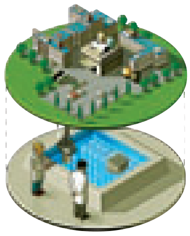

Half-year report 2005

AREVA

Contents

1. Highlights of the period

Information provided in this chapter concerns the AREVA group as a whole. Highlights concerning specific activities are presented in the review of the business divisions.

- The final price for the acquisition of Alstom's Transmission and Distribution operations (T&D) was determined after completion of an appraisal by KPMG, as stipulated in the acquisition agreement. The entity value after adjustments was reduced from €950 million to €913 million, i.e. a price decrease of €37 million. The division's net cash position at the end of 2003 came to €140 million, contributing to a final acquisition price of €1,053 million. On December 29, 2004, AREVA made a payment of €103 million to Alstom, supplementing its previous payment of €950 million. The Group announced this information on January 13, 2005.

- On March 8, 2005, Mr Frédéric Lemoine was elected Chairman of AREVA's Supervisory Board to replace Mr Philippe Pontet, who resigned his position to become Vice Chairman Corporate Finance Europe of HSBC CCF.

- On March 21, 2005, Mr Gérald Arbola, Chief Financial Officer of AREVA and member of its Executive Board, was named Chairman of the Supervisory Board of STMicroelectronics. On December 31, 2004 and June 30, 2005, AREVA held an indirect participating interest of 11% in STMicroelectronics.

- On April 25, 2005, Mr James Tulenko, Chairman of American Nuclear Society (ANS), a U.S. scientific organization for the development of nuclear power, presented AREVA with the Nuclear Historic Landmark Award for the La Hague plant. The award is given to sites recognized for their innovative technologies that have made a major contribution to the development of nuclear power worldwide. This award is important for AREVA's image and development in the United States, where the Group has significant operations.

- In a May 4, 2005 letter to the U.S. Nuclear Regulatory Commission (NRC), U.S. utility Constellation Energy formally expressed interest in AREVA's EPR and requested that it be included in the NRC's resource planning. On March 24, 2005, AREVA had formally submitted to the NRC a preliminary application requesting an evaluation of the EPR design and hopes to submit a complete license application in 2007. To implement the EPR development program in the United States, AREVA and Constellation Energy announced on September 15, 2005 the establishment of a joint company to market this next-generation reactor. This announcement is discussed in detail in Chapter 4, "Events subsequent to the half-year-end".

- On May 13, 2005, AREVA sold its entire 28.4% equity interest in AssystemBrime, i.e. 5,672,620 shares. On May 26, 2005, AREVA sold its 1,020,000 AssystemBrime reimbursable equity warrants maturing in 2012. The Group's total gain in connection with these operations was €72 million, including €47 million recorded in 2003 when Brime made a public offer on the share capital of Assystem.

- Innovest, an investment research firm, performed a social and environmental evaluation at AREVA's request. The Group was given an A rating on a scale of AAA to CCC.

2. Transition to the International Financial Reporting Standards

≫ 2.1. The Group's application of IFRS

Pursuant to European Regulation 1606/2002 of July 19, 2002, the AREVA consolidated financial statements for the year ending December 31, 2005 and thereafter will be prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), as approved by the European Union.

As recommended by the Committee of European Securities Regulators (CESR) in December 2003, the Group's financial statements as of June 30, 2005 were prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), and presented as interim financial statements as defined in the general rules of French market authority AMF (*Autorité des Marchés Financiers*).

The financial statements for the period ending June 30, 2005 include comparable data as of June 30, 2004 and December 31, 2004, based on identical calculation methods. Detailed information regarding the impact of IFRS adjustments to the income statement for the first half of 2004 is presented in Note 21 of notes to the consolidated financial statements.

IAS/IFRS accounting principles adopted by the Group are presented in Note 1 of the notes to the consolidated financial statements. The detailed impact of the transition to IFRS standards is presented in Chapter 5.1.9 of the Group's 2004 annual report.

≫ 2.2. Impact of IAS 32 and 39 adoption on the Group's financial statements

AREVA began applying IAS 32 and 39 on January 1, 2005. Note 22 of the notes to the consolidated financial statements supplies detail on the impact of IAS 32 and IAS 39 adjustments on the Group's balance sheet.

The new standards had three major impacts:
- financial assets are valued at their fair value (revaluation of about €443 million as of January 1, 2005). The offsetting entry for this revaluation is recorded in equity on an after-tax basis;
- shares that were recorded as marketable securities are now classified as non-current financial assets of the "Available-for-sale securities" category and are no longer included in the net cash calculation;
- the fair value of put options that may be exercised by minority shareholders of the Group's consolidated companies (Siemens, minority shareholder of Framatome-ANP, and, to a lesser extent, Synatom, minority shareholder of Eurodif) is recognized as a liability (€931 million). To offset this liability, the Siemens and Synatom minority interests (€375 million) are eliminated. The difference between the fair value of put options and the value of minority interests eliminated (€556 million) was added to goodwill.

3. Key data

Nota bene 1: All financial data is expressed under IFRS, excluding IAS 32 and 39 for 2004 and including them for 2005. Financial data for the first half of 2004 is for reference only.

≫ 3.1. Summary data

3.1.1. Financial indicators

(in millions of euros)	H1 2005 IFRS	H1 2004 IFRS(*)	H1 2004	Change 05/04 IFRS
Sales revenue	5,396	5,339	5,339	+1.1%
Gross margin	1,327	1,318	1,351	+0.7%
% of sales	*24.6%*	*24.7%*	*25.3%*	*-0.1 point*
Current operating income	431	429	-	+0.4%
% of sales	*8.0%*	*8.0%*	-	-
Operating income	368	386	327	-4.7%
% of sales	*6.8%*	*7.2%*	*6.1%*	*-0.4 point*
Financial income	15	32	104	-53.1%
Consolidated net income	301	293	243	+2.7%
% of sales	*5.6%*	*5.5%*	*4.6%*	*+0.1 point*
Operating free cash flow before tax	535	738	727(**)	-27.5%
Financial investments	(202)	(204)	(204)	-1.0%
Dividends paid	(419)	(278)	(278)	+50.7%
	June 30, 2005	Jan. 1, 2005	Dec. 31, 2004	
Net cash (debt)	(416)	(566)	689	-
Backlog	21,154	19,820	19,820	+6.7%

(*) Adjusted IFRS data, excluding IAS 32 and 39.

(**) €706 million reported. In accordance with the reporting system set up for 2004 annual results, the cash flows linked to end-of-life-cycle operations are presented separately.

3.1.2. Non-financial AREVA Way indicators

(in millions of euros)	H1 2005	Fiscal year 2004
Safety		
Accident frequency rate(1)	6.37	7.64
Accident severity rate(2)	0.19	0.23
Radiation doses		
Average exposure to radiation(3)	1.30	1.37
Environment		
Electric power used (GWh)(*)	816.8	1,639.0
Fossil energy used (GWh)(*)	785.7	1,429.0
Direct emissions of greenhouse gases(4)(*)	519.3	994.7

(*) Data as of June 30, 2005 corresponds to a six month period, whereas 2004 data corresponds to a 12-month period.

Occupational safety is one of the Group's top priorities. Efforts in this area have produced positive results. The **Transmission & Distribution** Division, acquired in 2004, must continue to improve in this area.
The level of radiation doses received by employees remained satisfactory during the period.
Improved monitoring practices and changes in business volume account for the changes reported for energy consumption and greenhouse gas emissions. Significant actions have been initiated and results will become measurable in the medium term.

(1) Number of accidents with lost time per million hours worked. Average frequency rate for French industry at 25.4.
(2) Number of days of lost time per thousand hours worked.
(3) In mSv per year per employee. Maximum admissible dose per French regulations of 20 mSv/yr (50 mSv/yr in the U.S. and Niger).
(4) In thousands of metric tons of CO_2 equivalent.

≫ 3.2. Summary data by business Division

First half 2005 per IFRS

(in millions of euros)	Front End	Reactors and Services	Back End	Transmission & Distribution	Connectors	Corporate and other operations	Total
Sales revenue	1,250	1,039	991	1,473	638	5	5,396
Operating income	207	32	134	(19)	42	(29)	368
% of sales	*16.6%*	*3.1%*	*13.5%*	*-1.3%*	*6.6%*	*n.a.*	*6.8%*
EBITDA(*)	244	32	259	24	51	(22)	587
% of sales	*19.5%*	*3.1%*	*26.1%*	*1.6%*	*8.0%*	*n.a.*	*10.9%*
Change in operating working capital requirement	(10)	207	115	(98)	(19)	(48)	147
Net operating Capex	(94)	(56)	(24)	1	(27)	(2)	(202)
Operating free cash flow before tax	140	181	350	(73)	7	(71)	535
Capital employed(**)	1,640	147	(899)	699	668	190	2,444

First half 2004 per IFRS, excluding IAS 32 & 39

(in millions of euros)	Front End	Reactors and Services	Back End	Transmission & Distribution	Connectors	Corporate and other operations	Total
Sales revenue	1,180	961	1,004	1,533	653	7	5,339
Operating income	183	25	144	11	46	(24)	386
% of sales	*15.5%*	*2.6%*	*14.3%*	*0.7%*	*7.0%*	*n.a.*	*7.2%*
EBITDA(*)	241	58	251	0	59	(20)	588
% of sales	*20.4%*	*6.0%*	*25.0%*	*0.0%*	*9.0%*	*n.a.*	*11.0%*
Change in operating working capital requirement	(53)	85	396	(24)	(6)	(48)	350
Net operating Capex	(79)	(27)	(37)	(22)	(33)	(6)	(204)
Operating free cash flow before tax	109	115	614	(45)	21	(75)	738
Capital employed(**)	1,382	180	(687)	864	631	386	2,756

First half 2004 as reported

(in millions of euros)	Front End	Reactors and Services	Back End	Transmission & Distribution	Connectors	Corporate and other operations	Total
Sales revenue	1,179	960	1,004	1,533	653	10	5,339
Operating income	157	16	108	30	45	(29)	327
% of sales	*13.3%*	*1.7%*	*10.8%*	*2.0%*	*6.9%*	*n.a.*	*6.1%*
EBITDA(*)	241	56	244	0	60	(26)	575
% of sales	*20.4%*	*5.8%*	*24.3%*	*0.0%*	*9.2%*	*n.a.*	*10.8%*
Change in operating working capital requirement	(53)	87	396	(24)	(6)	(48)	352
Net operating Capex	(79)	(27)	(37)	(22)	(33)	(6)	(204)
Operating free cash flow before tax	109	116	606	(45)	22	(80)	728
Capital employed(**)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

(*) Excluding end-of-life-cycle obligations. Reported data for 2004 corresponded to EBITDA and operating free cash flow including flows relating to end-of-life-cycle obligations.

(**) Capital employed = goodwill on consolidated companies (excluding goodwill related to accounting for minority interests' sale options) plus net tangible and intangible assets plus operating working capital requirement minus advances made by customers to finance capital expenditures minus provisions for employee benefits minus provisions for contingencies and losses, excluding provisions for end-of-life cycle obligations and provisions for tax risk.

3.3. Backlog

The Group's backlog[5] as of June 30, 2005 was €21,154 million, or close to two years of sales revenue, up 6.7% compared with the backlog as of December 31, 2005 (€19,820 million).

In the nuclear business, the backlog as of June 30, 2005 was €18,403 million, compared with €17,325 million as of December 31, 2004, representing an increase of 6.2%. Major awards during the first half of 2005 include €400 million for new contracts in China to expand the Ling Ao nuclear plant in Guangdong province and a contract of more than €300 million awarded by EDF to a consortium led by AREVA for the replacement of 18 steam generators in 6 reactors of the 900 MW series.

In the **Transmission & Distribution** Division, the backlog as of June 30, 2005 was €2,582 million, compared with €2,322 million as of December 31, 2004, representing an increase of 11.2%. New orders booked in the first half of 2005 were up 0.5% compared with the first half of 2004, reflecting a high level of orders in the first half of 2004 due to the catch-up effect discussed below. Major awards for the first half of 2005 include contracts representing €62 million in Tunisia for the construction of five high-voltage substations and power grid management systems, a €25 million contract in Canada to build the world's first power line de-icing system based on HVDC technology, and a €16.6 million turnkey contract to build two biomass power plants in southern Brazil.

In the **Connectors** Division, the backlog as of June 30, 2005 was €173 million, unchanged from December 31, 2004. It represents a little over a month and a half in sales revenue, consistent with industry averages.

3.4. Income statement

3.4.1. Sales revenue

Consolidated sales revenue rose to €5,396 million in the first half of 2005, up 1.1% compared with the same period in 2004. Like-for-like[6], the Group's sales revenue was up 2.4%. The impact of exchange rate fluctuations for the Group was close to - €34 million.

(in millions of euros)	H1 2005 IFRS	H1 2004 IFRS	Change 05/04 in %	Change 05/04 in % LFL(*)
Sales revenue	**5,396**	**5,339**	**+1.1%**	**+2.4%**
• Nuclear share	3,281	3,142	+4.4%	+5.2%
• Transmission & Distribution share	1,473	1,533	-3.9%	-2.1%
• Connectors share	638	653	-2.4%	+0.3%
• Corporate and other share	5	10	n.s.	n.s.

(*) LFL: constant exchange rate and consolidation scope

Energy operations recorded growth of 2.8% like-for-like:

- Nuclear power sales rose by 5.2% like-for-like compared with the first half of 2004 (+4.4% in reported data), due in particular to the ramp-up of the EPR construction project in Finland and to favorable timing of sales recognition in the **Front End** and **Reactors and Services** divisions during the first half of 2005. In the nuclear divisions, production volumes are unevenly distributed over the year. Accordingly, parallels cannot be drawn between half-year periods to predict future growth.

(5) The backlog is valued based on economic conditions at the end of the period. It includes firm orders and excludes unconfirmed options. Orders in foreign currencies hedged are valued at the rate hedged. Non-hedged orders are valued at the rate in effect on the last day of the period. The backlog reported for long-term contracts recorded under the percentage of completion method and partially performed as of the reporting date is equal to the difference between (a) the projected sales revenue from the contract upon completion and (b) the sales revenue already booked for this particular contract. Accordingly, the backlog takes into account escalation and price revision assumptions used by the Group to determine the projected revenue upon completion.

(6) I.e. at constant consolidation scope, accounting standards/procedures, and exchange rate.

- In the **Transmission & Distribution** Division, after a first quarter drop of 6.5% like-for-like, a 2.1% increase like-for-like was recorded in the second quarter, bringing the change in sales revenue down 2.1% like-for-like for the first half of 2005 compared with the first half of 2004 (down 3.9% in reported data). The decrease in the beginning of 2005 was tied to the pick-up in business that occurred after the consolidation of the **T&D** Division in early 2004.

In **Connectors**, sales were up by 0.3% like-for-like (down 2.4% in reported data) on the strength of performance in *Automotive* and *Microconnections*, but with *Communication Data Consumer* business down.

3.4.2. Gross margin

The Group's gross margin for the first half of 2005 was €1,327 million (i.e. 24.6% of sales revenue), compared with €1,318 million for the first half of 2004 (i.e. 24.7 % of sales revenue). Accordingly, the gross margin was up 0.7%, compared with a 1.1% increase in sales revenue for the period.

This modest increase reflects:
- Good performance in the nuclear businesses, with gross margin rising to €818 million for the first half of 2005, compared with €793 million for the first half of 2004, giving a 3.2% increase that is generally consistent with the rise in sales revenue.

- A slight decrease in the **Transmission & Distribution** Division, with gross margin settling at €331 million for the first half of 2005, compared with €335 million for the first half of 2004, mainly due to the disposal of service businesses in Australia and New Zealand. However, the gross margin rate increased from 21.8% for the first half of 2004 to 22.5% for the first half of 2005. This improvement is the result of an effort to control costs, despite significant increases in the price of raw materials worldwide.

- A stable gross margin in the **Connectors** Division, representing €176 million for the first half of 2005 compared with €178 million for the first half of 2004, despite a reduction in sales revenue. Thus, the gross margin rate for the **Connectors** Division rose to 27.5 % for the first half of 2005, compared with 27.3% for the first half of 2004 (+0.2 point).

3.4.3. Research and development

The Group's research and development costs are recorded in the balance sheet if they meet the criteria for capitalization under IAS 38, and are expensed if they do not. Research and development expenses not eligible for capitalization are recorded in the income statement under the gross margin if solely funded by the Group; expenses for programs that are partially or fully funded by customers or for programs in which AREVA has the commercial rights for the results are accounted for in the cost of sales. All research and development costs, whether capitalized or expensed during the period, are combined to determine the Group's R&D effort.

For the first half of 2005, the Group's R&D expenses represented €191 million, i.e. 3.5 % of sales revenue for the period. R&D expenses were up 3.8% compared with the first half of 2004, when R&D expenses represented €184 million or 3.4% of sales revenue. It should be noted that R&D expenses vary during the year, with the slight increase in the second half reflecting increased program billings towards the end of the year.

	H1 2005 IFRS		H1 2004 IFRS	
	in millions of euros	% of sales	in millions of euros	% of sales
Nuclear	96	2.9%	92	2.9%
Transmission & Distribution	57	3.9%	54	3.5%
Connectors	38	6.0%	38	5.8%
Total research and development expenses	**191**	**3.5%**	**184**	**3.4%**
Total research and development effort	**262**	**4.9%**	**n.a.**	**n.a.**

Taking into account all costs incurred for research and development, the Group's R&D effort represented almost €262 million for the first half of 2005, i.e. 4.9% of sales revenue for the period, compared with €559 million for year 2004 (5.0% of sales revenue). In particular, this effort includes costs related to the development of the EPR and to its licensing in the United States. These costs are expected to increase over the coming periods and will be capitalized when the criteria are met.

Unlike French accounting standards, under which capitalization is an option when the costs meet the capitalization criteria, IAS 38 requires capitalization of development costs as soon as the criteria are met.

The change in R&D effort between the two periods reflects the beginning of a significant increase in mining exploration in the nuclear businesses and the continuation of several projects, including:

- development of a new generation of electrolyzers for the production of fluorine as part of the project to renovate uranium conversion capabilities in the front end of the cycle;
- improved performance of light water reactor fuel;
- analysis of high temperature reactor (HTR) technologies;
- development of a new generation of control software for power transmission and distribution systems;
- ongoing development of fuel cells.

3.4.4. General and administrative, sales and marketing expenses

General and administrative expenses and sales and marketing expenses represented €691 million for the first half of 2005, as was the case in the first half of 2004, despite proposal development expenses for China, and in particular for the proposal to supply four EPRs submitted at the end of February 2005.

These expenses were down in terms of percentage of sales revenue, going from 13% for the first half of 2004 to 12.8% for the first half of 2005.

3.4.5. Current operating income

Taking the above items into account, the Group's current operating income for the first half of 2005 was €431 million, up 0.4% compared with the €429 million of the first half of 2004. The Group's current operating margin rate remained stable at 8.0% for the first half of 2005 and the first half of 2004.

3.4.6. Operating income

Operating income for the first half of 2005 settled at €368 million, down 4.7% from €386 million in the first half of 2004. The Group's operating margin was 6.8% for the first half of 2005, compared with 7.2% for the first half of 2004.

In **Energy**, operating income was €355 million, down by 2.3% in comparison to the €363 million of the first half of 2004. The operating margin was 7.5%, compared with 7.8% in 2004.

- Nuclear contributed €374 million, compared with €353 million in the first half of 2004, for an increase of 5.9%. Operating margin for nuclear was thus 11.4%, compared with 11.2% in the first half of 2004. The increase results from the combined effect of the rise in uranium prices and favorable business timing in the **Front End** and **Reactors and Services** divisions in the first half of 2005.

- Current operating income for the **Transmission & Distribution** Division was €28 million in the first half of 2005, down slightly from €34 million in the first half of 2004. The Division's profitability is still suffering from losses in *Systems*, beset by projects with low returns. The Division's optimization plan is starting to bear fruit and profitability is increasing in the other units. Expenses relating to the plan were up, at €47 million for the first half of 2005, compared with €24 million for the previous period. The Division thus had an operating loss of €19 million in the first half of 2005, compared with income of €11 million in the first half of 2004.

The **Connectors** businesses recorded €42 million in operating income for the period, compared with €46 million for the first half of 2004. Adjusted for the positive effect of the €12 million settlement of a lawsuit constituting a non-recurring item in 2004, operating income is up by 21.9%.

3.4.7. Financial income

(in millions of euros)	H1 2005 IFRS incl. IAS 32-39	H1 2004 IFRS excl. IAS 32-39
Income from net cash	**5**	**11**
End-of-life-cycle obligations:	**11**	**18**
Income from earmarked financial portfolio	*62*	*68*
Discounting reversals of provisions for end-of-life cycle obligations	*(51)*	*(50)*
Other financial income	**(1)**	**3**
Foreign exchange gain (loss)	*(7)*	*0*
Income from disposals of securities and change in value of securities held for trading	*32*	*31*
Dividends received	*21*	*23*
Impairment of financial assets	*6*	*6*
Interest income on contracts	*(19)*	*(21)*
Financial income from pensions and other employee benefits	*(30)*	*(30)*
Other	*(4)*	*(6)*
Net financial income	**15**	**32**

Net financial income was €15 million, compared with €32 million for the same period in 2004. This change comes primarily from lower interest rates, which had an unfavorable effect on the Group's cash investments, and from less favorable financial income linked to end-of-life-cycle obligations than in 2004. The recovery of the financial markets in 2004 had triggered significant recaptures of provisions for impairment of shares, representing €39 million as of June 30, 2004 and €62 million as of December 31, 2004. Due to the implementation of IAS 39 as of January 1, 2005, financial assets are now accounted for at fair value and provisions for long term impairment are recaptured only upon disposal of the shares. The lack of recaptures in 2005 is partially offset by disposals of portfolio shares, which contributed €26 million in capital gains, including €16 million in recaptures of impairment allocated to these shares.

