a study prepared by SGN in 1994. Final waste disposal requirements for B and C waste, under the French waste classification system, will be determined pursuant to programs mandated by law no. 91-1381, which has been incorporated into article L.542-1 *et seq.* of the French Code of Environmental Law.

Regarding final disposal of waste owned by the group, AREVA has decided to retain these evaluations insofar as:
- the key features of the French national program for B and C waste disposal have not yet been established, as the administration must present an evaluation report to parliament on research on these waste types, conceivably together with proposed legislation authorizing the development of a final repository for high-level, long-lived waste and outlining disposal conditions;
- preliminary estimates submitted to waste generators by Andra, the French nuclear waste management agency, have increased but remain tentative and have never been finalized;
- the unit costs of deep disposal vary significantly, depending on various site development scenarios;
- the group's own comparative analysis of international waste disposal rates at existing disposal sites for these same types of waste indicate that Andra's estimates are generally very high.

The cost estimates will be updated if applicable regulations change or substantial technological developments are anticipated. In any event, the group has set a goal of updating each estimate at least once every six years.

## Changes from 2003 to 2004

EDF and COGEMA embarked on framework negotiations to establish:
- the legal and financial terms of a transfer to COGEMA 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;
- EDF's financial participation in the retrieval and packaging of waste from the La Hague site;

secondly:
- the financial terms of the future used fuel treatment contract for the post-2007 period.

The parties made progress on both of these issues in the first half of 2004, though a final agreement had not yet been reached. Items concerning updates to the base estimate for decommissioning costs and the share of those costs to be borne by each party were documented in a joint position statement accepted by both parties at the end of July 2003.

In parallel, CEA, COGEMA and EDF held discussions in 2003 to define organizational and management processes for end-of-cycle operations at sites operated by the group and to define their respective roles and responsibilities in this respect. The working group set up by the government in which the operators, CEA and the regulators took part has submitted its conclusions to the applicable ministers.

Considering the umbrella nature of these negotiations, and the fact that no definitive conclusions have been reached at this stage, AREVA used the same methods to calculate the provisions for the financial statements at June 30, 2004, as were used for the December 31, 2003 financial statements. Based on available information, they are not expected to have any significant impact on the group's financial statements or financial position.

The provisions recorded using those methods present a reasonable evaluation of AREVA's decommissioning obligations and represent the group's best estimate of future costs based on current regulatory requirements, technology state-of-the-art and lessons learned from operations.

### Provision for reclamation of environmentally regulated sites

The group also operates industrial facilities that are environmentally regulated sites under the law. These sites must be reclaimed when operations cease permanently.

### Funding of decommissioning and waste retrieval expenses

AREVA has set aside a portion of its cash holdings to fund future decommissioning and waste retrieval operations through a special financial portfolio recorded on the balance sheet under “Other long-term notes and investments” (see note 13).

## Note 14 - Debt

| *In millions of euros* | 06/30/2004 | 2003 |
|---|---|---|
| Bond issues (in french francs) | 5 | 4 |
| Interest-bearing prepayments | 425 | 416 |
| Loans from financial institutions | 256 | 248 |
| Short-term bank facilities | 152 | 71 |
| Other debt | 110 | 61 |
| **Total** | **948** | **800** |