Net financial income for the first half of 2005 also includes the reversal of discounting on provisions for end-of-life cycle obligations (€51 million) and for employee benefits (€30 million). The amount of these expenses, calculated according to a discount rate established by the Group, will remain similar in the coming periods.

In addition, for the first half of 2005, the financial income from the disposal of shares not related to financial assets earmarked for end-of-cycle operations includes mostly the disposal of AssystemBrime shares. At December 31, 2004, this heading included mostly the disposal of Total shares.

3.4.8. Income tax

The income tax expense for the first half of 2005 is €115 million , up 11.7% from the €103 million for the first half of 2004. This tax expense is equivalent to an effective tax rate of 30.1%, which is significantly higher than the effective tax rate of 24.6% for the first half of 2004. This increase in effective rate is primarily the result of the lower contribution from operations subject to the reduced tax rate during the first half of 2005.

3.4.9. Share in net income of equity affiliates

(in millions of euros)	H1 2005 IFRS	H1 2004 IFRS
STMicroelectronics	9	33
Eramet group	73	6
Other	4	3
Total	**86**	**42**

The share in net income of equity affiliates rose sharply to €86 million for the first half of 2005 from €42 million for the first half of 2004. This increase mainly reflects significant improvement in Eramet's income for the period and an adjustment to income reported for 2004, partially offset by lower profitability at STMicroelectronics due to significant restructuring and a drop in business.

The data reported by the Group for its share of the net income of STMicroelectronics and Eramet may differ from the amount for that share reported by these companies. The figures reported by AREVA are based on (i) U.S. GAAP data in U.S. dollars converted into euros and restated by the Group in the case of STMicroelectronics, and (ii) preliminary results in the case of Eramet. The difference between Eramet's preliminary results and reported results is recorded in the following period.

3.4.10. Minority interests

The share of minority interests in the Group's net income for the first half of 2005 is €52 million, compared with €64 million for the first half of 2004. This is mainly attributable to the change in minority interests' share in the net income of STMicroelectronics due to a reduction in STMicroelectronics' net income for the period and to a reduction of France Télécom's equity interest in FT1CI, the holding company for joint control of STMicroelectronics. On December 21, 2004, France Télécom's equity interest in FT1CI decreased from 6.25% to 2.92%.

Minority interests' shares are as follows:

(in millions of euros)	H1 2005 IFRS	H1 2004 IFRS
Siemens' 34% interest in Framatome-ANP	36	31
France Télécom's 2.9% interest in STMicroelectronics	2	12(*)
Minority shareholders' 40% interest in Eurodif	12	20
Other	1	1
Total	**52**	**64**

(*) 6.25% held by France Télécom as of June 30, 2005.

3.4.11. Consolidated net income

Consolidated net income for the first half of 2005 was €301 million, up by 2.7% in comparison to the €293 million of the first half of 2004.

The net income per share for the first half of 2005 is €8.48, compared with €8.28 for the first half of 2004.

≫ 3.5. Review by business Division

3.5.1. Front End Division

(in millions of euros)	H1 2005 IFRS	H1 2004 IFRS	H1 2004 reported	Change 05/04 IFRS
Sales revenue(*)	1,250	1,179	1,179	+6.0% (+8.8% like-for-like)
Operating income	207	183	157	+13.1%
% of sales(*)	*16.6%*	*15.5%*	*13.3%*	*+1.1 point*
Operating free cash flow(7)	140	109	109	+28.4%

(*) Contribution.

(7) Operating free cash flow before income tax = EBITDA (excluding end-of-life-cycle operations) + change in operating WCR – Operating CAPEX. In accordance with the reporting system set up for 2004 annual results, the cash flows linked to end-of-life-cycle operations are presented separately.

First half 2005 performance

The **Front End** Division had sales revenue of €1,250 million in the first half of 2005, compared with €1,179 million in the first half of 2004, for an increase of 6.0% (+8.8% like-for-like). In addition to a negative impact from changes in exchange rates, representing €13 million for the period, sales revenue for the **Front End** Division was impacted by adoption of the IFRS in the amount of €17.3 million: henceforth, in the trading business, only the margin may be recognized as sales revenue.

The *Mining* business recorded growth of 18.9% like-for-like (up 13.0% in reported data), buoyed by a favorable uranium price effect and a volume effect. Gold production returned to normal in relation to the beginning of 2004, when the business unit experienced operating difficulties.

Sales of *Enrichment* services were up 2.6% like-for-like (down 2.8% in reported data, primarily due to the impact of IFRS adoption). As expected, second quarter business (+39.2%) compensated for the decline in sales during the first quarter of 2005 (-21.8%) as a result of sales timing differences over the year. Sales for the entire year should reach a level comparable to that of 2004.

Fuel sales revenue is up by 6.5% like-for-like (up 5.6% in reported data), after a particularly brisk first quarter 2005 (+15.9%). Period-on-period, natural uranium (UO_2) fuel volumes are stable and slightly up against other forms of fuel (Mox and reprocessed uranium). This trend is nonetheless specific to a distribution of sales over H1 2005 that is not representative of the year, for which sales volumes should be stable in relation to 2004.

Operating income for the **Front End** Division was €207 million, compared with €183 million in 2004. This increase is the result of:

- the favorable trend in uranium prices and the €31 million one-time positive effect of the revaluation of inventories held for trading (IAS 32-39);
- the positive effect of the timing of fuel deliveries in the first half of 2005;
- an increase in *Enrichment* production costs due to the hike in electricity rates; the enrichment process requires a lot of electricity, and this energy is the main contributor to cost;
- less favorable foreign exchange hedges in the first half of 2005 than for the same period in 2004.

EBITDA is relatively stable at €244 million for the first half of 2005, compared with €241 million for the first half of 2004. Operating free cash flow in the **Front End** is impacted by an increase in working capital requirement of €10 million, which is nonetheless more favorable than for the first half of 2004, when the increase was €53 million. The Division's capital expenditures increase gradually in the mining business (Cigar Lake project in Canada and Katco project in Kazakhstan) and the enrichment business (Georges Besse II enrichment plant project), reaching €94 million compared with €79 million in the first half of 2004.

Highlights

In the *Mining* business, the spot price for uranium continued to rise, reaching $29/lb at the end of June, 2005, compared with $18.50/lb at the end of June 2004. The market remains buoyant worldwide, with strong demand for the 2008-2012 timeframe. This trend will have a significant impact on the Group's financial statements when contracts negotiated at these prices come into effect, i.e. after 2008.

The Group continues to develop its marketing presence in Japan, with a view to strengthening its positions in the *Enrichment* business. In the United States, trade case between Eurodif and USEC explained in Note 19 of the notes to the consolidated financial statements has a chance of successful outcome.

On May 2, 2005, the AREVA group and TENEX, a Russian company, signed a €50 million technology transfer agreement for the construction of a uranium defluorination plant in Siberia. The transfer covers facility design, equipment supply, supervision of construction and startup testing, and training for maintenance and operations. The project is scheduled for completion in 2009. AREVA owns the only plant of this type in the world. That plant, located in Pierrelatte in France's Rhône valley, has been converting depleted uranium hexafluoride from enrichment plants into completely stable uranium (U_3O_8) since 1984.

The *Fuel* business reported several marketing successes:

- the contract to supply nuclear fuel to EDF was extended until 2007;
- a contract worth more than €100 million was signed with the Gösgen nuclear power plant in Switzerland to supply six reprocessed uranium fuel reloads over the 2008-2013 period;
- on June 20, 2005, a contract valued at more than €100 million was signed with Vattenfall for the supply of fuel to six of utility's seven nuclear reactors in Sweden. This contract includes four reloads for each of the four reactors at the Ringhals nuclear power station and for two of the three reactors of the Forsmark nuclear plant. Deliveries will take place during the 2007-2010 period, with an option for 2011.

3.5.2. Reactors and Services Division

(in millions of euros)	H1 2005 IFRS	H1 2004 IFRS	H1 2004 reported	Change 05/04 IFRS
Sales revenue(*)	1,039	959	959	+8.3% (+10.3% like-for-like)
Operating income	32	25	16	+29.6%
% of sales(*)	*3.1%*	*2.6%*	*1.7%*	*+0.5 point*
Operating free cash flow[7]	181	115	113	+57.4%

(*) Contribution.

First half 2005 performance

First half 2005 sales for the **Reactors and Services** Division rose by 8.3% to €1,039 million and by +10.3% like-for-like, compared with €959 million for the same period in 2004. Foreign exchange rate fluctuations had a negative impact of €10 million over the period. The first-time adoption of IFRS did not have an impact on the Division's sales revenue.

The rise in sales revenue is due mainly to:

- ramp-up of the EPR project in Finland for the *Plants* business unit (up 36.3% like-for-like);
- a healthy level of business in the *Nuclear Services* field in the first half of the year (up 9.3% like-for-like), mainly because of a more favorable outage schedule in early 2005, especially in France;
- a momentary drop in *Equipment* sales in the first half (down 9.8% like-for-like) due to the high level of business from the Finnish project, for which sales are recorded by the *Plants* business unit.

Sales are slightly up in all of the Division's other businesses (up 1% like-for-like).

Operating income for the **Reactors and Services** Division rose to €32 million in the first half of 2005, compared with €25 million in the first half of 2004. The seasonality of the *Nuclear Services* business was particularly favorable in the first half of 2005, attenuating the hike in expenses for sales and marketing and research and development brought on by the major business development effort in China, the development of the EPR and its licensing in the United States. Also, contrary to 2004, the Division was not impacted by losses in the *Mechanical Systems* business, which was reorganized that year.

Operating free cash flow was up by €66 million to €181 million for the first half of 2005, compared with €115 million for the first half of 2004, taking into account one-time advances received for major projects. Also, the change in working capital requirement contributed €207 million in cash for the first half of 2005, compared with €85 million for the first half of 2004. The Division's EBITDA, however, is down at €32 million for the first half of 2005, compared with €58 million for the first half of 2004, mainly due to the recapture of provisions in the *Nuclear Services* business. Capital expenditures increased to €56 million for the first half of 2005, compared with €27 million for the first half of 2004, reflecting the capitalization of research and development costs for the EPR and the beginning of a capacity development program at the heavy components manufacturing plant in Chalon St. Marcel, France.

Highlights

In the *Plants* business, the first half of 2005 saw significant marketing activity in China:

- on February 28, 2005, a proposal was submitted for the construction of four third-generation nuclear reactors in response to a call for tender issued on September 28, 2004 by the Chinese authorities to build four nuclear islands in Yangjiang and Sanmen, and for the transfer of third generation technology. AREVA proposed the EPR, which is currently the only third-generation reactor to have been ordered by utility companies.
- in April 2005, a technical support contract was signed with China Guangdong Nuclear Power Corp./Nuclear Power Institute of China (CGNPC/NPIC) for the construction of two new nuclear islands to expand the Ling Ao nuclear power station in Guangdong province. The total amount of this contract, which covers the supply of the primary cooling systems and control systems for new units 3 and 4, is close to €400 million.

Elsewhere, the concrete slab for the fuel building of the Olkiluoto 3 EPR in Finland was poured in mid August. The manufacturing of heavy equipments, including the reactor vessel and the steam generators, is under way.

In the *Equipment* business, the first half of 2005 saw the completion of various projects and significant marketing successes on the steam generator replacement market. On April 5, 2005, EDF awarded a contract for more than €300 million to a consortium led by AREVA for the replacement of 18 steam generators at six reactors of the 900 MW series, including one reactor on option. The contract also covers related services. The Group and its partners will begin replacement operations during outages scheduled for the 2006-2012 period.

To capitalize on the success of AREVA's marketing strategy in the United States and take advantage of new markets related to the extension of reactor life cycles while performing numerous contracts for U.S. customers and for EDF, the Group has launched a €30 million capital program to increase production capacity at the Chalon Saint Marcel plant, which specializes in the manufacturing of heavy components for nuclear power plants: reactor vessels, steam generators and pressurizers. This program mainly involves a 2,900 m^2 extension of the plant's heavy component assembly building. A recruitment plan was launched in connection with this project, with 200 new hires made in 2004 and 2005.

On June 14, 2005, AREVA, which is the main fuel supplier to Swedish utility Vattenfall, acquired Uddcomb, a Swedish company that provides engineering and services to nuclear power plants. Also in 2005, the Group acquired from Siemens a maintenance business specialized in nuclear power plant control systems. These acquisitions are another indication of AREVA's intent to support its customers for the maintenance and operation of their nuclear plants.

In addition, on May 16, 2005, AREVA sold its 71.6% interest in ISIS-MPP, a company that provides electronic and computer services for the design, fabrication and maintenance of testing equipment and related software. ISIS-MPP employs some 300 people and had 2004 sales of €25 million for an operating margin of approximately 6%. For the Group, the sale is part of a broader program to refocus Technicatome's operations on its core businesses of onboard energy systems, systems engineering for industry and research, and control systems for the transportation industry.

3.5.3. Back End Division

(in millions of euros)	H1 2005 IFRS	H1 2004 IFRS	H1 2004 reported	Change 05/04 IFRS
Sales revenue*	991	1,004	1,004	-1.3% (-3.4% like-for-like)
Operating income	134	145	108	-7.6%
*% of sales**	*13.6%*	*14.5%*	*10.7%*	*-0.9 point*
Operating free cash flow[7]	350	614	588[8]	-43.0%

(*) Contribution.

First half 2005 performance

The **Back End** Division had sales revenue of €991 million in the first half of 2005, down from €1,004 million in the first half of 2004, for a decrease of 1.3% (-3.4% like-for-like). The first-time adoption of IFRS did not have an impact on the **Back End** Division's sales revenue.

The *Treatment-Recycling* business, which represents more than three-fourths of the Division's sales, is the main source of the downturn in the Division's sales revenue (down 3% like-for-like). This development reflects the end of the assistance contract for Japanese customer JNFL, which concluded in 2004. This event was partially offset by a favorable customer mix effect in the *Treatment* business and by the recognition in sales revenue of dismantling work performed for CEA at the Marcoule site. Used fuel treatment also proceeded as planned during the period. Production increased significantly at the Mélox fuel plant (*Recycling* business).

Logistics recorded a 7.9% drop, like-for-like, compared with the first half of 2004. This change is connected to a decrease in the number of foreign fuel shipments, due in particular to the scheduled phase-out of used fuel transport to and from Germany.

The other businesses, which represent about 10% of the **Back End** Division's sales, recorded a 2% increase in sales revenue, like-for-like, in relation to the first half of 2004.

Operating income for the **Back End** Division was €134 million, compared with €145 million in 2004. This development reflects the conclusion in April 2004 of the contract to provide assistance to JNFL for the training of future operators of the used fuel treatment plant in Rokkasho Mura, Japan. That contract's contribution to the Division's operating income was partially offset by:

- an improved contract mix in the first half of 2005;
- a sharp rise in production at the Mélox plant;
- a ten-year increase in depreciation periods for the La Hague and Mélox plants. This had a positive impact of around €10 million per six-month period and had a large one-time catch-up effect due to the recognition of the sales revenue on a percentage of completion basis, reflecting the projected margin of the contracts upon completion of the work.

The Division's EBITDA is relatively stable at €259 million for the first half of 2005, compared with €251 million for the first half of 2004. This reflects a significant level of production at the Mélox plant, despite a significant decrease in EBITDA in the *Treatment* business (completion of assistance contract with JNFL, as indicated above). The change in working capital requirement made a significant contribution to cash (€115 million), reflecting advances received from customers. This contribution is nonetheless significantly lower than the 396 million euro contribution for the first half of 2004. As anticipated, operating CAPEX declined to €24 million for the first half of 2005, compared with €37 million for the first half of 2004.

Operating free cash flow decreased to €350 million during the period, due to a reduction in new customer advances, compared with €614 million in the first half of 2004.

*(8) In accordance with the reporting system set up for 2004 annual results, the cash flows linked to end-of-life-cycle operations are presented separately. Therefore, operating cash flow for the **Back End** Division in first half of 2004 is €606 million, versus €588 million in reported data.*

Highlights

The first half of 2005 saw the completion of the Eurofab operation begun in 2004. This operation to fabricate four Mox fuel assemblies in France using 140 kg of U.S. defense plutonium is part of the “Mox for Peace” program implemented by the United States and the Federation of Russia to promote nuclear non-proliferation.

The technology and know-how in plutonium recycling and Mox fuel fabrication developed by AREVA were selected by the United States and Russia as part of their mutual disarmament agreements to recycle 34 metric tons of surplus defense plutonium in the form of Mox fuel and to use the fuel in civilian nuclear reactors. The construction of a Mox fuel fabrication plant in each of these two countries is planned. In the United States, the Nuclear Regulatory Commission (NRC) delivered a permit in May 2005 for the construction of a Mox fuel fabrication facility at the Savannah River site in South Carolina. AREVA will participate in this project as a member of the Duke-COGEMA-Stone & Webster team (DCS), which will operate the facility.

The four Mox fuel assemblies were delivered to the United States on May 25, 2005, marking the successful completion of the Eurofab operation. The four assemblies will be used to demonstrate the performance of Mox fuel in a U.S. reactor. The Catawba nuclear power plant operated by U.S. utility Duke Power was chosen for this demonstration.

In the *Treatment* and *Engineering* businesses, the Group was awarded a contract in March 2005 to provide vitrification support to BNFL at the Sellafield plant. The contract is valued at around €50 million.

In addition, in April 2005, the *Logistics* business ensured shipment of the last casks of German fuel to La Hague.

3.5.4. Transmission & Distribution Division

(in millions of euros)	H1 2005 IFRS	H1 2004 IFRS	H1 2004 reported	Change 05/04 IFRS
Sales revenue(*)	1,473	1,533	1,533	-3.9% (-2.1% like-for-like)
Current operating income	28	34	-	-17.6%
% of sales(*)	*1.9%*	*2.2%*	-	*-0.3 point*
Operating income	(19)	11	30	n.a.
Operating free cash flow(7)	(73)	(45)	(45)	-62.0%

(*) Contribution.

First half 2005 performance

The **Transmission & Distribution** Division had first-half 2005 sales revenue of €1,473 million, compared with €1,533 million in the first half of 2004, a 3.9% drop (-2.1% like-for-like). This decrease reflects a catch-up effect in first half of 2004 following the Division’s integration into the Group.

Following the 6.5% downturn in the first quarter like-for-like, tied to the business catch-up effect occurring after the Division's integration in early 2004, the second quarter posted a gain of 2.1% like-for-like. Foreign exchange rate fluctuations had a negative impact of €1 million over the period. The first-time adoption of IFRS did not have an impact on the Division's sales revenue. The change in consolidation scope resulting from the disposal of businesses in Australia and New Zealand on April 1, 2005 represented €41.6 million (corresponding to sales revenue recorded during the second quarter of 2004).

The upward sales trend is attributable in particular to:

- the 7% increase* in *Products* like-for-like, which represents some 40% of the Divisions' sales, largely driven by the High Voltage Switchgears business;
- A 13.4%* decrease, like-for-like, in *Systems* business, which represents about 30% of the Division’s sales, mainly due to timing differences on significant contracts. This trend should equalize over the course of the year;
- The successful addition of two new integrated service offerings, which raised sales in the *Services* business by 15.6%* like-for-like;
- The 3.7%* decline in sales for the *Automation* Business Unit due to a slow-down of the North American market, despite its successful penetration of the substation segment.

(*) Before eliminations of inter-business unit sales.

Sales were up by 2.9% in Asia as a whole, and up by 13.8% in China. Conversely, business was down compared with the first half of 2004 in Europe (-3.6%) and in North America (-12.8%), where projects were delayed in Mexico and the United States.

Current operating income for the **Transmission & Distribution** Division was €28 million in the first half of 2005, down slightly from €34 million in the first half of 2004.

- The profitability of the *Systems* business remained impacted by low-margin contracts.

- The *Products*, *Automation* and *Services* businesses recorded positive current operating income despite a rise in the price of raw materials (negative impact of €24 million) and a decline in prices, typical of this fiercely competitive market. These were offset by increased volume and the first effects of the optimization plan (productivity gains, cost reductions, streamlining of purchasing), although these benefits are still limited.

The Division's operating loss of €19 million includes restructuring expenses totaling €47 million in the first half of 2005, compared with €24 million in the first half of 2004.

The Division's operating free cash flow was down by €28 million to - €73 million for the first half of 2005, compared with - €45 million for the first half of 2004. An unfavorable change in working capital requirement was the main factor in this development: the requirement increased by €98 million in cash during the first half of 2005, compared with €24 million for the first half of 2004. A targeted action plan was initiated to reverse this trend in the second half of 2005.

Net Capex represented + €1 million , corresponding mainly to gross Capex of €24 million offset by asset sales in Australia and Germany in the amount of €23 million during the first half 2005. This compares to net Capex of - €22 million for the first half of 2004.

Highlights

The final phase of integration of the *Transmission & Distribution* operations into the Group continued during the first half of 2005. On April 6, 2005, an agreement was signed with Alstom for the purchase of this company's *T&D* operations in India. Acquisition of the Indian subsidiary had been contemplated in the *T&D* acquisition agreement implemented at the beginning of 2004, but was subject to regulatory approvals that delayed the transfer. The share purchase agreement involves up to 66.35% of the Indian subsidiary Alstom Limited, for a price capped at €14.5 million. Most of the publicly traded company's sales revenue comes from the electricity transmission and distribution systems sector. Audited financial statements for the fiscal year ending March 31, 2004 indicated a net income after tax of approximately €3 million on sales revenue of around €150 million. Indian legislation requires AREVA T&D to submit a purchase offer to the minority shareholders of Alstom Limited, to acquire a maximum of 20% of the issued share capital for around €10.8 million in cash.

The transfer of the Indian and Pakistani entities of AREVA T&D is further described in Chapter 4, "Events subsequent to the half-year-end". The transfer is effective in August 2005, when these companies were consolidated by the Group. AREVA holds 66.65% of the capital of AREVA Ltd (India) following the public offer made by the Group for the shares of the company and the purchase of Alstom's equity interest. These acquisitions have no impact on the Group's cash position.

From a marketing perspective, the first half of 2005 saw major new contracts in North Africa, Canada, Brazil and China.

- Under a program to revamp the Tunisian electric grid, the Tunisian utility STEG (*Société Tunisienne de l'Electricité et du Gaz*) awarded two turnkey contracts to the Group in the total amount of €62 million for the construction of five high voltage substations and two grid management systems. The design and construction contract for five gas insulated 90/33/11 kV high voltage substations, valued at €41 million, will also include electrical equipment and interconnection work for three existing substations as well as instrumentation and installation, evaluation and training services. To enable STEG to manage the transmission system efficiently, the second contract covers the design and construction of a new national and regional control center for the transmission system of northern Tunisia and a backup system in the southern part of the country. AREVA will also build a telecommunications system covering 83 substations throughout Tunisia.

- A €25 million turnkey contract with Hydro Québec, the national power generation, transmission and distribution company for the Province of Quebec, for the construction of the world's first de-icer for power lines, also used to regulate electricity quality. This power line de-icing system uses high voltage direct current technology (HVDCiceTM). It will allow Hydro Québec to optimize power grid safety. Generating up to 7,200 Amps of direct current, the system increases the lines' temperature, melting ice that has accumulated on high voltage lines and transmission towers. When the system is not used for de-icing, it will be used as a static compensator to regulate the quality of electricity in the system. Covering almost 600 km of transmission lines, the system will come on line in the fall of 2006.

- A turnkey contract for construction of two biomass power plants and their connection to the grid in Paraná, in southern Brazil. The plants will be connected to the grid in February and June 2006 and will each have 12.3 MW of capacity. They will be fueled with sawdust, woodchips and wood waste from nearby furniture factories. This project, valued at €16.6 million, is part of a national program to promote renewable energies.

- Two turnkey contracts in Brazil for a total of €40 million to strengthen the country's electric power supply system and satisfy a significant increase in demand fueled by strong economic and population growth. The first contract, with Furnas Centrais Eléctricas, the country's preeminent power transmission company, provides for the construction of a new high voltage substation in Areinha in the State of Espírito Santo. A second contract, signed in the framework of a consortium with a local supplier, provides for AREVA to build five 138kV substations in the Mato Grosso for Centrais Elétricas Matogrossenses (CEMAT), the Brazilian power grid management entity. These marketing successes follow four other contracts awarded to AREVA in recent months by Companhia de Transmissão de Energia Elétrica Paulista and by Furnas Centrais Elétricas, for a total of €26 million.

- Development of production capacities in China, including the establishment of a joint venture with Hudian-Xiamen for the construction of a plant to manufacture medium voltage switching equipment, the construction of a medium voltage circuit breaker manufacturing facility belonging to AREVA, and the establishment of a research center in cooperation with the University of Tsinghua. The center will work on the development of innovative processes related to grid automation, communications and insulation technologies.

3.5.5. Connectors Division

(in millions of euros)	H1 2005 IFRS	H1 2004 IFRS	S1 2004 reported	Change 05/04 IFRS
Sales revenue(*)	638	653	653	-2.4% (+0.3% like-for-like)
Operating income	42	46	45	-9.7%
% of sales(*)	*6.5%*	*7.1%*	*6.9%*	*-0.6 point*
Operating free cash flow[7]	7	21	22	-64.9%

(*) Contribution.

First half 2005 performance

In the first half of 2005, the **Connectors** Division recorded sales revenue of €638 million, compared with €653 million for the same period in 2004, representing a 2.4% decrease in terms of reported data. Like-for-like, the Division's sales were stable, with growth of 0.3%. Foreign exchange rate fluctuations had a negative impact of €7 million over the period. The first-time adoption of IFRS did not have an impact on the Division's sales revenue.

The *Automotive* business recorded a 3.0% increase in sales like-for-like and now leads the Division in terms of sales revenue. Despite the downward trend in global markets, sales were up in all regions. Sales grew in Europe and North America. In Asia, the Group's sales rose much higher than market growth, primarily due to the kick-off of new programs in Korea.

The *Communication*, *Data*, *Consumer* business, which represents more than a third of the Division's first half 2005 sales, recorded a 9.1% drop in business like-for-like over the period. Sales revenue was maintained between the first and second quarters of 2005, but remained lower than that of 2004 for the same periods. This trend is largely due to the postponement of customer programs to the second half of the year, to *Consumer* products that have reached the end of their life cycle, and to customers' ongoing transfer of communication equipment production to low-cost countries, affecting European and U.S. sales in particular. The growth in Asian business did not offset these events.

Sales for the *Electrical Power Interconnect* Business Unit were up by 4.6% like-for-like, although down in terms of reported data due to asset disposals in Europe and Australia and to an unfavorable foreign exchange effect. The increase in sales revenue is being driven by North America, where new products have been introduced and sales to distributors have risen.

Sales for the *Microconnections* Business Unit continued to grow, with a 33.8% increase (like-for-like) in the first half of 2005 compared with the first half of 2004, and a 6% increase compared with the second half of 2004. This growth was sustained by the signature of a partnership agreement with major customers and the sharp upturn in microprocessor applications, especially in Asia and the United States.

Operating income for the **Connectors** Division settled at €42 million in the first half of 2005, compared with €46 million in the first half of 2004. Taking into account the one-time payment of €12 million collected in 2004 as settlement of an intellectual property lawsuit, the Division's operating income increased 21.9%, in part due to the ongoing cost reduction plan.

The Division's EBITDA for the first half of 2005 was €51 million, down from €59 million in the first half of 2004, when operating income included the positive impact of a one-time, €12 million payment collected in settlement of an intellectual property lawsuit. The drop in operating free cash flow is primarily the result of an increase in the working capital requirement for the *CDC* business, expected to reverse partially in the second half. The increase in working capital requirement corresponds to the use of €19 million in cash during the first half of 2005, compared with €6 million for the first half of 2004. Net capital expenditure is stable at €27 million.

3.5.6. Corporate and other

(in millions of euros)	H1 2005 IFRS	H1 2004 IFRS	H1 2004 reported	Change 05/04 IFRS
Sales revenue(*)	5	10	10	n.s.
Operating income	(29)	(24)	(29)	n.s.
% of sales(*)	*n.s.*	*n.s.*	*n.s.*	
Operating free cash flow[7]	(71)	(75)	(80)	n.s.

(*) Contribution.

No particular comment is warranted regarding *Corporate* data.

3.6. Cash flow statement

3.6.1. Adjusted cash flow statement

(in millions of euros)	H1 2005 IFRS	H1 2004 IFRS(*)
EBITDA (excluding end-of-life-cycle obligations)	**587**	**588**
% of sales	*10,9 %*	*11.0%*
Change in operating working capital requirement	147	351
Net operating CAPEX	(202)	(204)
Gains (losses) on disposals	4	4
Operating free cash flow	**535**	**738**
Cash flows for end-of-life-cycle obligations	(89)	n.a.(**)
Effect of changes in consolidation scope	79	n.a.(**)
Dividends paid	(419)	n.a.(**)
Other (taxes, non-operating WCR, etc.)	44	n.a.(**)
Increase (decrease) in net cash	**150**	**n.a.(**)**

	06.30.05 IFRS	01.01.05 IFRS
Net cash (debt) per IFRS	**(416)**	**(566)**

(*) Adjusted IFRS data, excluding IAS 32 and 39.

(**) In light of the change in the definition of net cash (debt) pursuant to the application of the IFRS (including IAS 32 and 39), data for items below operating cash flow on the cash flow statement are not available for the first half of 2004. However, they will be provided for the full accounting year.

3.6.2. Operating free cash flows by business Division

Nota bene 2: In accordance with the reporting system set up for 2004 annual results, the cash flows linked to end-of-life-cycle operations are presented separately, considering the significant changes implemented in 2004.

The Group's EBITDA(9) for the first half of 2005 was stable compared with the first half of 2004, at €587 million or 11% of sales. The change in operating working capital requirement contributed €147 million to cash, well below the contribution recorded for the first half of 2004 (+ €350 million), when large customer advances were received in the **Back End** Division. Net capital expenditure was €202 million, compared with €204 million in the first half of 2004, and includes the disposal of **T&D** Division assets for €23 million.

Including these items, the Group's operating free cash flow(10) in the first half of 2005 was €535 million, compared with €738 million in the first half of 2004, and continues to be high.

(in millions of euros)	EBITDA		Change operating WCR		Net operating CAPEX		Operating free cash flow before tax	
	H1 2004 IFRS	H1 2005 IFRS	H1 2004 IFRS	H1 2005 IFRS	H1 2004 IFRS	H1 2005 IFRS	H1 2004 IFRS	H1 2005 IFRS
Nuclear	550	535	428	312	(143)	(174)	838	671
Transmission & Distribution	0	24	(24)	(98)	(22)	1	(45)	(73)
Energy	**550**	**559**	**404**	**214**	**(165)**	**(173)**	**793**	**598**
Connectors	59	51	(6)	(18)	(33)	(27)	21	7
Other	(20)	(22)	(48)	(48)	(6)	(2)	(75)	(71)
Group total	**588**	**587**	**350**	**147**	**(204)**	**(202)**	**738**	**535**

(9) EBITDA is understood as operating income before depreciation, depletion, amortization and provisions (including recaptures).

(10) Operating free cash flow before income tax = EBITDA (excluding end-of-life-cycle operations) plus change in operating WCR minus Operating CAPEX.

Comments regarding changes in operating free cash flows by Division are given in paragraph 3.5.

- The *nuclear* businesses produced €671 million in operating free cash flows in the first half of 2005, compared with €838 million in the first half 2004, which had been particularly strong. The decrease reflects a lower contribution from changes in working capital requirements (WCR) and the ramp-up of capital expenditure programs.

- The **Transmission & Distribution** Division had negative operating free cash flow of €73 million in the first half of 2005, representing a €28 million deterioration compared with the first half of 2004. The WCR has increased by €98 million since December 31, 2004, reflecting a very low level of working capital requirement at the end of 2004 and an increase in activity during the second quarter of 2005.

- For the period, **Connectors** had positive operating free cash flow of €7 million, down in comparison to the €21 million of the first half of 2004, which included €12 million received as a settlement for an intellectual property lawsuit. Adjusted for this item, free operating cash flow has retreated slightly, with an increase in the working capital requirement for the *CDC* business, expected to reverse partially in the second half.

3.6.3. Other cash flow statement items

The flows related to end-of-life-cycle obligations were - €89 million in the first half of 2005 due to the payment in early 2005 of the second half of the lump sum payment of €427 million pertaining to agreements signed with the CEA in December 2004 (see below), i.e. €215 million. The 2005 payment, which affected the change in non-operating WCR, was only partially offset by sales of securities earmarked to fund end-of-life-cycle obligations and dividends received from the earmarked financial asset portfolio. The flows related to end-of-life-cycle obligations are expected to return to normal levels in the coming months.

Changes in the consolidated Group provided €79 million in resources, reflecting mainly the disposal of the services businesses in New Zealand (**Transmission & Distribution** Division) and, to a lesser extent, the sale of ISIS-MPP and the acquisition of nuclear service companies in Germany and Sweden (**Reactors & Services** Division - see highlights, paragraph 3.5.2).

A total of €419 million was paid in dividends for 2004, including €79 million paid to minority shareholders of the subsidiaries.

Other cash flows include changes in cash related to non-operating items and taxes.

In all, net cash increased by €150 million in the first half of 2005.

3.6.4. Cash at the end of the period

Taking into account net debt of €566 million at the beginning of the period (per IFRS), the net cash at the end of the period corresponds to a debt of €416 million.

Comments regarding net cash are presented in paragraph 3.7.4.

≫ 3.7. Balance sheet items

Summary consolidated balance sheet

(in millions of euros)	12.31.2004 French GAAP(*)	12.31.2004 IFRS(**)	01.01.2005 IFRS(***)	06.30.2005 IFRS
ASSETS				
Net goodwill	1,656	1,648	2,206	2,227
Tangible and intangible assets	5,357	4,461	4,461	4,492
End-of-life-cycle assets (third party share)	4,309	2,015	2,015	2,060
Financial assets earmarked for end-of-life-cycle obligations	2,281	2,281	2,398	2,503
Equity affiliates	1,314	1,335	1,313	1,399
Non-current financial assets	855	833	1,500	1,602
Working capital requirement (WCR)	(1,126)	(1,133)	(1,123)	(1,088)
Cash and cash equivalents	1,632	1,054	1,054	1,262
Other current financial assets		585	263	272
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity	4,241	4,564	4,928	5,303
Minority interests	776	746	371	362
Provisions for end-of-life-cycle obligations - third party share	4,309	2,015	2,015	2,060
Provisions for end-of-life-cycle obligations - AREVA share	3,948	2,317	2,317	2,371
Other current and non-current provisions	2,225	2,417	2,402	2,454
Deferred taxes (liabilities – assets)	(157)	77	172	230
Borrowings due in more than or less than one year	943	943	1,883	1,950
Summary balance sheet total	**16,285**	**13,079**	**14,088**	**14,729**
Net cash per IFRS			**(566)**	**(416)**

(*) Data reported according to French GAAP, reclassified under IFRS.

(**) Adjusted IFRS data, excluding IAS 32 and 39.

(***) Adjusted IFRS data, including IAS 32 and 39.

Working capital assets and liabilities are offset in the summary balance sheet. Deferred taxes are also offset. Assets and liabilities are not offset in the detailed balance sheet presented in paragraph 5.3.

3.7.1. Fixed assets

Net goodwill

The increase in goodwill reflects for the most part the €15 million acquisition of Swedish company Uddcomb, specialized in services and engineering for nuclear power plants, and the €22 million acquisition from Siemens of a maintenance company specialized in nuclear power plant control systems maintenance.

The disposal of **Transmission & Distribution** operations in Australia and New Zealand generated €45 million in goodwill reduction.

The negotiation of final amendments to the T&D acquisition agreement with Alstom and the integration of assets that had not been transferred contributed to a reduction in goodwill of €21 million.

In addition, conversion translation adjustments had a positive impact on the change in goodwill in the amount of €51 million.

Equity affiliates

STMicroelectronics and Eramet represent the bulk of the shares accounted for under the equity method. The change recorded under this heading during the first half of 2005 corresponds to the AREVA's share in the net income of companies accounted for under the equity method in the first half of 2005.

Non-current financial assets

Non current financial assets are explained in Note 11 of the notes to the consolidated financial statements. This heading includes mostly available-for-sale securities previously recorded under the heading "Marketable securities" (Alcatel, Société Générale, Total), as "Long-term investments in securities" (Safran) or as "Equity securities" (Energy Resources of Australia). The change from January 1, 2005 mainly reflects the increase in fair value of shares of Total, Société Générale and Energy Resources of Australia (ERA), an Australian uranium mining company in which AREVA hold a 7.8% equity interest. Moreover the Group has disposed of all AssystemBrime shares in the first half of 2005.

3.7.2. Assets and provisions for end-of-life-cycle obligations

The impacts of first-time IFRS adoption on assets and provisions related to end-of-life-cycle obligations are presented in Chapter 5.1.9. of the Group's annual report for 2004. These impacts are also discussed in a special presentation made by AREVA on March 22, 2005 in connection with the adoption of IFRS. This presentation is available on the Group's website at www.areva.com. It primarily involved the discounting of provisions for decommissioning obligations and the corresponding assets.

The change in assets and provisions for end-of-life-cycle obligations during the period January 1, 2005 to June 30, 2005 is summarized in the table below:

(in millions of euros)	01.01.2005 IFRS(*)	06.30.2005 IFRS
ASSETS		
End-of-life-cycle assets	**2,177**	**2,213**
AREVA share (to be amortized)	162	153
Third party share	2,015	2,060
Net financial portfolio	**2,398**	**2,503**
LIABILITIES		
Provisions for end-of-life-cycle obligations	**4,332**	**4,431**
Provisions to be funded by AREVA	2,317	2,371
Provisions to be funded by third parties	2,015	2,060

(*) Adjusted IFRS data, including IAS 32 and 39.

Net end-of-life-cycle assets represent €2,213 million as of June 30, 2005, compared with €2,177 million as of January 1, 2005. This increase is mostly related to the reversal of discounting on the asset's third-party share, recorded at the same time as the reversal of discounting on the provision. The third party share of end-of-life-cycle assets mainly corresponds to the funding expected from EDF for the La Hague site and from the defense applications department of the CEA for the Pierrelatte site.

The IFRS balance sheet now allows the provisions tied to end-of-life-cycle obligations (€4,431 million, of which €2,060 million are to be funded by third parties and €2,371 million are to be funded by AREVA) to be easily reconciled with the assets relating to these provisions: "End-of-life-cycle assets, third party share" (€2,060 million) and "Financial portfolio covering end-of-life-cycle obligations" at market value (€2,503 million).
By design, the third party share of end-of-life-cycle assets is always equal to the provision to be funded by third parties, but the value of the portfolio of financial assets earmarked to finance end-of-life-cycle obligations borne by the Group varies according to the change in value of the securities in the portfolio.

The balanced ratio at December 31, 2004 had become a slight surplus as of June 30, 2005, due to the good performance of the financial portfolio: assets represent €2,503 million, while provisions to be funded by AREVA represent €2,371 million.

The nature of these obligations and the calculation of the provision are presented in Note 14 of the notes to the consolidated financial income statements.

In December 2004, CEA, EDF and COGEMA signed an agreement regarding the Marcoule plant. Effective December 1, 2004, CEA will assume the responsibilities of owner-operator of the site and will be responsible for funding the site cleanup effort. This agreement does not cover final waste disposal costs. It contemplates the payment of a final consideration to the CEA decommissioning fund by EDF and COGEMA, corresponding to their respective financial obligations. COGEMA's obligation is €427 million (subject to escalation from January 2004). This amount was recorded as a provision in the 2003 financial statements and subsequently paid in full, half at the end of 2004 and half in the beginning of 2005. Since December 31, 2004, AREVA's only provision concerning the Marcoule site corresponds to the Group's obligation for final waste retrieval and disposal.

3.7.3. Working capital requirement

AREVA has a negative working capital requirement, reflecting significant customer prepayments, primarily relating to long-term operations in the **Back End** Division.

The Group's WCR was - €1,123 million at January 1, 2005 and - €1,088 million at June 30, 2005. During the first half of 2005, the change in operating WCR represented €147 million. The change in non-operating working capital requirement mainly reflects the payment to the CEA of the second half of the Marcoule cleanup settlement in the amount of €215 million. In all, the change in WCR affecting cash was €42 million. Other WCR changes are mainly currency translation differences or accounting reclassifications.

3.7.4. Net cash (debt)

At June 30, 2005 the Group had a net debt[11] of €416 million, compared with a positive cash position of €689 million reported for 31 December 2004.

The first-time adoption of IFRS led to a change in AREVA's net cash (debt) definition:

- exclusion of shares previously classified as marketable securities, now classified as non-current assets in the "Available-for-sale securities" category (- €353 million), and thus not integrated into the calculation of net cash (debt);
- integration of the valuation of the put option of minority interests in borrowings (- €931million), thus increasing the net debt shown;
- valuation of interest rate instruments and other reclassifications (+ €29million).

These changes in definitions reduced net cash from €689 million, as reported on December 31, 2005, to a net debt of €566 million for the opening balance sheet at January 1, 2005 (IAS 32 and IAS 39 having been adopted effective January 1, 2005).

From now on, net cash/debt under IFRS is defined as follows: "Cash and cash equivalents" plus "Other current financial assets" minus "Borrowings due in less than or more than one year" in the strict sense of the IFRS (see diagram in the summary consolidated balance sheet below).

The heading "Cash and cash equivalents" represented €1,262 million as of June 30, 2005. Including €272 million in "Other current financial assets" and less €1,950 million in borrowings, this heading corresponds to a net debt of €416 million as of June 30, 2005.

The change in cash position is described in detail in paragraph 3.6.

3.7.5. Shareholders' equity

Shareholders' equity increased from €4,928 million at January 1, 2005, to €5,303 million at June 30, 2005. This increase reflects the combined effect of net income recognized for the first half of 2005 and the payment of dividends for 2004, on the one hand, and the increase in deferred unrealized gains and losses (+ €275 million) and in currency translation reserves (+ €134 million), on the other hand. The impact of IAS 32 and 39 corresponds mostly to deferred unrealized gains and losses on cash flow hedge instruments and on available-for-sale securities, on an after-tax basis. The bulk of the increase in shareholders' equity for the fist half of 2005 results from changes in the value of available-for-sale financial assets. These changes trigger a certain amount of volatility in shareholders' equity.

Changes in equity are presented in detail in the consolidated financial statements.

(11) Net cash (debt) per IFRS = Cash and cash equivalents plus Other current financial assets minus Borrowings due in less than or more than one year. Shares classified as "Available-for-sale securities" (Alcatel, SG, Total, etc.) are now excluded from the net cash position calculation.