## Note 15 - Off-balance sheet commitments

| *In millions of euros* | | 06/30/2004 | 12/31/2003 | Maturing in < 1 year | Maturing in 1-5 years | Maturing in > 5 years |
|---|---|---|---|---|---|---|
| **I - COMMITMENTS MADE** | **(6+10+16)** | **2,431** | **1,522** | **664** | **1,605** | **162** |
| 1 - Guarantees of endorsements | | 102 | 2 | 2 | 0 | 0 |
| 2 - Endorsements given – endorsements of notes and other instruments | | 4 | 5 | 3 | 1 | 1 |
| 3 - Corporate guarantees given | | 638 | 1,591 | 507 | 977 | 108 |
| 4 - Letters of comfort/letters of intent given | | 38 | 25 | 19 | 0 | 6 |
| 5 - Other corporate guarantees given | | 1 | 1 | 1 | 0 | 0 |
| **6 - Total corporate guarantees given** | **(1+2+3+4+5)** | **783** | **1,624** | **532** | **978** | **115** |
| 7 - Collateral given | | 6 | 5 | 0 | 0 | 5 |
| 8 - Mortgages given | | 19 | 14 | 14 | 0 | 0 |
| 9 - Other asset-based guarantees given | | 0 | 0 | 0 | 0 | 0 |
| **10 - Total asset-based guarantees given** | **(7+8+9)** | **24** | **19** | **14** | **0** | **5** |
| 11 - "Return to better fortune" clauses given | | 2 | 2 | 0 | 0 | 2 |
| 12 - Representations and warranties given | | 116 | 114 | 48 | 33 | 33 |
| 13 - Subsidies received subject to contingent repayment | | 1 | 2 | 0 | 1 | 1 |
| 14 - Commitments made on trade receivable financing | | 0 | 0 | 0 | 0 | 0 |
| 15 - Other commitments made | | 597 | 669 | 70 | 593 | 6 |
| **16 - Total other commitments made** | **(11+12+13+14+15)** | **715** | **787** | **118** | **627** | **42** |
| **II - DEBT SECURED WITH TANGIBLE ASSETS** | **(18+19)** | **7** | | | | |
| 18 - Secured debt to financial institutions | 7 | 0 | | | | |
| 19 - Other secured debt | 0 | 0 | | | | |
| **III - COMMITMENTS RECEIVED** | | **46** | **477** | **15** | **213** | **249** |
| 21 - Personal/corporate guarantees received | | 13 | 13 | 1 | 12 | 0 |
| 22 - Asset-based guarantees received | | 1 | 0 | 0 | 0 | 0 |
| 23 - Guarantees received, payable on first demand | | 12 | 18 | 5 | 3 | 10 |
| 24 - Representations and warranties received | | 0 | 414 | 1 | 175 | 238 |
| 25 - "Return to better fortune" clauses received | | 1 | 1 | 1 | 0 | 0 |
| 26 - Other commitments received | | 18 | 31 | 7 | 23 | 1 |
| **IV - RECIPROCAL COMMITMENTS** | **(21 to 26)** | **1,981** | **1,050** | **1,000** | **3** | **47** |
| 28 - Unused lines of credit | | 622 | 623 | 576 | 0 | 47 |
| 29 - Major orders on Capex | | 18 | 20 | 20 | 0 | 0 |
| 30 - Documentary letters of credit | | 1 | 5 | 4 | 1 | 0 |
| 31 - Piggyback securities arrangements | | 0 | 0 | 0 | 0 | 0 |
| 32 - Other reciprocal commitments | | 1,340 | 402 | 400 | 2 | 0 |

The Framépargne mutual fund included in the AREVA group savings plan holds 375,858 shares in the company. The liquidity of these shares, which are not publicly traded, is guaranteed as provided by the law on employee savings plants. An independent financial institution gave the guarantee, which expired on July 10, 2004 and was extended through December 31, 2005. Subsequently, to allow this commitment to take effect, the company guaranteed the value for that same period. This guarantee related to 184,717 shares sold by Framépargne. A €13.8 million provision was recorded at June 30, 2004. The company estimates that the commitment for the balance of the guarantee represents €9.5 million at June 30, 2004.

AREVA has a given a commitment to the shareholders of Urenco to acquire a 50% participating interest in the British company ETC. This commitment, in the amount of €388.3 million, is in addition to the €150 million down payment AREVA made when the memorandum of agreement was signed. That amount is recorded on the balance sheet under “Other long term notes and investments” (see note 11). If the transaction closes after December 31, 2004 (and in any event no later than December 31, 2005), the amount to be paid by AREVA would be adjusted based the Euribor rate. A number of guarantees and conditions precedent apply to this commitment. Acquisition of the 50% interest in ETC will give AREVA access to ultracentrifugation technology for uranium enrichment.

As part of the EPR reactor sale contract in Finland, the group gave a parent company guarantee to TVO in the amount of its commitment.