AREVA

3.7.6. Provisions other than end-of-life-cycle provisions

The provisions other than end-of-life-cycle provisions are up by €52 million to €2,454 million, compared with €2,402 million at January 1, 2005. This change reflects an increase in provisions for employee benefits (+ €112 million), offset in part by a decrease in current provisions, in particular the provision for restructuring and manpower reduction plans.

The increase in provisions for employee benefits results in part from the reversal of discounting of the provision and in part from the increase in the first half 2005 of the provision corresponding to employee vesting during the period.

Provisions for restructuring and manpower reduction plans were down €45 million during the period, reflecting ongoing implementation of plans in the **Connectors** and **Transmission & Distribution** Divisions.

The description of other provisions may be found in Note 15 of the notes to the consolidated financial statements.

3.7.7. Off balance-sheet commitments

The Group's off-balance sheet commitments are presented by economic purpose: operating commitments, commitments related to financing, and other types of commitments. This breakdown relates to commitments given and to commitments received.
This last type of commitment (reciprocal commiments) corresponds to commitments given by the Group in consideration for a warranty from the third party.

(in millions of euros)	12.31.2004	06.30.2005	Maturity < 1 year	Maturity < 5 years	Maturity > 5 years
Commitments given	**2,430**	**2,708**	**872**	**1,526**	**310**
Operating commitments given	2,131	2,521	784	1,439	297
Financing commitments given	51	37	9	25	3
Other commitments given	247	151	79	62	10
Commitments received	**701**	**789**	**244**	**247**	**297**
Operating commitments received	250	352	68	244	41
Financing commitments received	15	16	9	2	5
Other commitments received	436	421	168	1	251
Reciprocal commitments	**1,004**	**596**	**563**	**6**	**27**
Unused authorized credit lines	557	79	62	0	17
Calls or Puts	388	392	392	0	0
Other reciprocal commitments	59	124	109	5	10

A detailed table of off-balance sheet commitments is presented in Note 17 to the notes to the consolidated financial statements.

Commitments given

The commitments given represent €2,708 million at June 30, 2005, up 11.4% from €2,430 million at the end of 2004. This change reflects an increase in operating commitments given, which represented 93% of all commitments given.

Almost 90% of all operating commitments given are related to contracts. The Group's marketing successes in the first half of 2005 explain the 13% growth in contract-related guarantees given, taking into account the expiration during this period of commitments given recorded at the end of 2004. The increase in contract related guarantees relates mostly to performance bonds, representing two-thirds of all operating commitments given.

In addition, the Group gave a parent-company guarantee to TVO for the EPR reactor project in Finland for the full value of the contract. The Group received a counter-guarantee from Siemens corresponding to this supplier's share of the TVO contract. The net commitment given by the Group is in the €1.5 billion to €2 billion range. This amount is not included in the summary table.

Commitments received

The commitments received represent €789 million at June 30, 2005, up 12.6% from €701 million at the end of 2004. As is the case for commitments given, this change reflects an increase in operating commitments.

At the beginning of 2004, AREVA received two guarantees from Alstom under the AREVA T&D acquisition contract: a specific guarantee and a general guarantee. Both guarantees are presented in detail in Note 17 of the notes to the consolidated financial statements.

Reciprocal commitments

The reciprocal commitments received represent €596 million at June 30, 2005, compared with €1,004 million at the end of 2004. This represents a decrease of €408 million, resulting for the most part from the expiration of an unused authorized credit line negotiated by AREVA SA for its subsidiaries.

4. Events subsequent to the half-year-end

- *Transmission and Distribution* operations in India and Pakistan were transferred to AREVA at the beginning of August 2005. AREVA holds 66.65% of the capital of AREVA Ltd (India) following a public offer made by the Group for the shares of the company and the purchase of Alstom's equity interest. This unit has approximately €150 million in annual revenue. In addition, the Group holds 80% of the capital of the Pakistani unit, representing €10 million in sales revenue. The *T&D* operations in India and Pakistan are fully consolidated effective August 1, 2005.

- On September 12, 2005, Finnish utility Teollisuuden Voima Oy (TVO) officially laid the first stone of the third-generation EPR at the Olkiluoto site in Finland. This event took place one and a half years after the AREVA-Siemens team won the contract to build the reactor.

- On September 15, 2005, AREVA and Constellation Energy joined forces to ensure the future of nuclear power in the United States by offering an innovative framework for developing the EPR in the United States. Constellation Energy and the AREVA Group announced the establishment of UniStar Nuclear, a joint company that will market the first next-generation reactor in the United States.

  UniStar Nuclear will combine the strengths of the world leader in the nuclear industry and a utility with extensive experience in reactor licensing and operation in a global offering. UniStar Nuclear is a commercial entity that will facilitate the development of joint ventures between Constellation Energy, other utilities and all interested parties. These joint ventures will be responsible for licensing, construction and operation of the reactors as owners in the framework of a standardized program for U.S. EPRs.

- On September 19, 2005, AREVA signed an agreement with the private investment firm Bain Capital setting forth the legal and financial terms and conditions for the disposal of FCI, AREVA's connectors subsidiary. In view of the growth prospects for the *Connectors* market in the coming years, and considering this Division's need for capital to finance its development, AREVA decided to sell its *Connectors* subsidiary, in keeping with its strategy of focusing on its core business. Ever since it was established in 2001, AREVA has been a responsible shareholder, contributing to FCI's financial recovery. Now that it has a healthy industrial and financial footing, FCI can pursue its development.

  At first, AREVA received indications of interest from financial companies. After this first phase, a limited number of contacts were selected in early August 2005. The quality of several of these contacts prompted AREVA to authorize a more detailed review. This diligence phase concluded with the selection of Bain Capital Ltd. to negotiate on an exclusive basis.

Bain Capital was chosen based on criteria set by the Group: the valuation of FCI, the buyer's industrial and social strategy, and its financial strength. It was on this basis that AREVA chose Bain Capital, which made the best offer from a financial as well as industrial and social point of view:

- the transaction sets an enterprise value for FCI of €1.067 billion;
- Bain Capital, with the support of FCI's management, plans to implement an ambitious development plan;
- Bain Capital offers significant social guarantees: continuity of labor policies, FCI headquarters in Versailles to remain open, *Communication Data Consumer* division industrial sites to stay open in Europe as well as industrial sites in France for at least 3 years.

The change in ownership should occur before the end of October, subject to approval by antitrust authorities and a decree following the recommendation of the French *Commission des Participations et des Transferts*, the administration in charge of approving disposals of government-owned assets.

The disposal of FCI should have a positive impact of more than €500 million on AREVA's 2005 consolidated net income and generate a positive cash flow of about €850 million. As required by IFRS 5, the **Connectors** Division will be deconsolidated retroactively effective January 1, 2005. The Division's net income until the date of disposal and the after-tax gain on disposal will be reported under a separate heading above the net income heading in the income statement: "Net income from discontinued operations". In this manner, the 2005 income statement will segregate the net income from operations remaining with the Group. The Division's detailed income statement will be presented in the notes to the consolidated financial statements, together with pro-forma statements for the two previous years.

To supplement the financial data and clarify the impact of FCI's disposal, the balance sheet and the income statement as of June 30, 2005 for this subsidiary are presented in Note 20 of the notes to the consolidated financial statements.

- On September 27, 2005, the AREVA group announced that it had purchased a 21.1% stake in REpower, a wind turbine manufacturer based in Hamburg. REpower is one of the leading players in the global wind energy sector, specializing in high output turbine technology particularly suitable for off-shore turbines. The company employs 558 people and posted revenues of €301 million in 2004. This acquisition strengthens AREVA's strategic position in CO_2-free power generation and electricity transmission and distribution. Nuclear and wind energy complement each other in a balanced energy mix, with one supplying competitive energy in baseload operations, and the other supplying additional energy based on climate conditions. Neither emits greenhouse gases. REpower offers manufacturing and marketing/sales synergies with AREVA's **Transmission & Distribution** Division. **Transmission and distribution** represents a considerable share of wind energy investment, given the technical difficulties raised by the intermittency of power generation for the electricity transmission system.

5. Consolidated financial statements

» 5.1. Statutory Auditors' Report on the 2005 half-year financial statements - Period from january 1 to june 30, 2005

In our capacity as Statutory Auditors and in accordance with Article L.232-7 of the French Company Act (*Code de commerce*), we have performed the following procedures:

- a limited review of the accompanying summary of operations and income statement presented as they appear in the consolidated half-year financial statements of AREVA for the period from January 1 to June 30, 2005;
- an examination of the information contained in the half-year report.

The consolidated half-year financial statements are the responsibility of the Management Board. Our role is to report on these financial statements based on our limited review.

These consolidated half-year financial statements have been drawn up in preparation for the transition to IFRS as adopted in the European Union for the 2005 consolidated financial statements, using for the first time the measurement and recognition methods under IFRS as adopted in the European Union, in the form of interim financial statements as defined in the General Regulations of the AMF (*Autorité des Marchés Financiers*, the French Financial Markets Authority). They include, for comparative purposes, information related to fiscal year 2004 and the first half of 2004 restated using the same methods.

We conducted our limited review in accordance with professional standards applicable in France. Those standards require the performance of limited procedures to provide assurance, of a lesser degree than in the case of an audit, that the consolidated half-year financial statements are free of material misstatement. A review of this nature does not include all controls required by an audit, but is limited to performing analytical procedures and obtaining information deemed necessary from management and other appropriate sources.

Based on our limited review, nothing has come to our attention that causes us to believe that the consolidated half-year financial statements do not present fairly, in all material respects, the financial position of the Group and the results of its operations for the period then ended in accordance with the presentation and disclosure requirements applicable in France and the measurement and recognition methods under IFRS as adopted in the European Union, as described in the notes to the consolidated half-year financial statements.

Without qualifying our conclusion, we draw your attention to:

- Note 1 which describes
  - the options adopted for the presentation of the consolidated half-year financial statements, which do not include all the disclosure requirements under IFRS as adopted in the European Union, in accordance with article 221-5 of the AMF General Regulations;
  - the reasons why the comparative information which will be presented in the consolidated financial statements for the year ended December 31, 2005 and the consolidated financial statements for the half-year ended June 30, 2006 may differ from the financial statements accompanying this report;
  - the options adopted for the application IAS 32 and IAS 39 on financial instruments as of January 1, 2005: as authorized by IFRS 1, the opening balance sheet as of January 1, 2004 and the comparative information for fiscal year 2004 and the first half of 2004 have not been restated in accordance with these standards.
- Note 14 which mentions the uncertainty concerning the measurement of waste storage costs and the portion falling to EDF regarding its contribution to expenses incurred in the back-end of the cycle.

We have also examined, in accordance with professional standards applicable in France, the information contained in the report on the consolidated half-year financial statements that were the subject of our limited review.

We have nothing to report with respect to the fairness of such information and its consistency with the consolidated half-year financial statements.

This report is a free translation of a French language original for convenience purposes only. Accounting principles and auditing standards and their application in practice vary among nations. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than France. In addition, the procedures and practices utilized by the Statutory Auditors in France with respect to such financial statements included in a half-year report may differ from those generally accepted and applied by auditors in other countries. Accordingly, the French financial statements and the auditors' report of which a translation for convenience purposes only is presented in this document are for use by those knowledgeable about French accounting procedures, auditing standards and their application in practice.

Paris, September 20, 2005

The Statutory Auditors

Deloitte & Associés		Mazars & Guérard		Salustro Reydel
Pascal Colin	Jean-Paul Picard	Thierry Blanchetier	Michel Rosse	Denis Marangé

5.2. Consolidated income statement

(in millions of euros)	Notes	1st half 2005	1st half 2004 (*)	Full year 2004 (*)
Sales revenue		5,396	5,339	11,109
Other income from operations		2	6	8
Cost of sales		(4,071)	(4,027)	(8,494)
Gross margin		**1,327**	**1,318**	**2,623**
Research and development expenses		(191)	(184)	(402)
Sales and marketing expenses		(285)	(294)	(602)
General and administrative expenses		(406)	(399)	(787)
Other operating income and expenses		(14)	(12)	(11)
Current operating income		**431**	**429**	**821**
Goodwill impairment losses	3			(9)
Restructuring and CATS-CASA early retirement costs	3	(64)	(44)	(210)
Other non-current income and expenses	3	1	1	38
Operating income		**368**	**386**	**640**
Income from cash and cash equivalents		20	35	48
Gross borrowing costs		(15)	(24)	(30)
Net borrowing costs		**5**	**11**	**18**
Other financial income and expenses		10	21	(36)
Financial income	**5**	**15**	**32**	**(18)**
Income tax	**6**	**(115)**	**(103)**	**(160)**
Net income of consolidated businesses		268	315	462
Share in net income of equity affiliates	10	86	42	128
Income on disposal of discontinued operations		**(2)**		
Net income before minority interests		**352**	**357**	**590**
Minority interests		(52)	(64)	(139)
Consolidated net income		**301**	**293**	**451**
Average number of shares outstanding		35,442,701	35,442,701	35,422,701
Earnings per share		8.48	8.28	12.71
Diluted earnings per share [1]		8.48	8.28	12.71

(*) Adjusted IFRS data excluding IAS 32 and 39 (see Note 21).

(1) AREVA has not set up diluting instruments on its share capital.

≫ 5.3. Consolidated balance sheet

ASSETS

(in millions of euros)	Notes	June 30, 2005	January 1, 2005 (**)	December 31, 2004 (*)
Non-current assets		**14,717**	**14,332**	**13,045**
Goodwill of consolidated companies	7	2,227	2,206	1,648
Intangible assets		650	597	596
Tangible assets		3,842	3,864	3,865
Including: End-of-life-cycle assets (AREVA share)	*8*	*153*	*162*	*162*
End-of-life-cycle assets (third party share)	8	2,060	2,015	2,015
Assets earmarked for end-of-life-cycle obligations	9	2,503	2,398	2,281
Equity affiliates	10	1,399	1,313	1,335
Other non-current financial assets	11	1,590	1,490	823
Pension fund assets		12	10	10
Deferred tax assets		435	439	472
Current assets		**8,807**	**8,206**	**8,385**
Inventories and work-in-process		2,279	2,125	2,098
Trade accounts receivable and related accounts		3,623	3,291	3,290
Other operating receivables		979	977	856
Current tax assets		129	116	116
Other non-operating receivables		262	379	386
Cash and cash equivalents	12	1,262	1,054	1,054
Other current financial assets	13	272	263	585
Total assets		**23,524**	**22,538**	**21,430**

(*) Adjusted IFRS data, excluding IAS 32 and 39.
(**) Adjusted IFRS data, including IAS 32 and 39 (see Note 22).

LIABILITIES AND SHAREHOLDERS' EQUITY

(in millions of euros)	Notes	June 30, 2005	January 1, 2005 (**)	December 31, 2004 (*)
Shareholders' equity and minority interests		**5,665**	**5,299**	**5,310**
Share capital		1,347	1,347	1,347
Consolidated premiums and reserves		2,905	2,788	2,844
Deferred unrealized gains and losses		695	420	0
Currency translation reserves		56	(78)	(78)
Consolidated net income		301	451	451
Minority interests		362	371	746
Non-current liabilities		**7,971**	**7,701**	**6,797**
Employee benefits		1,143	1,031	1,032
Provisions for end-of-life-cycle obligations	14	4,431	4,332	4,332
Other non-current provisions	15	75	66	140
Borrowings due in more than one year	16	1,657	1,661	744
Deferred tax liabilities		665	611	549
Current liabilities		**9,888**	**9,538**	**9,323**
Current provisions	15	1,236	1,305	1,245
Borrowings due in less than one year	16	293	222	199
Advances and prepayments received		4,523	4,326	4,326
Trade accounts payable and related accounts		1,912	1,695	1,688
Other operating liabilities		1,748	1,546	1,430
Current tax liabilities		129	90	91
Other non-operating liabilities		48	354	344
Total liabilities and shareholders' equity		**23,524**	**22,538**	**21,430**

(*) Adjusted IFRS data, excluding IAS 32 and 39.

(**) Adjusted IFRS data, including IAS 32 and 39 (see Note 22).

≫ 5.4. Consolidated cash flow statement

(in millions of euros)	1st half 2005	1st half 2004 (*)	Full year 2004 (*)
Consolidated net income	**301**	**293**	**451**
Minority interests	52	64	139
Net income before minority interests	352	357	590
Loss (income) of equity affiliates, net of dividends	(58)	(17)	(101)
Net amortization, depreciation and provisions for non-current assets and marketable securities maturing in more than 3 months(1)	270	245	516
Net goodwill amortization			9
Net provision for contingencies and losses (1)	(82)	(131)	(500)
Net effect of discounting reversals for assets and provisions (1)	81	73	151
Loss/(gain) on disposals of fixed assets and marketable securities maturing in more than 3 months; change in fair value	(46)	(27)	(99)
Other non-cash items	73		20
Cash flow from operations	**590**	**500**	**585**
Change in working capital requirements	**(42)**	**444**	**353**
Cash from operating activities	**545**	**944**	**938**
Investment in tangible and intangible assets	(239)	(218)	(519)
Investment in long-term notes and investments	(60)	(844)	(1,431)
Disposals of tangible and intangible assets	36	15	105
Disposals of long-term notes and investments	324	61	692
Cash from (used in) investing activities	**64**	**(986)**	**(1,153)**
Dividends paid	(419)	(278)	(285)
Increase (decrease) in borrowings	(10)	19	12
Cash from (used in) financing activities	**(429)**	**(259)**	**(273)**
Decrease/(increase) in marketable securities maturing in less than 3 months	(4)	24	133
Foreign exchange adjustments	(17)	(2)	16
Increase / (decrease) in net cash	**159**	**(279)**	**(339)**
Cash at the beginning of the year	**945**	**1,284**	**1,284**
Closing cash	1,262	1,157	1,054
Reclassification of current accounts	(20)		(11)
Less bank credit balances	(138)	(152)	(98)
Cash at the end of the year	**1,104**	**1,005**	**945**

(*) Adjusted IFRS data, excluding IAS 32 and 39.

(1) The effect of discounting reversals is henceforth presented on a separate line in the cash flow statement. As a result, the amounts in the amortization, depreciation and provisions accounts for 2004 are different from those published in the 2004 annual report.

"Cash" for the purposes of the Cash Flow Statement consists of:

- "Cash and cash equivalents" (see Note 12), which includes:
  - cash balances and non-trade current accounts, and
  - risk-free marketable securities initially maturing in less than three months;
- less short-term bank facilities included in current borrowings (see Note 16).

5.5. 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	Deferred unrealized gains and losses	Total consolidated shareholders' equity	Minority interests	Total shareholders' equity and minority interests
January 1, 2004 (*)	**35,442,701**	**1,347**	**3,098**	**(37)**		**4,408**	**908**	**5,316**
Elimination of currency translation reserves at January 1, 2004 through reclassification as consolidated reserves			(37)	37				
January 1, 2004 after reclassification of currency translation reserves	**35,442,701**	**1,347**	**3,061**	**-**		**4,408**	**908**	**5,316**
2004 net income	-	-	451	-		451	139	
Dividends paid	-	-	(220)	-		(220)	(65)	
Change in consolidated Group	-	-	-	-		-	(240)	
Change in accounting method and other adjustments	-	-	-	-		-	-	
Change in deferred unrealized gains and losses	-	-	-	-		-	-	
Currency translation adjustments	-	-	3	(78)		(75)	5	
December 31, 2004 (*)	**35,442,701**	**1,347**	**3,295**	**(78)**		**4,564**	**746**	**5,310**
Impact of first-time application of IAS 32 and 39								
Impact on reserves			(57)			(57)	(392)	
Impact on deferred unrealized gains and losses					420	420	17	
January 1, 2005 (**)	**35,442,701**	**1,347**	**3,238**	**(78)**	**420**	**4,927**	**371**	**5,298**
First half 2005 net income			301			301	52	
Dividends paid			(340)			(340)	(79)	
Change in consolidated Group							(1)	
Change in deferred unrealized gains and losses					275	275	4	
Currency translation adjustments			6	134		140	15	
June 30, 2005	**35,442,701**	**1,347**	**3,205**	**56**	**695**	**5,303**	**362**	**5,665**

(*) Adjusted IFRS data, excluding IAS 32 and 39.

(**) Adjusted IFRS data, including IAS 32 and 39.

Change in deferred unrealized gains and losses	On cash flow hedging instruments (***)	On available-for-sale financial assets (***)	Total
December 31, 2004	**12**	**408**	**420**
Change in value of cash flow hedging instruments	(6)		(6)
Change in unrealized gains on available-for-sale financial assets		281	281
June 30, 2005	**6**	**689**	**695**

(***) After tax data.

5.6. Data by business Division and region

Data by business Division
First half 2005

	(in millions of euros except employee data)	Front End	Reactors and Services	Back End	Transmission & Distribution	Connectors	Holding companies and other operations and consolidation entries	Total Group
Income	Gross sales revenue	1,294	1,092	1,110	1,473	638	(211)	5,396
	Intercompany sales	(44)	(53)	(119)	(0)	0	216	0
	Contribution to consolidated sales revenue	1,250	1,039	991	1,473	638	5	5,396
	Current operating income	214	33	144	28	41	(28)	431
	% of gross sales revenue	16.5%	3.0%	12.9%	1.9%	6.3%	n.a.	8.0%
	Operating income	207	32	134	(19)	42	(29)	368
	% of gross sales revenue	16.0%	2.9%	12.1%	- 1.3%	6.6%	n.a.	6.8%
Other	Non-current operating assets (*)	1,414	543	2,125	938	665	1,034	6,719
	Capital employed (**)	1,640	147	(899)	699	668	190	2,444
	Employees	11,013	14,086	11,036	19,685	12,304	437	68,561

(*) Non-current operating assets is the sum of the following items:
- *goodwill of consolidated companies,*
- *net tangible and intangible assets.*

(**) Capital employed is the sum of the following items:
- *goodwill of consolidated companies (excluding goodwill resulting from the recording of put options of minority interests – see Note 1.17),*
- *net tangible and intangible assets,*
- *operating working capital requirements,*
- *less:*
  - *customer advances funding non-current assets,*
  - *provisions for employee benefits,*
  - *provisions for contingencies and losses, excluding provisions for end-of-life-cycle obligations and provisions for tax liabilities.*

First half 2004(***)

	(in millions of euros except employee data)	Front End	Reactors and Services	Back End	Transmission & Distribution	Connectors	Holding companies and other operations and consolidation entries	Total Group
Income	Gross sales revenue	1,226	1,034	1,109	1,533	653	(216)	5,339
	Intercompany sales	(46)	(73)	(105)	0	0	224	0
	Contribution to consolidated sales revenue	1,180	961	1,004	1,533	653	8	5,339
	Current operating income	190	30	152	34	51	(28)	429
	% of gross sales revenue	15.5%	2.9%	13.7%	2.2%	7.8%	n.a.	8%
	Operating income	183	25	144	11	46	(23)	386
	% of gross sales revenue	14.9%	2.4%	13.0%	0.7%	7.1%	n.a.	7.2%
Other	Non-current operating assets (*)	1,286	476	2,269	919	689	515	6,154
	Capital employed (**)	1,382	180	(687)	864	631	386	2,756
	Employees	10,419	13,189	10,594	21,328	12,524	2,097	70,151

(***) Adjusted IFRS data, excluding IAS 32 and 39.

Fiscal year 2004(***)

	(in millions of euros except employee data)	Front End	Reactors and Services	Back End	Transmission & Distribution	Connectors	Holding companies and other operations and consolidation entries	Total Group
Income	Gross sales revenue	2,599	2,308	2,124	3,186	1,289	(396)	11,109
	Intercompany sales	(74)	(162)	(178)	(0)	0	414	0
	Contribution to consolidated sales revenue	2,524	2,146	1,946	3,186	1,289	18	11,109
	Current operating income	397	124	242	39	87	(67)	821
	% of gross sales revenue	15.3%	5.4%	11.4%	1.2%	6.7%	n.a.	7.4%
	Operating income	370	95	231	(103)	81	(35)	639
	% of gross sales revenue	14.2%	4.1%	10.8%	- 3.2%	6.3%	n.a.	5.8%
Other	Non-current operating assets (*)	1,314	456	2,207	1,027	627	1,035	6,666
	Capital employed (**)	1,530	236	(656)	727	579	148	2,562
	Employees	10,952	14,066	10,697	21,816	12,160	378	70,069

(***) Adjusted IFRS data, excluding IAS 32 and 39 (except for balance sheet items at december 31, 2004, which are IFRS adjusted, including IAS 32 and 39).

Data by region

First half 2005

(in millions of euros)	Front End	Reactors and Services	Back End	Transmission & Distribution	Connectors	Holding companies and other operations	Total Group
France	564	400	554	137	45	1	1,700
Europe (excl. France)	298	302	288	550	227	0	1,664
Americas	271	292	58	188	161	5	975
Asia Pacific	89	35	92	283	174	0	673
Africa and Middle East	28	11	0	309	27	0	375
Other countries	0	0	0	6	3	0	9
Total	**1,250**	**1,039**	**991**	**1,473**	**638**	**5**	**5,396**

First half 2004

(in millions of euros)	Front End	Reactors and Services	Back End	Transmission & Distribution	Connectors	Holding companies and other operations	Total Group
France	526	369	525	140	45	3	1,608
Europe (excl. France)	286	205	153	571	240	0	1,454
Americas	253	335	60	210	160	6	1,026
Asia Pacific	100	44	266	300	177	1	888
Africa and Middle East	14	7	0	308	28	0	356
Other countries	0	0	0	5	2	0	7
Total	**1,179**	**959**	**1,004**	**1,533**	**653**	**10**	**5,339**

Fiscal year 2004

(in millions of euros)	Front End	Reactors and Services	Back End	Transmission & Distribution	Connectors	Holding companies and other operations	Total Group
France	1,051	844	1,027	208	95	6	3,231
Europe (excl. France)	557	530	403	1,156	470	1	3,117
Americas	623	658	138	448	319	10	2,196
Asia Pacific	252	91	377	716	350	1	1,787
Africa and Middle East	41	23	1	649	49	0	763
Other countries	0	0	0	9	6	0	15
Total	**2,524**	**2,146**	**1,946**	**3,186**	**1,289**	**18**	**11,109**

≫ 5.7. Notes to the consolidated financial statements as of june 30, 2005

All amounts are presented in millions of euros unless otherwise indicated. Because numbers have been rounded off, certain totals may not be exact.

Note 1 – Accounting principles

Pursuant to European Regulation 1606/2002 of July 19, 2002, the AREVA consolidated financial statements for the year ending December 31, 2005 and thereafter will be prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), as approved by the European Union.

Pursuant to the recommendation issued by the Committee of European Securities Regulators (CESR) in December 2003, AREVA's consolidated financial statements as of June 30, 2005 were prepared according to evaluation and accounting methods specified in International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and presented as interim financial statements as such term is defined in the rules of French market authority *Autorité des Marchés financiers (AMF)*. Accordingly, as an exception to the provisions of IAS 34, but consistent with *AMF* recommendations regarding interim financial statements for the initial year of IFRS adoption, AREVA's financial statements as of June 30, 2005 do not include all of the information required under IAS/IFRS.

The financial statements for the period ending June 30, 2005 include comparable data as of June 30, 2004 and December 31, 2004, based on identical calculation methods.

The IAS/IFRS, as approved by the European Union, were implemented retrospectively as of January 1, 2004, except for certain exemptions provided in IFRS 1 regarding initial adoption of IAS/IFRS:

- Business combinations:
  AREVA has applied the provisions of IFRS 3 since January 1, 2004 and has not adjusted business combinations prior to that date.

- Valuation of tangible and intangible assets:
  AREVA has not elected to restate certain tangible and intangible assets at fair value in the opening balance sheet; as such, tangible and intangible assets remain recorded at depreciated or amortized cost.

- Employee benefits:
  AREVA has elected to record in shareholders' equity as of January 1, 2004, all actuarial gains and losses not recognized in the balance sheet as of December 31, 2003. The quantified impact of application of this option is presented in paragraph 5.1.9.3. of the 2004 annual report. AREVA has also elected to continue to apply the current corridor method to gains and losses resulting from changes in assumptions after January 1, 2004 concerning pension and similar obligations.

- End-of-life-cycle obligations from nuclear operations:
  AREVA sets up a provision for end-of-life-cycle obligations from its nuclear operations in accordance with IAS 37 and records end-of-life-cycle assets consisting of two components: the component funded by AREVA ("End-of-life-cycle assets – AREVA share") and the component funded by customers ("End-of-life-cycle assets – third party share"). AREVA has elected to apply the exemption offered by the amendments to IFRS 1 following publication of IFRIC Interpretation 1 ("Changes in Existing Decommissioning, Restoration and Similar Liabilities"). This interpretation provides that end-of-life-cycle assets are recalculated at the initial discounted present value and depreciated on a straight-line basis from the facility start-up date to its estimated shut-down date. In this respect, AREVA's share of end-of-life-cycle assets has been valued as of January 1, 2004 by discounting estimated future cash flows back to the start-up date of the facilities concerned and then depreciating this value from the start-up date to January 1, 2004, pro-rated for the estimated period of use at this date. The quantified impact of application of this method is presented in paragraph 5.1.9.3. of the 2004 annual report.

- Currency translation reserves:
  AREVA has elected to zero out the cumulated currency translation reserves as of December 31, 2003, of negative €37 million, by transferring the corresponding amount to the consolidated reserves at January 1, 2004.

All accounting standards and interpretations applied by the AREVA group for these financial statements are consistent with European directives and with accounting standards and interpretations adopted by the European Union. Accounting methods may change before December 31, 2005, in which instance (a) the financial statements for the year ending December 31, 2005 may be based on a balance sheet other than the audited opening balance sheet at January 1, 2004, and (b) half-year and year-end IFRS financial statements for 2004 and 2005 and the balance sheet at December 31, 2004, presented hereunder, may be modified before the 2005 year-end.

In addition, at the time the present financial statements were prepared, STMicroelectronics had not released a detailed statement of the impact of IFRS adoption on its financial statements. As a result, IFRS adjustments made for the present financial statements do not include adjustments that might have been appropriate for the valuation of AREVA's shares in this equity affiliate, nor adjustments regarding AREVA's share of the company's net income. AREVA will include these adjustments in the financial statements as of December 31, 2005.

AREVA group financial statements published for periods ending before 2005 are consistent with accounting rules and methods for consolidated financial statements as approved by ministerial order of June 22, 1999 approving rule 99-02, as amended by rule 2004-03 of the French accounting board, *Comité de Réglementation Comptable (CRC)*. The AREVA group elected to implement preferred methods recommended in rule 99-02. Information regarding the impacts of the transition to IFRS on the 2004 financial statements is presented in paragraph 5.1.9. of the 2004 annual report. The impacts on the income statement for the first half of 2004 are presented in Note 21 of this document.

In addition, IAS 32 and IAS 39 regarding financial instruments were adopted as of January 1, 2005, without adjustment to the 2004 financial statements. The impacts of adopting these standards as of January 1, 2005 are presented in Note 22 of this document.

1.1. Estimates and best judgment

To prepare these financial statements, AREVA relied on estimates and assumptions that have an impact on the book value of certain assets, liabilities, income items, expenses and other information described in the notes to the financial statements. AREVA reviews its estimates and judgments on a regular basis to take into account past experience and other factors considered relevant based on current economic conditions. Amounts included in future financial statements may differ from current estimates, depending on changes in these assumptions or changes in conditions.

1.2. Presentation of the financial statements

AREVA's financial statements are presented in accordance with IAS 1.

1.2.1. Presentation of the balance sheet

The balance sheet makes a distinction between current and non-current assets, and current and non-current liabilities, in accordance with IAS 1. Current assets and liabilities are those with a maturity of less than or equal to one year, or which relate to the operating cycle of the company.

To facilitate the reading of the balance sheet, AREVA has elected to present all items related to end-of-life-cycle obligations under specific non-current asset and liability headings, without offset. Accordingly, end-of-life-cycle obligations are presented as non-current liabilities, while end-of-life-cycle assets, corresponding to the third-party share of these obligations, are presented as non-current assets. Financial assets earmarked to finance these obligations are recorded in a non-current asset account that includes all portfolio assets as well as equity and bond fund shares earmarked for this purpose, plus cash temporarily held by the fund.

Provisions relating to employee benefits are also presented, in full, as non-current liabilities.

As required by IFRS 5, assets or groups of assets held for sale and assets and liabilities for businesses to be discontinued are aggregated under specific balance sheet headings.

1.2.2. Presentation of the income statement

In the absence of information in IAS 1, the income statement is presented in accordance with recommendation 2004-R.02 of the *Conseil National de la Comptabilité* (French national accounting board).

- Operating income is split between current operating income and non-current operating items. Non-current operating items include:
  - the cost of restructuring and employee early retirement plans;
  - goodwill impairment losses;
  - impairment of and income from disposals of tangible and intangible assets;
  - income from the deconsolidation of subsidiaries (except when they are qualified as discontinued operations in accordance with IFRS 5).

- Net financial income is divided among:
  - gross borrowing costs;
  - income from cash and cash equivalents;
  - other financial income and expenses, mainly comprising:
    dividends received;
    permanent impairment of and net income from the sale of available-for-sale securities;
    changes in value and income from disposals of securities held for trading;
    discounting reversals on provisions for end-of-life-cycle obligations and employee benefits;
    interest on customer prepayments.

- In accordance with IFRS 5, net income after tax from discontinued operations is presented under a separate heading in the income statement.
  This item includes net income from those operations during the year up to the date of their disposal, and net income from the disposal itself.

1.3. Consolidation methods

The consolidated statements combine the financial statements as of June 30, 2005 of AREVA and the subsidiaries over which it has exclusive control or in which it exercises either joint control or a significant influence on financial policy and management.

- Companies controlled by AREVA are fully consolidated, including special purpose entities. Control is defined as the direct or indirect power to manage a company's financial affairs or operations so as to benefit from its activity.

- The companies in which AREVA exercises joint control are consolidated using the proportionate consolidation method.

- The companies in which AREVA exercises a significant influence on financial policy and management ("affiliates") are accounted for using the equity method. Significant influence is assumed to exist when the Group holds an interest of 20% or more.

The equity share of minority shareholders in consolidated subsidiaries in which shareholders' equity is negative is assumed in full by the Group, unless there is an explicit agreement for such minority shareholders to assume their share of the deficit, or when funding by the latter is unquestioned.

1.4. Translation of foreign company financial statements

The AREVA group's reporting currency is the euro. The Group's foreign subsidiaries usually adopt the local currency as their reporting currency. However, when the majority of a company's business is done in another currency, that currency is used as the reporting currency.

Financial statements of the Group's foreign subsidiaries are prepared in the subsidiary's reporting currency and translated into euros for consolidation purposes, as follows:

- balance sheet items (including goodwill) are translated at the exchange rates of the end of the period, with the exception of equity components, which are kept at their historic rates;
- income statement transactions are translated at average annual exchange rates;
- the Group's share of currency translation differences in income and shareholders' equity is recorded directly as equity under the heading "Currency translation reserves". Upon disposal of a foreign company, the corresponding currency translation differences recorded in equity are taken to the income statement.

1.5. Data by business Division and region

AREVA publishes information by business sector along two different lines.

• Information by business sector, corresponding to the Group's five divisions:
  - the four Energy divisions: **Front End, Reactors and Services, Back End, Transmission & Distribution**;
  - the **Connectors** Division.

Information provided by business sector concerns only operating items reflected in the balance sheet and income statement (sales revenue, operating income, non-current tangible and intangible assets) and human resources data. AREVA has adopted a centralized management system for financial assets and liabilities, and for tax matters. The corresponding items on the balance sheet and income statement are not allocated to the business sectors.

• Information by region.
  AREVA's consolidated sales revenue is allocated by region based on the destination of the sale:
  - France;
  - Europe (excluding France);
  - North and South America;
  - Asia Pacific;
  - Africa and Middle East.

1.6. Business combinations – goodwill

Activities and companies acquired are recorded under the acquisition cost method of accounting. The assets and liabilities of the acquired company that meet the definition of identifiable assets or liabilities are recognized at fair value as of the date of acquisition, except for non-current activities and assets of the acquired entity that are held for sale as such term is defined in IFRS 5. "Held for sale" items are recorded at the lower of net fair value of the disposal or book value of the assets. AREVA consolidates the financial statements of the acquired company as of the date of acquisition, defined as the date of effective control.

Restructuring costs and other costs of the acquired company following combination are included in the liabilities acquired if they meet, as of the date of acquisition, the criteria for recording provisions under IAS 37. Costs incurred after the date of acquisition are recognized in the operating income statement for the period in which the costs are incurred or when they meet the criteria of IAS 37.

The acquired company's contingent liabilities are recognized as liabilities and accounted for at fair value as of the date of acquisition; this concerns liabilities that do not meet IAS 37 criteria for recording a provision.

The difference between the cost of the business or the shares of the acquired company and the fair value of the corresponding assets and liabilities as of the date of acquisition is recognized as goodwill on the assets side of the balance sheet when positive or as an expense in the income statement for the year of acquisition if it is negative. As an exception, goodwill of less than €1.5 million is recognized as income during the year of acquisition.

Minority interests are estimated initially based on the fair value of all assets, liabilities and contingent liabilities recognized as of the date of acquisition, prorated for the percentage of interest held by the minority holders.

The acquired company's assets, liabilities and contingent liabilities may be adjusted within twelve months of the date of acquisition. Beyond that period, the amount of goodwill may only be adjusted under very specific circumstances: price adjustment, correction of errors or subsequent recognition of a deferred tax asset that did not meet the criteria for recognition as of the date of the business combination.

Goodwill is not subject to ongoing amortization. It may be subject to impairment based on the results of impairment tests. To perform impairment tests, the goodwill is allocated to each of the cash-generating units (CGU) to which the goodwill relates, based on the Group's organization (see Note 1.10. for the definition of a cash-generating unit and for the methodology of impairment tests). Cash-generating units to which goodwill relates are tested for impairment at least once each year, or more frequently if there is an indication of a potential impairment. If the recoverable value of the CGU is less than the book value of its assets, the impairment is allocated first to goodwill and then to other non-current assets of the CGU (tangible and intangible assets), prorated according to their book values. Impairment allocated to goodwill may not be reversed and is therefore not subject to recapture.

Upon the sale of a consolidated entity, the amount of goodwill allocated to the CGU is included in the net book value and is thus taken into account in determining the gain or loss on disposal.

1.7. Revenue recognition

Sales revenue is recognized at fair value of the consideration received or to be received.
It is recognized net of rebates and sales taxes.
Sales revenue is recognized upon transfer of risk and benefits to the buyer, which is generally simultaneous with the transfer of ownership or the performance of the service.

Sales revenue includes:
• sales of goods (products and merchandise);
• the rendering of services.

No revenue is recognized for transactions in which the AREVA unit is acting as a mere intermediary without risk or benefit on the goods involved, including goods involved in trading activities. This concerns mostly the uranium trading business and certain uranium enrichment contracts.
In these instances, revenue is recognized only for the unit's sales' margin.

1.8. Long-term contracts

Long-term contracts are accounted for based on their percentage of completion, as required under IAS 11. Under this method, sales revenues and income on long-term contracts are recognized as performance progresses, based on the percentage of completion method for total contract costs incurred.

The percentage of completion is the ratio of the costs incurred (cost of work or services performed, as confirmed upon closing of the books) to the total estimated cost of the contract, subject to a maximum corresponding to the physical or technical degree of completion achieved as of the closing date.

When contract terms generate significant cash surpluses during all or part of the contract's performance, the resulting financial income is included in contract revenue and recorded in sales revenue based on percentage of completion.

When income upon contract completion cannot be reliably estimated, costs are recorded as an expense when incurred and income is recognized for an amount not exceeding total recoverable costs incurred. Accordingly, no positive margin may be recorded at this stage on the contract.

When a contract is expected to generate a loss upon completion, the total projected loss is recorded immediately, after deduction of any already recognized partial loss, and a provision is set up accordingly.

1.9. Valuation of tangible and intangible assets

1.9.1. Initial valuation

AREVA has not elected to restate certain tangible and intangible assets at fair value in the opening balance sheet; as such, tangible and intangible assets remain recorded at depreciated or amortized cost.

1.9.2. Accounting criteria for intangible assets

An intangible asset is recognized:
• if it is probable that the company will receive an economic advantage in the future;
• if the asset's cost can be estimated reliably (reasonable and documented assumptions).

1.9.3. Accounting for research and development expenses

Research and development costs are expensed.

Expenses relating to a development project are capitalized if the following six criteria are met: technical reliability, intent to complete the asset and to use it or to sell it, ability to sell or use the asset, probability of a future economic advantage (existence of a market or internal use), availability of financial resources required to complete the asset, and reliability of the measurement of expenses allocated to the asset.

Capitalized development costs are subsequently amortized based on the probable economic life of the intangible asset, calculated from the date of first use.

Costs already expensed before the date of capitalization are not capitalized.

1.9.4. Mineral exploration studies and work

Mineral exploration studies and work are accounted for as follows: Exploration costs for which no commercially viable deposit has been discovered are expensed during the year in which they are incurred. Mining pre-development expenses relating to reserves presenting technical and economic characteristics that indicate a strong probability of profitable mining development may be capitalized at year-end. Indirect costs, excluding overhead expenses, are included in the valuation of these costs. Capitalized pre-mining expenses are depreciated in proportion to the number of tons mined from the reserves they helped to identify.

1.9.5. Greenhouse gas emission quotas

Following the withdrawal of IFRIC interpretation 3, and pending an opinion by authorities in charge of accounting for greenhouse gas emission quotas, AREVA does not record any asset or provision as long as its emissions are below the quotas assigned to us, which corresponds to the situation as of June 30, 2005.

1.9.6. Amortization, depreciation and depletion

Depreciation of tangible assets is calculated based on the method considered most representative of an asset's loss of economic value, using the "component depreciation" method. Mining lands are depreciated over the life of the deposit; site layout and preparation expenses are depreciated over ten years; construction over 10 to 45 years; production facilities, equipment and tooling over five to ten years; general facilities and miscellaneous fixtures over 10 to 20 years; and transportation equipment, office equipment computer equipment and furniture over three to ten years. Non-current assets purchased under finance lease are recorded as an asset on the balance sheet and depreciated in the manner described above. Assets financed by customers are depreciated over the same period as the contracts that underwrite the financing.

For the nuclear facilities, the Group's share is depreciated on a straight line over the life of the facilities on the basis of firm contracts performed by these facilities, including reasonable expectations for contract renewals. Depreciation periods were determined on the basis of contracts currently signed and subject to the technical life of plants under normal economic conditions; the depreciation periods for the main installations are:
- 2010 for the enrichment plant at Tricastin (Eurodif);
- 2025 for the spent fuel reprocessing plant at La Hague (COGEMA);
- 2027 for the Mox recycling plant at Marcoule (Mélox).

Depreciation periods may be revised if the time-line of the Group's backlog changes significantly.