The STMicroelectronics shareholders’ agreement includes measures to counter takeover bids by issuing preferred shares to the parties. A single signer of the agreement can trigger this measure, which would then apply to all signers

## Note 16 – Other information

### Disputes and contingent liabilities

**• ISF2**

Under the ISF2 contract in Ukraine, the customer challenged the facility design in April 2003. The additional costs associated with the new design were shared as a result of negotiations conducted in 2003, leading to the negotiation of an amendment to the initial contract in 2004. Pursuant to assessments performed in the first half of 2004, it appears that the actual condition of the fuel to be treated requires a significant modification to the process to be used. Negotiations are in progress to define amendments to be made to the contract.

**• Exelon**

During the first half of 2003, Exelon submitted a warranty claim concerning nuclear fuel delivered by Framatome ANP Inc.

Having observed leaking fuel rods in a few of the assemblies loaded into its reactors, for which neither the cause nor the responsibility have yet to be definitively determined, Exelon decided unilaterally:

- to suspend the current contract “for cause”,
- to unload the assemblies ahead of schedule, along with other allegedly “suspect” assemblies of the same type in one of its reactors, and plans to do the same in two other reactors.

Framatome ANP is contesting the claim for non-achievement of the guaranteed burnup.

A commercial agreement resuming and extending the contract was signed on August 28, 2004, thus completely settling the dispute with the customer.

**• McClean**

On September 23, 2002, the Federal Court of Canada, ruling on a claim submitted by the Inter-Church Uranium Committee Educational Cooperative (ICUCEC) against the nuclear safety authority for violating the permitting process, canceled the permit to operate the McClean uranium mine and mill issued by the Atomic Energy Control Board (AECB) in 1999. The Canadian Nuclear Safety Commission (CNSC), which replaced AECB, and COGEMA Resources, Inc. have appealed this decision and requested the right to continue operations at McClean pending a decision on their appeal. On November 7, 2002, a judge designated by the Federal Court of Appeal of Canada granted the group’s request for a stay on the lower court decision. On June 4, 2004, the Canadian Federal Court of Appeal validated the McClean mine operating permit. The opposing party lodged an appeal of that ruling in September 2004.

### • USEC litigation

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 Great Britain. This action followed complaints submitted in December 2000 by the United States Enrichment Corporation (USEC) against Eurodif and Urenco. To ensure payment of provisional countervailing duties imposed on Eurodif exports to the United States for anti-dumping and unfair subsidies, a total of $35.1 million for the 2001-2002 period, $110.7 million for 2003 and $2 million for the first half of 2004 were deposited with the US Customs Service. These sums may be recovered after the case is adjudicated.

Administrative proceedings by the US Department of Commerce against COGEMA and Eurodif for alleged dumping and illegal subsidies led to a review in 2003 of 2001 and 2002 exports. The final administrative determination on revision of the provisional duties paid in 2001 and 2002 in the form of recoverable deposits was rendered in July 2004 and constitutes the basis for possible future duties. Following the revision, the countervailing duties were reduced by around 80% in relation to the provisional duties.

In addition, legal proceedings initiated by COGEMA and Eurodif before the US Court of International Trade resulted in a favorable decision in September 2003. This decision is under review by the US Court of Appeals for the Federal Circuit (CAFC) and a final decision is expected in late 2004 or early 2005. A favorable ruling by the CAFC would cancel the administrative proceedings led by the US Department of Commerce.

### • Ongoing investigations

The European Commission has opened an investigation into alleged anti-competitive practices by suppliers of shielded substations, a product line included in the T&D business acquired from Alstom on January 9, 2004. Alstom is cooperating with AREVA in connection with this investigation. AREVA terminated these practices, which were in effect before the group acquired the T&D division.

In addition, the anti-trust authorities of Australia, New Zealand and Mexico have notified certain Alstom subsidiaries and AREVA T&D subsidiaries acquired from Alstom of investigations on the same subject.

Also, the Mexican authorities have undertaken proceedings against one of the subsidiary companies of AREVA T&D for illegal practices, which may bar it from access to government contracts. As soon as these facts were known, the senior management of AREVA T&D gave clear instructions to all T&D employees, reminding them that these anti-competitive practices are prohibited and that the legal rules contained in the Values Charter are to be followed. It was decided that AREVA will provide suitable training.

The alleged facts being under investigation predate AREVA's acquisition of T&D and therefore would not normally be attributed to AREVA, which is also protected by a guarantee from Alstom.

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