During the first half of 2005, the Group appraised the technical viability of the La Hague and Mélox plants. Veritas performed an independent review that validated this appraisal. The appraisal confirms that the facilities are able to perform for the periods indicated above, taking into account the facilities' design, their operating processes and lessons learned from similar facilities and subject to an appropriate maintenance plan, including regular rejuvenation. This approach is consistent with the public commitment made by EDF regarding its treatment and recycling program and with current contract negotiations with this customer. Accordingly, effective January 1, 2005, the Group has decided to extend the depreciation period for La Hague to 2025 and for Mélox to 2017, instead of 2015 and 2017 respectively.

1.10. Impairment of tangible and intangible assets

At each closing, the Group must determine whether assets have been impaired.

Impairment tests are systematically conducted at least once a year for intangible assets with an indefinite life cycle, or more often if there is indication of impairment.

Tests are conducted whenever there is an indication of impairment of a tangible or intangible asset with a definite life cycle.

An impairment must be recorded when the recoverable value of a cash-generating unit (CGU) is less than the net book value of assets belonging to that CGU. The recoverable value is the net present value of the cash flows generated by the CGU, plus any residual value anticipated at the end of its life cycle.

A cash-generating unit is the smallest group of assets whose use generates cash inflows that are independent of the cash inflows of the Group's other assets or group of assets It includes goodwill attributable to it.

The AREVA group's CGUs correspond to Business Units (BU), except for the *Mining* BU, which includes a "Gold" CGU and a "Uranium" CGU.

1.11. Inventories and work-in-process

Inventories and work in process are valued at cost in the case of products and at their acquisition cost for goods acquired for consideration. When this cost exceeds the estimated net realizable value it is adjusted at each closing date by a write-down provision.

Financial expenses and research and development costs are not taken into account in the valuation of inventories and work-in-process. The cost of research and development programs funded by customers but not yet invoiced is recorded in work-in-process.

Uranium inventories held for trading are recorded at market value.

1.12. Financial assets

Financial assets consist of:
- assets earmarked for end-of-life-cycle obligations,
- other securities available for sale,
- securities held for trading,
- loans, advances and deposits,
- cash and cash equivalents.

They are valued in accordance with IAS 39.

1.12.1. Assets earmarked for end-of-life-cycle obligations

This heading covers all investments earmarked by AREVA to finance its end-of-life-cycle obligations in the nuclear business, i.e. facility dismantling and waste retrieval and packaging. It includes directly held publicly traded shares, equity funds (dedicated mutual funds), bond funds, money market funds and cash.

• Publicly traded shares are classified as "Available-for-sale securities" under IAS 39. These shares are valued at fair value, corresponding to the last available stock exchange price for the period. Changes in value are recorded on an after-tax basis in an equity account under the heading "Deferred unrealized gains and losses", except for permanent impairment of value, which is recorded in net financial income for the period.

Permanent impairment is recognized when the average stock market price of a share over any consecutive twelve-month period is less than 70% of its initial fair value. The impairment calculated is equal to the difference between the stock market price at the end of the period and the share's initial fair value.

Long-term impairment of available-for-sale securities is irreversible. A recapture is possible in the income statement only when the securities are sold. Subsequent stock market price increases are recorded as temporary changes in fair value in equity.

• AREVA does not consolidate investments made in dedicated mutual funds on a line by line basis, since the Group is not involved in the management of the funds, which is entrusted to independent, highly qualified fund management firms. The funds' performance is benchmarked to the MSCI index of large cap European stocks, with strict limits on risk. The funds are also subject to investment and risk concentration rules established by mutual fund regulators. The funds are approved by French market authority *Autorité des Marchés Financiers (AMF)*. In addition, AREVA abides by the conditions set in the interim report published in August 2005 by the *Conseil National de la Comptabilité*, the French national accounting board, regarding accounting for mutual fund investments, which provides that no line-by-line consolidation is required:
  - AREVA does not control the mutual fund management firms;
  - AREVA has no voting rights in the mutual funds;
  - the mutual funds have no direct or indirect operations involving financial instruments issued by AREVA;
  - the mutual funds make investments that are not strategic for AREVA's operations;
  - AREVA has no benefit or risk, other than benefits and risks normally associated with mutual fund investing, in proportion to AREVA's participating interest;
  - the mutual funds have no debts or commitments other than those resulting from their normal operations.

Accordingly, the dedicated mutual funds are recorded on the balance sheet under a single heading, for an amount equal to AREVA's share of their net asset value at the end of the reporting period.

The mutual funds earmarked to finance end-of-life-cycle obligations are held in a long-term perspective and recorded as "Available-for-sale securities". Accordingly, accounting for changes in value, valuations and permanent impairment is subject to the rules applicable to directly held publicly traded shares.

1.12.2. Other available-for-sale securities

This heading is used to record other shares held by AREVA in publicly traded companies, except for shares held in affiliates accounted for under the equity method, and affiliates held for disposal.

These shares are valued in the same manner as shares allocated to the end-of-life-cycle portfolio:
• fair value corresponding to the last stock market price published for the period;
• changes in value recorded in equity;
• permanent impairment is recorded in net financial income when the average stock market price of a share over any consecutive twelve-month period is less than 70% of its initial fair value. The impairment calculated is equal to the difference between the stock market price at the end of the period and the share's initial fair value.

This account also includes:
• equity securities in publicly traded companies in which AREVA has no significant influence (which are therefore not consolidated): these shares are valued in the same manner as available-for-sale securities;
• participating interests in companies that are not publicly traded, representing the Group's interests in companies that are not consolidated for lack of materiality. Impairment is recorded in net financial income when there is a permanent loss of value, based on financial criteria relevant to the situation of each company such as the Group's share in the company's equity and the company's profitability outlook.

1.12.3. Securities held for trading

This heading includes investments in bonds other than those earmarked to finance end-of-life-cycle obligations, bond and equity mutual funds, and cash investments.

These investments are recorded at fair value, corresponding to stock market prices at the end of the reporting period. Changes in valuation are recorded as financial income for the period.

1.12.4. Loans, advances and deposits

This account mainly includes loans related to unconsolidated affiliates, advances for the purchase of equity interests, and security deposits.

These assets are valued based on their amortized cost and written down when their recoverable value is less than book value.

1.12.5. Cash and cash equivalents

Cash includes bank balances and non-trade current accounts with unconsolidated companies.

Cash equivalents include risk-free investments with an initial maturity of three months or less. These items are valued in the same manner as securities held for trading.

1.13. Non-current assets held for sale and discontinued operations

As provided in IFRS 5, non-current tangible and intangible assets are considered as “held for sale” when available for immediate disposal in their current condition and when the sale is highly probable within a twelve-month period beginning at the end of the reporting period.

Businesses in the process of being discontinued correspond to specific operating units of the Group that are subject to a disposal plan decided by management, including an active search for buyers, when the sale is highly probable within a twelve-month period beginning at the end of the reporting period.

Non-current assets held for sale and assets from discontinued businesses are recorded at the lower of net book value and fair value net of disposal expenses. These assets are reported under a separate balance sheet heading and are not subject to depreciation once they have been classified in this category.

Net income from businesses that have been discontinued or are in the process of being discontinued is reported under a specific heading of the company’s income statement.

1.14. Employee benefits

The Group records the entire amount of its commitments for retirement, early retirement, severance pay, medical insurance, job-related awards, accident and disability insurance, and other related commitments, whether for active personnel or for retired personnel.

Payments by the Group under defined contribution plans are recorded as expenses of the period to which they relate.

In the case of defined benefit plans, benefit costs are estimated using the projected unit method. Under this method, accrued pension benefits are allocated among service periods based on the plan vesting formula. If service in subsequent years results in accrued benefit levels that are substantially higher than those of previous years, the company must allocate the accrued benefits on a straight-line basis.

The amount of future benefit payments to employees is determined based on salary trend assumptions, retirement age and mortality, discounted to present value based on interest rates for long-term bonds from AAA issuers.

Actuarial gains and losses (change in obligation due to changes in assumptions) are spread over the average expected remaining working life of personnel taking part in these plans for the portion exceeding the largest of the following values by more than 10%:
• the present value of the obligation at the period-end for defined benefits;
• the fair value of plan assets at the period-end.

The cost of plan changes is spread over the vesting period.

AREVA has elected to record in shareholders' equity as of January 1, 2004, all actuarial gains and losses not recognized in the balance sheet as of December 31, 2003.

Costs relating to employee benefits (pensions and other similar benefits) are split into two categories:
• the provision discount reversal, net of the return on plan assets, is recorded in financial income;
• the service cost is split between the various operating expense items by destination: cost of sales, research and development expenses, marketing and sales expenses, and general and administrative expenses.

AREVA applies the methods prescribed in IAS 34 to determine employee benefit costs for interim periods. Interim period expenses are calculated based on discount rates established at the end of the previous year, adjusted to take into account major market changes since that date as well as curtailments, settlements and other non-recurring events with a material impact. Accordingly, AREVA used the discount rate applicable determined on December 31, 2004 to calculate employee benefit costs for the first half of 2005.

1.15. Provisions

As provided under IAS 37, a provision is recorded when there is an obligation to a third party at the end of the reporting period, whether such obligation is legal, contractual or implied, and it is probable that a net outflow of resources to this third party will be required to settle this obligation and no consideration of at least equivalent value is expected after the period-end. A reasonably reliable estimate of this net outflow must be determined in order to record a provision.

Provisions for restructuring are recorded when the restructuring has been announced with a detailed plan or if implementation has begun.
Provisions for which the outflow of resources is expected after more than two years are discounted if the impact of discounting is considered material.

1.16. Provisions for end-of-life-cycle obligations

1.16.1. Valuation of the provision on first adoption of IAS/IFRS

Provisions for end-of-life-cycle obligations were discounted at January 1, 2004, by applying an inflation rate and a discount rate, determined based on the economic situation of the country in which the particular facility is located, to estimated future cash flows by maturity.

For facilities in France, AREVA adopted an inflation rate of 2% and a discount rate of 5%, representing an effective rate of 3%.
The inflation rate of 2% reflects market expectations and the long-term objectives of the European Central Bank.
The effective rate of 3% corresponds to the three year rolling average of French ten year Treasury bonds indexed to inflation, interpolated to the average duration of end-of-life-cycle expenditures, i.e. 2.8% plus a credit margin.
A 3% risk premium was allocated to the portion of the provision relating to the retrieval, packaging and disposal of long-lived waste, considering uncertainties regarding these expenses. As a result, the effective discount rate was reduced to 0%.
The provision recorded is sufficient to cover the present value of the most probable cost estimate for deep geologic disposal in France.

The share of end-of-life-cycle assets corresponding to funding expected from third parties has been discounted in exactly the same way as the related provisions. The share of end-of-life-cycle expenses to be borne by AREVA as of January 1, 2004 was estimated by applying the exemption provided under IFRIC interpretation 1: estimated cash flows required to extinguish the obligation as of that date were indexed to inflation at the rate of 2% and discounted at the rate of 5% from the startup date of the facilities. The value thus determined was amortized from that date until January 1, 2004 on a prorated basis, based on the estimated duration of utilization.

1.16.2. Subsequent valuation

1.16.2.1. Treatment of income and expenses from discounting reversals

Provision discounting is reversed at the end of each reporting period: the reversal corresponds to the increase in the provision due to the passage of time and is based on the discount rate used when the provision was recorded initially. The offsetting entry for this increase is recorded in a financial expense account.

Similarly, the discounting of the share to be funded by third parties is reversed. However, it is not subject to amortization. The corresponding increase in the third party share is recorded in a financial income account.

The share funded by third parties is reduced for the value of work done on their behalf. A receivable from third parties is recorded simultaneously for an amount corresponding to this work.

1.16.2.2. Treatment of amortization and depreciation

The Group's share of the decommissioning asset (the Group's share of end-of-life cycle assets) is amortized over the same period as the corresponding facilities. The resulting amortization expense is not eligible for inclusion in the contract performance cost (and is not taken into account for the calculation of any percentage of completion), nor as a component of the cost of inventories. However, it is included in the income statement under the heading "cost of goods and services sold", and thus deducted from the gross margin.

1.16.2.3. Treatment of changes in assumptions

Changes in assumptions include changes in cost estimates, discount rates and schedules.
As provided under IAS/IFRS, the Group applies the prospective method:
- the end-of-life-cycle asset - AREVA share is adjusted in the same amount as the provision;
- it is amortized over the remaining life of the facilities;
- if the facility is no longer in operation, the impact is recorded in the income statement for the year of the change.

There is no asset corresponding to the Group's share of the provision for waste retrieval and packaging. As a result, changes in assumptions have an immediate impact on the income statement.

1.17. Borrowings

Borrowings include:
- put options held by minority shareholders of Group subsidiaries;
- debt associated with finance leases;
- other interest-bearing debt.

1.17.1. Put options held by minority shareholders of Group subsidiaries

As provided by IAS 32, unconditional put options held by minority shareholders of the Group's subsidiaries are recorded in borrowings.

The agreements establishing these options stipulate that their exercise price shall be equal to the fair value of the corresponding minority interests at the date of exercise. Consequently, the amount recorded on AREVA's balance sheet for these options is equal to the fair value of the minority interests at the end of the reporting period, estimated according to the discounted estimated future cash flows method. The estimate is revised each year.

The difference between the amount recorded under “Borrowings” and the value of the minority interests corresponds to the excess of the minority interests’ fair value compared with book value. For this reason, and considering the lack of guidance by regulatory authorities regarding accounting for these types of options, AREVA has decided to record these options as borrowings, with the following offsetting entries:
- first, cancellation of the corresponding minority interests;
- for the excess, an increase in goodwill allocated to the companies in question.

1.17.2. Debt associated with finance leases

As provided under IAS 17, rental agreements are considered to be finance leases when, in essence, they transfer to the lessee virtually all of the risks and benefits associated with ownership. A finance lease is recorded as an asset and a liability of equal amounts, corresponding to the fair value of the property involved or, when it is lower, to the discounted value of minimum future payments provided in the contract. Subsequently, rentals are treated as installments on the debt, broken down as follows:
- amortization of the debt principal, and
- financial expenses based on the interest rate indicated in the contract or the discount rate used to determine the debt.

1.17.3. Other interest-bearing debt

This heading includes:
- interest-bearing advances received from customers: advances received from customers are classified as borrowings when interest-bearing, while non-interest bearing advances are classified as operating liabilities;
- loans from financial institutions;
- bank overdrafts (current accounts).

Interest-bearing debt is recorded at amortized cost under the effective interest rate method.

1.18. Translation of foreign currency-denominated transactions

Subsidiaries initially translate foreign currency-denominated transactions into their reporting currency at the exchange rate ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rate ruling at the period-end. The corresponding foreign exchange gains or losses are recorded:
- in operating income when relating to accounts recording trade transactions (trade accounts receivable, trade accounts payable);
- in financial income when relating to loans or borrowings.

However, currency gains and losses on long-term financing provided to foreign subsidiaries are not recorded in the income statement, but directly in consolidated equity, in a currency translation reserve account, where they remain until the company concerned is sold.

1.19. Derivative instruments and accounting for hedges

1.19.1. Risks hedged and financial instruments

The AREVA group uses derivative instruments to hedge foreign exchange, interest rate and commodity price exposure. The financial instruments used mainly include forward Forex contracts, currency and interest rate swaps, Forex options and commodity options.

The risk hedged includes receivables, debt and firm commitments in foreign currencies, anticipated transactions in foreign currencies, and anticipated sales and purchases of raw materials.

1.19.2. Accounting for derivatives

As provided in IAS 39, derivative instruments are measured at their fair value when initially booked, and revalued at the end of each reporting period until settlement.

Accounting for derivatives varies, depending on whether they are designated as a fair value hedge or a cash flow hedge, or not designated as a hedge.

1.19.2.1. Fair value hedge

This describes firm hedge commitments in foreign currencies: purchases, sales, receivables and liabilities. The element hedged and the derivative instrument are revalued in a symmetrical manner and recorded simultaneously in the income statement.

1.19.2.2. Cash flow hedge

This describes hedges on probable future cash flows: anticipated purchases and sales in foreign currencies, anticipated procurements of raw materials. Hedged items with a high probability of occurrence are not recorded on the balance sheet. Only derivatives used as a hedge are revalued at the end of each reporting period. As an offsetting entry, the effective portion of the change in value is recorded on an after-tax basis directly in equity under the heading “Deferred unrealized gains and losses”. As a result, only the ineffective portion of the hedge has an impact on income.

Amounts accumulated in equity are unwound in the income statement when the hedged element has an impact on income, i.e. when the transaction hedged is recognized in the financial statements.

1.19.2.3. Derivative instruments not designated as a hedge

Changes in the fair value of derivative instruments not designated as a hedge are recorded in the income statement immediately.

1.19.3. Reporting of derivative instruments in the balance sheet and the income statement

1.19.3.1. Balance sheet reporting

Derivative instruments used to hedge risks related to commercial transactions are recorded on the balance sheet as operating assets or liabilities. Derivative instruments used to hedge risks related to loans and borrowings are recorded as financial assets or borrowings.

1.19.3.2. Income statement reporting

The spot component of the revaluation of derivative instruments and hedged elements concerning trade transactions is recorded in “Other operating income and expenses”. The premium/discount component is recorded as financial income.
The revaluation of hedge instruments and hedged elements concerning loans and borrowings in foreign currency is recorded under financial income.

1.20. Income tax

Since January 1, 1983, AREVA has regulatory approval to submit a consolidated tax return under article 209-5 of the French tax code. An application has been submitted to extend this approval for the period 2005 to 2007. The tax calculated under this system is recorded under the heading “income tax”, whether a charge or a refund (except for income tax on discontinued businesses, asset disposals and assets held for sale, if any). The tax attributable to discontinued businesses, asset disposals and assets held for sale (assuming any such transaction took place during the year) is included in the income statement under “Income from discontinued operations”.

As provided under IAS 12, deferred taxes are calculated using the liability method for all temporary differences between consolidated book value and the tax basis of assets and liabilities. Deferred taxes are calculated using the latest income tax rate adopted at the date of closing for the period of reversal of the temporary differences. Deferred taxes are not discounted.

Temporary taxable differences generate a deferred tax liability. Temporary deductible differences, losses available for carry-forward and unused tax credits generate a deferred tax credit equal to the probable amounts recoverable in the future. Deferred tax credits are analyzed case by case based on mid-range income projections of three to five years. Deferred tax assets and liabilities are offset at the level of each individual taxable entity, as long as such entity has the right to offset current tax liabilities and receivables.

AREVA applied the method specified in IAS 34 to establish the tax expense for the interim period through June 30, 2005. The tax expense for the interim period is calculated based on the best estimate of the average weighted tax rate anticipated for the full year. However, this calculation takes into account income items subject to specific tax rates, such as sales of shares subject to long-term capital gain rates and income of certain subsidiaries, eligible for a specific tax system.

Note 2 – Consolidation scope

Transactions in 2005

The main changes in the scope of consolidation for the first half of 2005 relate to the following events:

- the disposal by AREVA T&D of its power and telecommunication services businesses in Australia and New Zealand;
- the acquisition of Uddcomb, a Swedish company specialized in engineering, project review and management, and repair services for the nuclear industry, which was integrated into the **Reactors and Services** Division;
- the acquisition from Siemens of a business specialized in the maintenance of control systems for nuclear reactors, which was also integrated into the **Reactors and Services** Division.

On December 22, 2004, AREVA T&D and Transfield Services signed an agreement for the sale of AREVA T&D's power and telecommunication services businesses in Australia and New-Zealand. The amount of the deal, which closed in the first half of 2005, was €125 million.

The businesses sold provide outsourced engineering and maintenance services to major infrastructure owners and manufacturing companies in industries such as power generation, heavy manufacturing, telecommunications and related infrastructure. These activities are not core businesses for AREVA T&D. They represent 1,900 employees and $300 million New Zealand in sales revenue (€160 million), with 56% of the sales coming from New-Zealand and 44% from Australia.

Transactions in 2004

The principal changes in the scope of consolidation for 2004 are described below.

Acquisition of Alstom's Transmission & Distribution business

On January 9, 2004, having received all required European Commission and national antitrust authorizations, the AREVA group executed the final purchase agreement for Alstom's *Transmission & Distribution* operations.

AREVA paid €1,053 million to acquire the T&D business. The Group financed this acquisition with its own resources. The purchase price includes the Indian and Pakistani entities of T&D, for which closing had not yet taken place on December 31, 2004.

To implement AREVA's acquisition of AREVA T&D, Alstom transferred to the Group 49% of the shares in the company SPE Mexique. The contract executed by AREVA T&D and Alstom to transfer the shares includes conditions precedent that have not yet been met. Considering the difficulties encountered in fulfilling the conditions required for the transfer of the SPE shares, Alstom and AREVA concluded an agreement transferring back to Alstom the risks and benefits associated with SPE Mexique. In view of this agreement, AREVA does not consolidate SPE Mexique in its financial statements.

TSDI Lilly Financial Corporation Limited

Effective January 1, 2004, as required by the law on Financial Security Act, Lilly Financial Corporation Limited, the investment firm holding the perpetual subordinated bonds and the deposit, is consolidated in AREVA's financial statements.

Mining companies

Effective April 30, 2004, AREVA increased its participating interest in Katco from 45% to 51%. Katco was accounted for under the equity method up to April 30, 2004 and is fully consolidated from May 1, 2004. The goodwill generated by the acquisition of this additional investment is not material.

Cominak and AMC previously accounted for under the equity method are accounted for under the proportionate consolidation method from January 1, 2004 to reflect AREVA's joint control over these companies.

Note 3 – Other non-current operating income and expenses

(in millions of euros)	1st half 2005	1st half 2004(*)	Fiscal year 2004(*)
Goodwill impairment losses			(9)
Restructuring and early retirement costs	(64)	(44)	(210)
Other non-current operating income and expenses	1	1	37
TOTAL	**(63)**	**(43)**	**(182)**

(*) Adjusted IFRS data, excluding IAS 32 and 39.

Restructuring and early retirement costs as of June 30, 2005 related mostly to the **Transmission & Distribution** Division (€47 million, compared with €24 million for the first half of 2004) and the **Nuclear** divisions (€17 million compared with €18 million for the first half of 2004). At December 31, 2004, restructuring and retirement costs represented €142 million in the **Transmission & Distribution** Division, €61 million in the **Nuclear** divisions, and €5 million in the **Connectors** Division.

As of December 31, 2004, other operating income and expenses included mostly a gain on the sale of a building in Lyon, France (€45 million) and the loss on the sale of Gemma (€5 million).

An impairment of the Duke Engineering & Services goodwill was recorded for €9 million on December 31, 2004.

Note 4 – Other operating income data

(in millions of euros)	1st half 2005	1st half 2004(*)	Fiscal year 2004(*)
Payroll expense	(1,568)	(1,548)	(3,554)
Workforce at year-end	68,561	70,151	70,069
Depreciation and amortization	(282)	(289)	(460)
Net charges to provisions	62	131	434
Gains or losses on disposals of fixed assets	1	(4)	36

(*) Adjusted IFRS data, excluding IAS 32 and 39.

Note 5 – Financial income

(in millions of euros)	1st half 2005	1st half 2004(*)	Fiscal year 2004(*)
Income from cash and cash equivalents	20	35	48
Gross borrowing costs	(15)	(24)	(30)
Net borrowing costs	**5**	**11**	**18**
Other financial income and expenses	**10**	**21**	**(36)**
Income (expenses) related to assets earmarked for end-of-life-cycle obligations	**11**	**18**	**(2)**
Net gain on disposals of securities	26	0	21
Dividends received	33	29	29
Interest expense on borrowings from CEA		0	(20)
Interest income on loans to CEA	3	0	0
Impairment of securities		39	62
Discounting reversal on end-of-life-cycle operations	(51)	(50)	(94)
Income (expenses) unrelated to assets earmarked for end-of-life-cycle obligations	**(1)**	**4**	**(34)**
Foreign exchange gain (loss)	(7)	0	(2)
Income from disposals of securities and change in value of securities held for trading	32	31	38
Dividends received	21	23	30
Impairment of financial assets	6	6	7
Interest expense on advances received in the Back End Division	(19)	(21)	(39)
Other	(4)	(6)	(11)
Financial income from pensions and other employee benefits	(30)	(30)	(57)
Net financial income	**15**	**32**	**(18)**

(*) Adjusted IFRS data, excluding IAS 32 and 39.

Income from disposals of securities earmarked to fund end-of-life-cycle obligations includes €16 million relating to the recapture of a permanent impairment allocated to the securities sold.

At June 30, 2004 and December 30, 2004, the financial income related to financial assets earmarked for end-of-life-cycle obligations included, respectively, €39 million and €62 million corresponding to the recapture of provisions for impairment of shares.

At June 30, 2005, the income from the disposal of shares unrelated to financial assets earmarked for end-of-life-cycle obligations mainly includes the disposal of AssystemBrime shares (€25 million). At December 31, 2004, this heading mainly included the disposal of Total shares.

Note 6 – Income tax

Reconciliation of income tax expense and income before taxes:

(in millions of euros)	1st half 2005	1st half 2004(*)	Fiscal year 2004(*)
Consolidated net income	301	293	451
Minority interests	52	64	139
Share in net income of equity affiliates	(86)	(42)	(128)
Tax expense / (income)	115	103	160
Income before tax	382	418	622
Theoretical applicable tax rate	34.43%	35.43%	34.93%
Theoretical tax credit / (expense)	(132)	(148)	(217)
Reconciliation			
Impact of income taxed abroad	3	4	(26)
Transactions taxed at a reduced rate	19	28	72
Permanent differences	(69)	(12)	34
Tax credit and other taxes	8	5	16
Increase (decrease) in the provision for write-down of deferred tax assets	56	20	(39)
Actual tax credit / (expense)	**(115)**	**(103)**	**(160)**

** Adjusted IFRS data, excluding IAS 32 and 39.*

Note 7 – Goodwill

(in millions of euros)	January 1, 2005(**)	Acquisitions	Disposals	Currency translation and other	June 30, 2005
Goodwill	2,206	37	(45)	30	2,227

(**) Adjusted IFRS data, including IAS 32 and 39.

The increase in goodwill comes mainly from:
- the acquisition of Swedish company Uddcomb, which specializes in engineering, analyses and project management as well as in repair services for the nuclear industry (€15 million); and
- the acquisition from Siemens of a business specializing in the maintenance of nuclear power plant control systems (€22 million).

The sale of T&D operations in Australia and New Zealand resulted in a decrease in goodwill of €45 million.

In addition, the finalization of agreements with Alstom pertaining to an amendment to the T&D acquisition agreement and the inclusion of untransferred assets resulted in a decrease in goodwill of €21 million.

Goodwill is as follows:

GOODWILL

(in millions of euros)	June 30, 2005	January 1, 2005(**)
Energy	**1,536**	**1,548**
ANP	551	550
Eurodif	9	6
ANP GmbH	194	173
Canberra	91	81
ANP USA	40	35
FBFC	47	47
Cezus	32	32
ANF GmbH	30	30
Jeumont SA	18	18
NDT GmbH	8	8
T&D	497	564
Other	18	3
Connectors	**297**	**264**
Berg	275	244
Other FCI	23	20
Holding companies and other operations	**394**	**394**
AREVA	394	394
Total	**2,227**	**2,206**

(*) Adjusted IFRS data, including IAS 32 and 39.

The **Connectors** Division has acquired a number of companies 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 upheaval in the telecommunications and media technologies market, which intensified in the second half of 2001 and continued in 2002, the Group decided to reassess the retention value of this business line in comparison to its acquisition cost.

Due to changing conditions in the market in which FCI's *Communications, Data, Consumer (CDC)* and *Automotive* divisions operate, AREVA verified the potential impairment of all of these divisions' tangible and intangible assets.

Based on the methods used in previous fiscal years, AREVA estimated the retention value of the *Communication, Data, Consumer (CDC)* and *Automotive* divisions' assets as of June 30, 2005, and compared this with the net asset value of the Division.

The retention value was estimated by discounting the Division's future cash flows after tax, excluding the impact of financing on the company and including the impact of changes in the economic environment and the internal business strategy. A rate of 11.1% was used to discount after-tax cash flows. This rate is equivalent to a before-tax cash flow discount rate of 15.9%. The before-tax discount rate used in 2004 was 15.9%; it was 14.6% in 2003. Future cash flows were determined based on a mid-term plan developed by the *CDC* and *Automotive* divisions. These plans assume annual business growth of 2.5% over the post-2007 period.

No additional impairment was recorded in 2003, 2004 or for the first half of 2005.

Note 8 – End-of-life-cycle assets

In addition to the value of its tangible assets, the Group recognizes its share of ultimate end-of-life-cycle operating costs (nuclear facility decommissioning, decontamination) and also sets up a provision for the total amount of waste retrieval and packaging costs to be borne by the Group. AREVA also accounts for ultimate end-of-life-cycle costs to be funded by certain customers. Conversely, a provision is established to cover its total estimated end-of-life-cycle costs as soon as a facility starts up, including any share funded by third parties.

(in millions of euros)	June 30, 2005							January 1, 2005 (*)
	Group share			Third party share			Total	Total
	Gross value	Amortization depreciation & provisions	Net value	Gross value	Provision	Net value		
End-of-life-cycle assets								
Decommissioning	589	(436)	153	1,570	(3)	1,567	1,720	1,695
Waste retrieval and packaging				493		493	493	482
Total	**589**	**(436)**	**153**	**2,063**	**(3)**	**2,060**	**2,213**	**2,177**

(*) Adjusted IFRS data.

(in millions of euros)	Net value at Jan. 01, 2005	Increase	Decrease	Net amortization, depreciation & provisions	Discounting reversal	Other changes	Net value at June 30, 2005
End-of-life-cycle assets							
Group share	162	0	0	(5)	0	(4)	153
Third party share	2,015	0	(1)	0	49	(3)	2,060
Total	**2,177**	**0**	**(1)**	**(5)**	**49**	**(7)**	**2,213**

Net end-of-life-cycle assets represented €2,213 million as of June 30, 2005, compared with €2,177 million as of December 31, 2004. The increase in assets is primarily due to the effect of the discounting reversal of the third party share, based on an annual rate of 5%.

The Group's share of future end-of-life-cycle expenses was €153 million as of June 30, 2005, compared with €162 million as of December 31, 2004. The share ultimately to be funded by certain customers was €2,060 million as of June 30, 2005, compared with €2,015 million as of December 31, 2004.

The third party share of end-of-life-cycle assets mainly corresponds to the funding expected from EDF for the La Hague site and from the defense applications department of CEA for the Pierrelatte site.

The costs associated with waste retrieval and packaging correspond to the expected EDF funding of its share of the obligation in respect of the La Hague site.

Note 9 – Assets earmarked for end-of-life-cycle operations

Securities portfolio	June 30, 2005	January 1, 2005 (**)
In market value		
Listed shares	1,030	977
Unlisted shares		
Equity funds	872	833
Bonds and short-term cash funds	601	588
Total	**2,503**	**2,398**
By location		
Euro zone	2,076	1,972
Non-euro Europe	427	424
Other		1
Total	**2,503**	**2,398**

(**) Adjusted IFRS data, including IAS 32 and 39.

Purpose of portfolio earmarked for end-of-life-cycle operations

As a nuclear facility operator, the AREVA group has a legal obligation to secure and decommission its facilities when they are shut down permanently, in whole or in part. AREVA must also sort and package waste and scrap from past operations or from facility decommissioning, based on applicable regulations, for the permanent disposal of that final waste (see Note 14).

To meet its share of this obligation, the Group has decided to set aside a portion of its cash to cover future facility decommissioning and waste/scrap disposal expenses, and has thus established a special portfolio to cover expenses connected with those obligations.

The portfolio was funded based on the timing of future expenditure, which will largely occur from 2015 through 2060 and currently consists of rate products (24-25%) and equities (75-76%), as they generally offer a higher rate of return over the long term than other asset categories. The portfolio is invested in European equities, including direct and indirect holdings in listed French companies, and in independently managed European equity funds. The portfolio is managed with a long-term approach, involving stable investments. This approach does not preclude arbitration between individual investments based on their prospects, nor does it prohibit the occasional use of derivatives to optimize the portfolio's return on its holdings. The composition of the portfolio is not meant to be permanent. Equities will be sold and bonds will be acquired several years before end-of-life-cycle spending begins.

AREVA relies on outside advisors to monitor portfolio management with a long-term perspective and to ensure that the overall approach is consistent with the Group's objective. Since January 1, 2005, the portfolio's overall performance is benchmarked to the MSCI Equities Europe index for its equities component and to a composite FTSE index comprised of euro zone government bonds for its rate component.

Publicly traded shares

AREVA's portfolio of publicly traded shares is shown below:

Securities held	Number of securities	Market value at June 30, 2005
Suez	22,795,000	511
Michelin	1,774,225	89
Saint-Gobain	6,328,000	290
Schneider	2,220,782	139
Total publicly traded shares		**1,030**

Fund management principles

Some of the financial assets earmarked to fund end-of-life-cycle expenses are managed by financial institutions through dedicated mutual funds.

Interest rate mutual funds

The fund managers must follow strict investment guidelines at all times, listed below:

1. Composition of interest rate funds

Interest rate funds must invest:
- a minimum of 80% of their assets in euro-denominated interest rate products,
- no more than 20% of their assets in interest rate products denominated in U.S. dollars or in non-euro zone European Union currencies, in which case the foreign exchange risk must be hedged.

2. Risk evaluation

Investment in equities is not allowed. Each fund's sensitivity to interest rate fluctuations must be between a minimum of 0 and a maximum of 5. Average sensitivity at June 30, 2005 was 2.04. The securities selected must be rated by Moody's and/or Standard & Poor's in accordance with the table below:

	Moody's	S&P
0 - 1 year	P1	A1
1 - 4 years	Aa3	AA-
4 - 7 years	Aa1	AA+
> 7 years	Aaa	AAA

3. Derivatives

The sole purpose of derivatives is to hedge existing positions. The sum of nominal commitments may not exceed the fund's net assets.

4. Fund valuation

The period-end value of rate funds is determined by marking-to-market the securities held by each fund on the last trading day of the year.

Dedicated equity funds

1. Composition of equity funds

Some of the assets serving to fund future cleanup and decommissioning spending are invested, with a long-term objective, in equity funds earmarked for AREVA. These funds are invested entirely in equities, of which at least 90% at all times are traded on European Union equity markets. Cash flow from securities transactions is only temporary. A fund representing 2% of all fund assets is invested in French equities. Funds holding the remaining 98% of assets are invested in securities of European Economic Area countries.
No single security exceeds 5% of the dedicated equity fund’s total assets.

2. Risk evaluation

The performance of mutual funds invested in European equities other than French securities is benchmarked to the MSCI Europe ex France net dividend reinvested index. The performance of mutual funds invested in French securities is benchmarked to the MSCI France net dividend reinvested index. Performance tracking error for mutual funds as a whole is between 2 and 3 over the long-term, indicating that these funds closely track the index.

3. Derivatives

The sole purpose of derivatives is to hedge existing positions. The sum of nominal commitments may not exceed the fund's net assets.

4. Fund valuation

The period-end value of these funds is equal to their net asset value, determined by valuing the securities held by each fund at their market value on the last trading day of the year.

Position as of June 30, 2005

The portfolio's market value based on period-end closing prices is €2,503 million, compared with €2,398 million at December 31, 2004. At June 30, 2005, the portfolio value net of deferred taxes is €2,440 million, compared with €2,379 million at December 31, 2004. The amount invested in the earmarked portfolio is calculated to cover the Group's end-of-life-cycle obligations reported on the balance sheet when they fall due.

A review of the portfolio's asset allocation strategy is ongoing.

It should be noted that €90 million in decommissioning expenses incurred during the first half of 2005 were financed from the Group's cash on a temporary basis rather than by the earmarked portfolio. This situation will be corrected in the coming months.

The table below presents the composition of the equity fund by sector:

Sectors in %	All funds
Energy	13.7
Utilities	4.3
Base materials - Chemicals	4.9
Manufacturing	8.1
Consumables – non-cyclical	9.5
Consumables – cyclical	9.1
Health - Pharmaceuticals	9.9
Banking - Insurance	27.1
Information technology	3.4
Telecom services	9.4
Total, including liquid assets	**100**

Note 10 – Equity affiliates

(in millions of euros)	June 30, 2005					January 1, 2005 (**)				
	% contrôl	Share of net income included in equity affiliates	Value of equity affiliates excluding goodwill	Goodwill	Value of equity affiliates	% control	Share of net income included in equity affiliates	Value of equity affiliates excluding goodwill	Goodwill	Value of equity affiliates
ST Microelectronics [1]	13.9%	9	947	59	1,006	13.9%	74	922	59	981
Eramet	26.2%	73	326	35	361	26.2%	48	268	35	303
Other equity affiliates		4	31		31		6	29		29
Total		**86**	**1,305**	**94**	**1,399**		**128**	**1,219**	**94**	**1,313**

(**) Adjusted IFRS data, including IAS 32 and 39.

(1) STMicroelectronics Holding NV is the sole owner of STMicroelectronics Holding II B.V., which in turn holds 30.8% of STMicroelectronics. STMicroelectronics Holding NV is 45.2% owned by FT1CI, in which AREVA holds a 79% interest, and which is fully consolidated. AREVA controls 13.9% of STMicroelectronics and had an equity interest of 11% as of December 31, 2004 and June 30, 2005.

At the time these financial statements were prepared, STMicroelectronics had not released a detailed statement of the impact of IFRS adoption on its financial statements. As a result, the valuation of AREVA's shares in STMicroelectronics, accounted for using the equity method, does not include all of the adjustments that might have been required under IFRS.

Note 11 – Other non-current financial assets

(in millions of euros)	June 30, 2005	January 1, 2005 (**)
Available-for-sale securities	1,211	1,114
Accounts receivable related to equity interests	38	38
Other non-current financial assets	338	318
Derivatives on financing activities	3	21
Total	**1,590**	**1,491**

(**) Adjusted IFRS data, including IAS 32 and 39.

Available-for-sale securities

Available-for-sale securities are as follows:

(in millions of euros)	Number of securities as of June 30, 2005	June 30, 2005	January 1, 2005 (**)
Listed shares			
- Total	1,837,516	357	295
- Alcatel	2,597,435	24	30
- Société Générale	1,690,000	142	126
- AssystemBrime (1)		0	89
- Safran (formerly Sagem)	30,772,945	527	483
- Other available-for-sale securities		161	91
Total		**1,211**	**1,114**

(**) Adjusted IFRS data, including IAS 32 and 39.
(1) AssystemBrime securities as of January 1, 2005 include reimbursable equity warrants.

All AssystemBrime securities were sold during the first half of 2005.

Available-for-sale securities mainly include shares of publicly traded companies held by the AREVA group, in particular shares of Safran. Following the share exchange offer made on December 27, 2004 by Sagem for all Snecma (now Safran) shares in connection with a takeover bid, AREVA holds 7.4% of the company's capital stock and 11.7% of its voting rights.

The change in “Other available-for-sale securities” corresponds to the increase in the fair value of shares held in the Australian mining company Energy Resources of Australia (ERA). AREVA holds a 7.8% interest in ERA.

Other non-current financial assets

Other non-current financial assets at June 30, 2005 mainly include advances to the shareholders of Urenco in connection with the acquisition of an interest in ETC for €150 million, and a deposit made with the U.S. Customs Service for $167 million (€138 million) in connection with a litigation with USEC.

Urenco

In 2003, the AREVA group made the decision to invest in the centrifuge gaseous uranium enrichment process. Consequently, AREVA entered into agreements with shareholders of Urenco, owner of the technology, to acquire a 50% interest in their technology subsidiary, ETC. The purpose of these agreements was also to secure the right to use the technology and to ensure the supply of centrifuges and related services necessary to the construction of the George Besse II plant. In 2003, AREVA made a €150 million down-payment towards the total purchase price for the 50% interest in ETC and for the right to use the ultracentrifugation enrichment technology.

USEC

In 2001, the United States Department of Commerce (DOC) ordered that countervailing duties be levied on enrichment services exported to the United States from France, Germany, the Netherlands and Great Britain. This action followed complaints filed in December 2000 by the United States Enrichment Corporation (USEC) against Eurodif and Urenco for alleged dumping and unfair subsidies. To guarantee payment of these countervailing duties, Eurodif had deposited $167 million with the U.S. Customs Service as of June 30, 2005. This deposit can be recovered after the case is adjudicated. The litigation with USEC is described in Note 19. In view of the Group's confidence regarding the outcome of the case, no provision has been recorded for this litigation or for the deposit made with the U.S. Customs Service.

Note 12 – Cash and cash equivalents

(in millions of euros)	June 30, 2005	January 1, 2005 (**)
Short-term investments maturing in less than three months	955	788
Cash balances and non-trade current accounts	307	267
Cash and cash equivalents	**1,262**	**1,054**

(**) Adjusted IFRS data, including IAS 32 and 39.

As of June 30, 2005, short-term investments with maturities of less than three months when the investment was made consisted mostly of negotiable instruments and short-term cash funds.

Note 13 – Other current financial assets

(in millions of euros)	June 30, 2005	January 1, 2005 (**)
Short-term investments maturing in more than three months	242	229
Other current financial assets and derivatives on financing activities	30	34
Current financial assets	**272**	**263**

(**) Adjusted IFRS data, including IAS 32 and 39.

Investments maturing in more than three months consist of bonds and medium-term negotiable debt instruments earmarked in part to cover expenses necessary for contract performance in respect of which customer advances have been received, and balanced funds combining equities and bonds.

Note 14 – Provisions for end-of-life-cycle obligations

(in millions of euros)	June 30, 2005	January 1, 2005 (*)
Decommissioning of nuclear facilities	3,224	3,154
Waste retrieval and packaging	1,207	1,177
Provisions for end-of-life-cycle obligations	**4,431**	**4,332**

(*) Adjusted IFRS data.

The table below summarizes the AREVA balance sheet accounts affected by the treatment of end-of-life-cycle operations and their financing:

(in millions of euros)	ASSETS		LIABILITIES		
	June 30, 2005	January 1, 2005 (**)		June 30, 2005	January 1, 2005 (*)
End-of-life-cycle assets (Note 9)	2,213	2,177	Provisions for end-of-life-cycle obligations	4,431	4,332
- AREVA share [1]	153	162	- funded by AREVA	2,371	2,317
- third party share [2]	2,060	2,015	- funded by third parties [2]	2,060	2,015
Financial assets earmarked for end-of-life-cycle obligations [3]	**2,503**	**2,398**			

(1) Amount of total provision to be funded by AREVA still subject to amortization.

(2) Amount of the provision to be funded by third parties.

(3) Portfolio of financial assets earmarked to finance AREVA's share of the total provision (€2,371 million as of June 30, 2005).

(**) Adjusted IFRS data, including IAS 32 and 39.

Type of commitments

As a nuclear operator, the AREVA group has a legal obligation to secure and decommission its facilities when they are shut down permanently. It must also retrieve and package, based on current standards, a variety of waste from operating activities not previously treated as part of the process. Group facilities subject to these obligations include facilities in the front end of the fuel cycle, in particular Eurodif's enrichment plant in Pierrelatte, but are predominantly facilities in the back end of the fuel cycle, including the treatment plants at La Hague and the Melox and Cadarache Mox fuel fabrication plants.

In certain instances, mainly in the case of used fuel treatment, some customers have agreed to fund a portion of the cost related to dismantling operations and to the retrieval and packaging of waste of which they remain the owners. For AREVA, this has the effect of transferring the financial responsibility for dismantling and for waste retrieval and packaging from the Group to third parties.

In December 2004, CEA, EDF and COGEMA signed an agreement regarding the Marcoule plant. Effective December 1, 2004, CEA will assume the responsibilities of owner-operator of the site and for funding the cleanup effort. This agreement does not cover final waste disposal costs. It contemplates the payment of a final consideration to the CEA decommissioning fund by EDF and COGEMA corresponding to their respective financial obligations. COGEMA's obligation represents €427 million (subject to escalation from January 2004). This amount was recorded as a provision in the 2003 financial statements and subsequently paid in full, half in 2004 and half in the first half of 2005. Since December 31, 2004, COGEMA's only provision concerning the Marcoule site corresponds to its share of waste retrieval and final disposal costs.

The expenses relating to end-of-life-cycle obligations will be incurred between 2005 and 2060, based on forecast facility shut-down and the scheduling of decommissioning operations. In particular, cash outflows relating to the dismantling of the UP2-800 and UP3 plants at La Hague are scheduled for the 2040-2060 period.

Determination of end-of-life-cycle provisions

Decommissioning:

The decommissioning commitment is calculated facility by facility as described below.

The Group's decommissioning standards correspond to the following end-state: buildings are decontaminated where they stand and all nuclear waste areas are decommissioned to conventional waste status. This corresponds to a decommissioning level between levels 2 and 3 on the International Atomic Energy Agency (IAEA) scale, which is currently under review.

SGN, an engineering firm that served as prime contractor for 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 prepared the cost estimates for the enrichment business.

The estimates are revised annually to take inflation into account. These expenses are then allocated by year, adjusted for annual inflation of 2% and discounted to present value at 5% p.a. A provision is then recorded based on the present value. A discounting reversal is recorded in the financial income.

The cost estimates will be updated if and when 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. In 2004, the Group updated its decommissioning budgets for the La Hague and Melox sites.

Waste retrieval and packaging:

Some waste from fuel treatment performed under older contracts could not be processed as part of normal operations, since packaging facilities were not yet in service at that time. This waste must now be retrieved and packaged with methods and technologies approved by the French safety authorities. Some of these methods require additional studies.

In 2004, the Group performed a detailed review of its obligations in this area:
- budgets were revised to include:
  - an increase in the scope of work requested by EDF during negotiations, which are still ongoing (scope to be expanded to include waste related to the PWR fuel treatment contract that expired at the end of 2001);
  - the conclusions of the preliminary design, which resulted in more detailed cost estimates for the technical processes currently being developed;
- the respective shares of the CEA and EDF in the funding of these operations were revised based on an agreement with CEA and on the revised scope of work being negotiated with EDF.

Operations funded by third parties were handled in the same way as for other types of contracts. These operations are included in services to optimize waste packaging routinely performed for customers at the La Hague plant. The customers retain ownership of the packaged waste and must bear the cost of final disposal. In December 2004, the Group executed an agreement with CEA formalizing CEA's obligations. The cost of these operations is thus not included in the provision for end-of-life-cycle operations or in the corresponding third-party assets as of December 31, 2004. Upon receipt, CEA's payment will be recognized as an advance. It will then be recorded in sales revenue as the work is performed. The same procedure will apply to EDF's share, once an agreement between the parties has been signed.

Cost evaluations are based on technical assumptions and project schedules.
Capital costs for waste retrieval are estimated based on a preliminary design and on Group estimates of operating costs for waste retrieval and packaging. The provision recorded to cover these expenses is calculated on a present value basis using the same principles as for decommissioning costs: inflation is forecast at 2% p.a. and future expenses are discounted to present value at 5% p.a.

Removal and disposal of final waste:

AREVA records a provision for radioactive waste expenses for which the Group is responsible.

These expenses include:

- the Group's share of the cost of monitoring the disposal facility in the Manche area for low-level, short-lived waste;
- the shipment and underground disposal of low-level, long-lived waste (graphite) owned by the Group;
- the shipment and disposal of medium- and high-level waste covered by the French law of December 30, 1991 (now included in articles L.542-1 et seq. of the French environmental code). The provision is based on the assumption that a deep geological repository will be built.

For this particular cost, the Group considers that estimates are subject to uncertainties. Accordingly, a 3% contingency has been added to expenses prior to discounting, thus reducing the actual discount rate to 2%, i.e. the same as the projected rate of inflation.

Uncertainties relating to the final waste disposal cost include:

- the key milestones of the French national program for long-lived medium-level and long-lived high-level waste management have not yet been established, as the government must present an evaluation report to French 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;
- for certain waste types, the exact acceptance criteria set by Andra (the French nuclear waste management agency) for final near-surface disposal are not yet known;
- financial estimates vary depending on the type of repository selected and the types of waste to be disposed of there;
- AREVA's share, currently 5%, could change depending on the respective volumes of waste produced by the Group and other producers;
- allocating the deep disposal cost between long-lived medium-level and long-lived high-level waste could also impact AREVA's share;
- neither the repository's exact commissioning date nor the duration of its operating life are known;
- certification for near-surface disposal or for deep disposal has not yet been determined for some waste from the Marcoule site.

In 2004, a working group was established at the request of the Ministry of Industry's Department of Energy and Raw Materials (DGEMP). It includes representatives of the Budget and Treasury administrations, Andra, EDF, AREVA and CEA. Its mission is to build a consensus on fundamental assumptions, calculation methods and treatment of contingencies in establishing reference costs for a deep geologic repository. The provision recorded in AREVA's financial statements is sufficient to cover the present value of expenses calculated under the most likely scenario selected by the working group for deep disposal in France.

EDF/COGEMA negotiations:

EDF and COGEMA embarked on framework negotiations to establish:

Firstly:

- 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. At the end of September 2003, the parties reached agreement on their respective shares of the dismantling costs for the La Hague plant;
- EDF's and COGEMA's respective shares of obligations for the retrieval and packaging of waste at the La Hague and Saint-Laurent-des-Eaux sites;

Secondly:

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

Considering the global nature of this negotiation, AREVA maintained the breakdown of dismantling expenses used for the period ended December 31, 2003 in its financial statements. Based on available information, this is not expected to have a material impact on the Group's financial statements or financial position. The negotiations have not been completed at this point, and EDF has asked to increase their scope to include supply contracts in the front end of the cycle.

Funding of dismantling and waste retrieval expenses

AREVA has set aside a portion of its cash holdings to fund future dismantling and waste retrieval operations through a special financial portfolio recorded on the balance sheet under "Assets earmarked for end-of-life-cycle obligations" (see Note 9).

Note 15 – Provisions for contingencies and losses

(in millions of euros)	June 30, 2005	January 1, 2005 (**)
Provisions for reclamation of mine sites and dismantling of concentration plants	66	57
Provisions for pollution abatement and reconstruction of other plant sites	9	9
Other non-current provisions	**75**	**66**
Restructuring and layoff plans	189	234
Provisions for ongoing cleanup	75	74
Provisions for customers warranties	235	228
Provisions for losses to completion	87	91
Contract performance risk	406	437
Other provisions	244	241
Current provisions	**1,236**	**1,305**
Total provisions	**1,311**	**1,371**

(**) Adjusted IFRS data, including IAS 32 and 39.

Note 16 – Borrowings

(in millions of euros)		June 30, 2005		January 1, 2005 (**)
	Borrowings due in > 1 year	Borrowings due in < 1 year	Total	Total
Put options of minority shareholders	931		931	931
Bond issues	1	0	1	3
Interest-bearing advances	433	47	480	449
Loans from financial institutions	238	56	294	322
Short-term bank facilities	0	138	138	98
Financial instruments	0	31	31	4
Other borrowings (*)	54	21	75	77
Total Borrowings	**1,657**	**293**	**1,950**	**1,883**
(*) Including finance leases.	*35*	*2*	*37*	*39*

(**) Adjusted IFRS data, including IAS 32 and 39.

Commitments to purchase minority interests held by Siemens in Framatome SAS and by Synatom in Eurodif SA are included in borrowings at the net present value of the exercise price applicable to each sell option.

Siemens

The shareholders' agreement concluded in 2001 between Siemens and Framatome SA (absorbed by AREVA in 2001) includes a put option allowing Siemens to sell its interest in Framatome-ANP, representing 34% of the capital, and a call option allowing Framatome to acquire the Framatome-ANP shares held by Siemens, as follows.

Firstly, the put and call may be exercised after a deadlock, as defined in the agreement, in particular if it becomes impossible to make certain decisions such as shutting down a site, changing the bylaws, etc., or if Siemens does not approve the financial statements for two consecutive years.

Secondly, the shareholders' agreement provides that after 11 years, i.e. from 2012, the parties may exercise the put and the call unconditionally. In this case, Siemens will have the right to exercise a put option to sell all of its Framatome-ANP shares to AREVA at a price determined by an expert, while AREVA will have the right to exercise a call option to acquire all of Siemens' shares in Framatome-ANP at a price determined by an expert.

Synatom

During the second half of 2004, Synatom, a subsidiary of Electrabel with a 11% minority interest in Eurodif, announced its decision to exercise its option to sell this interest. In the first half of 2005, a group of three experts were appointed by the parties to value Eurodif.
Under the terms of this option, Synatom has the right to sell its participating interest in Eurodif to COGEMA at the price determined by the group of experts.

Note 17 - Off-balance sheet commitments

Off-balance sheet commitments in millions of euros	Dec. 31, 2004	June 30, 2005	< 1 year	1 - 5 years	> 5 years
COMMITMENTS GIVEN	**2,430**	**2,708**	**872**	**1,526**	**310**
Operating commitments given	**2,131**	**2,521**	**784**	**1,439**	**297**
Contract guarantees given	**1,992**	**2,257**	**702**	**1,322**	**232**
Bid bonds	43	62	57	2	3
Performance bonds	1,417	1,664	390	1,074	201
Advance payment bonds	25	26	19	7	0
Retention money bonds	92	57	24	23	9
Warranty bonds	94	104	46	52	6
Other bonds on contracts	321	343	166	163	13
Other operating commitments	**139**	**264**	**82**	**117**	**65**
Financing commitments given	**51**	**37**	**9**	**25**	**3**
Letters of intent given	5	0	0	0	0
Back guarantees and endorsements given	1	1	1	1	0
Guarantees (surety) given	36	28	2	24	2
Pledges given	1	1	1	0	0
Mortgages given	4	4	4	0	0
Other financing commitments given	4	3	1	0	1
Other commitments given	**247**	**151**	**79**	**62**	**10**
“Return to better fortune” clauses given	7	2	0	0	2
Guarantees given under a stock purchase agreement	66	66	48	18	0
Subsidies received subject to contingent repayment	6	7	1	1	5
Notes discounted	5	4	4	0	0
Other commitments given	164	73	27	42	3
COMMITMENTS RECEIVED	**701**	**789**	**244**	**247**	**297**
Operating commitments received	**250**	**352**	**68**	**244**	**41**
Contract guarantees received	250	352	68	244	41
Financing commitments received	**15**	**16**	**9**	**2**	**5**
Personal and real guarantees received	15	16	9	2	5
Other commitments received	**436**	**421**	**168**	**1**	**251**
Guarantees received under a stock purchase agreement	426	415	165	0	250
“Return to better fortune” clauses received	0	0	0	0	0
Other commitments received	10	5	3	1	1
RECIPROCAL COMMITMENTS	**1,004**	**596**	**563**	**6**	**27**
Unused authorized credit lines	557	79	62	0	17
Major capex orders	12	95	95	0	0
Documentary letters of credit	38	14	4	0	10
Put or buy options on securities	388	392	392	0	0
Securities carrying agreements	0	0	0	0	0
Other reciprocal commitments	8	15	10	5	0

The Group's off-balance sheet commitments are presented by economic purpose: operating commitments, commitments related to financing, and other types of commitments. This breakdown relates to commitments given, commitments received and to reciprocal commitments. This last type of commitment corresponds to commitments made by the Group in consideration for a warranty from the third party.

Commitments made

Operating commitments represent 93% of all commitments made. Performance guarantees and contract completion guarantees represent 74% of all operating commitments made.

In addition, the Group gave a parent-company guarantee to TVO for the EPR reactor project in Finland for the full value of the contract. The Group received a counter-guarantee from Siemens corresponding to this supplier's share of the TVO contract. The net commitment given by the Group is in the €1.5 billion to €2 billion range. This amount is not included in the summary table.

Commitments received

Two guarantees are to be provided for the AREVA T&D acquisition contract: a specific guarantee and a general guarantee.

The specific guarantee of assets and liabilities includes several sub-guarantees:

- a ten year environmental guarantee with a €12 million deductible;
- a tax guarantee valid until all periods during which returns may be audited expire;
- a retirement plan guarantee;
- a guarantee on specific contracts or litigation providing for full indemnification by Alstom. This guarantee will remain in effect until March 31, 2006.

The general guarantee covers deficiencies not specifically covered in the guarantee of assets and liabilities described above. The general guarantee has a minimum threshold of €19 million and is capped at €175 million.

Other commitments

The Framépargne mutual fund included in the AREVA group savings plan held 300,514 shares in the company as of June 30, 2005. The liquidity of these shares, which are not publicly traded, is guaranteed as provided by the law on employee savings plans. An independent financial institution gave the guarantee, which expires on December 31, 2005. Subsequently, to allow this commitment to come into effect, the company gave a value guarantee covering the same period. At June 30, 2005, this guarantee covers 260,061 shares sold by Framépargne. The corresponding liability, representing €3.3 million, has been recorded on the balance sheet under borrowings. This amount is equal to the difference between the average purchase price of the shares acquired by the independent financial institution and the sale price, estimated based on the latest available market price as determined by an expert. AREVA's commitment is valued based on the latest available price determined by the expert. Accordingly, no additional off-balance sheet commitment is recorded for the balance of the guarantee.

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 investments" (see Note 11). Since closing is to take place after December 31, 2004, but no later than December 31, 2005, this amount was adjusted based on the Euribor interest rate. This commitment includes the following guarantees and conditions precedent:
- approval by European anti-trust authorities;
- approval by the governments of four countries: France, Germany, the Netherlands and the United Kingdom.

The European anti-trust authorities approved the transaction in October 2004.

Shareholders' agreements

AREVA – STMicroelectronics shareholders' agreement

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

Note 18 – Related party transactions

(in millions of euros)	June 30, 2005	
	CEA	STMicroelectronics
Loans (including short-term loans) to unconsolidated companies	-	-
Guarantees given to unconsolidated companies	-	-
Sales	248	-
Purchases	(23)	(25)

(in millions of euros)	December 31, 2004	
	CEA	STMicroelectronics
Loans (including short-term loans) to unconsolidated companies	-	-
Guarantees given to unconsolidated companies	-	-
Sales	495	-
Purchases (including a lump sum payment of €427 million for Marcoule dismantling)	(485)	(46)

Note 19 – Other information

Potential litigation and liabilities

• Tax disputes

In 2003 and 2004, the tax administration conducted an audit of consolidated income reported by the AREVA group for 2000 and 2001. This audit is now complete and its financial consequences are included in the financial statements.

• Complaint filed by "Sources et Rivières du Limousin" and "France Nature Environnement"

Two associations have filed a complaint for alleged waste dumping and damage to fish life in the vicinity of former mining sites near Bessines, France. The lower criminal court of Limoges heard the case on June 24, 2005. A decision is expected by mid-October.

• ISF2

The ISF2 project concerns the construction of a dry storage unit for nuclear fuel (RBMK) in Ukraine. In May 2004, the customer wrote to Framatome-ANP advising it that the condition of the assemblies did not comply with the contractual documents. The customer asked Framatome-ANP to draft a technical solution that takes into account the possibility that the customer may not be able to establish the actual state of the fuel assemblies, for which contractual responsibility remains with the customer. In November 2004, a global solution was presented to the donor countries in the presence of all stakeholders: the EBRD, Framatome-ANP, the customer and the Ukrainian safety authorities. After a thorough evaluation requested by the customer, this solution was ultimately rejected by the Ukrainian safety authorities in February 2005. Framatome-ANP developed another solution, after the customer finally agreed to establish the state of its fuel assemblies.

In May 2005, this solution was presented to the donor countries, which asked Framatome-ANP to limit its responsibility to the treatment of non-leaking assemblies (95% of the total). The parties signed a technical agreement to this effect on July 7, 2005. The donor countries met on July 20, 2005 and decided to commission an assessment by an independent consulting firm of the technical and financial aspects of the project's implementation. This assessment is expected to begin in September or October 2005 and should last six to eight months.

The parties are still discussing the financial aspects of the transaction. At this point, the Group has kept the provisions at the level recorded as of December 31, 2004.

• Mc Clean

On September 23, 2002, the Trial Division of the Federal Court of Canada, ruling on a claim filed by the Inter-Church Uranium Committee Educational Cooperative (ICUCEC) against the nuclear safety authority for violating the licensing process, canceled the permit to operate the McClean uranium mine and mill issued by the Atomic Energy Control Board (AECB) in 1999. On appeal by COGEMA, Inc., the Federal Court of Appeal of Canada reversed the decision made by the Federal Court. On March 24, 2005, the Supreme Court of Canada rejected the appeal filed by ICUCEC against the decision of the Federal Court of Appeal.

• USEC litigation

In 2001, the United States Department of Commerce (DOC) ordered that countervailing duties be levied on enrichment services exported to the United States from France, Germany, the Netherlands and Great Britain. This action followed complaints filed in December 2000 by the United States Enrichment Corporation (USEC) against Eurodif and Urenco for dumping and subsidies. To guarantee payment of these countervailing duties, Eurodif had deposited 167 million dollars with the U.S. Customs Service as of June 30, 2005. This deposit can be recovered after the case is adjudicated.

To defend the case, Eurodif is implementing a two-pronged strategy: pursuit of an administrative appeal before the U.S. Department of Commerce (DOC) and judicial proceedings in the U.S. Court of International Trade (CIT):

- in February 2003, Eurodif asked the DOC to review the amount of the preliminary countervailing duties paid in 2001 and 2002. Final administrative decisions revising these duties were issued in July and September 2004. The revision reduced the level of the countervailing duties to approximately 80% of the provisional amount. Proceedings to revise the provisional duties paid in 2003 and 2004 are ongoing;
- Eurodif appealed the decision with the U.S. Court of International Trade (CIT) in April 2002. The CIT issued favorable decisions validating Eurodif's legal analysis in March 2003 and in September 2003. Following these decisions, a petition was filed with the U.S. Court of Appeals for the Federal Circuit (CAFC) at the beginning of 2004.
  On March 3, 2005, the CAFC issued a final decision confirming that services rendered by Eurodif are not subject to the law on dumping and unfair subsidies. The Court's decision should bring an end to the protective measures implemented by the DOC in matters of dumping and unfair subsidies and to all current proceedings.

Considering the Group's degree of confidence regarding the outcome of the case, no provision has been recorded in connection with this litigation or for the deposits placed with the U.S. Customs Service.

• Ongoing investigations

An investigation carried out by the European Commission into alleged anti-trust practices between GIS suppliers highlighted practices completely unknown to AREVA at the time of acquisition. AREVA cooperated fully with the Commission in establishing the facts. The Commission has not yet issued a "notice of grievances" against AREVA, which does not know the legal nature of the facts involved. AREVA involved Alstom in all of its activities before the Commission, as it considers that a claim may be valid under the vendor warranties granted by Alstom.

This investigation led to investigations by antitrust authorities in Hungary, New Zealand, Australia and Mexico. AREVA wishes to eradicate all anti-trust practices identified and has had various discussions with the Commission on the actions taken to ensure such eradication. AREVA is currently implementing a compliance program in all its activities.

• Administrative sanctions against a Mexican subsidiary of AREVA T&D

The Mexican authorities have undertaken proceedings against a subsidiary of AREVA T&D for illegal practices which may lead to this company not being allowed to bid for government contracts.

A final court decision exonerating AREVA T&D was rendered on August 11, 2005.

Note 20 – Events subsequent to half-year-end

Transmission and Distribution operations included in Alstom Ltd (India) were transferred to AREVA at the beginning of August 2005. AREVA holds 66.65% of the capital of AREVA Ltd (India) following a public offer made by the Group for the shares of the company and the purchase of Alstom's equity interest. This unit has approximately €150 million in annual sales revenue.

On September 19, 2005, AREVA signed an agreement with the private investment firm, Bain Capital, setting forth the legal and financial terms and conditions for the disposal of FCI, AREVA's connectors subsidiary.

AREVA's Supervisory Board approved this agreement on September 19, 2005.

The change in ownership should occur before the end of October, subject to approval by antitrust authorities and a decree following the recommendation of the French *Commission des Participations et des Transferts*, the administration in charge of approving sales of government-owned assets.

To supplement the financial data and clarify the impact of FCI's disposal, the balance sheet and the income statement as of June 30, 2005 of this subsidiary are presented hereunder.

Balance sheet at June 30, 2005 - Assets

(in millions of euros)	June 30, 2005 (*)			December 31,2004(**)
	Gross amount	Amortization, depreciation and provisions	Net amount	Net amount
Intangible assets	129	117	12	12
Goodwill	307		307	274
Tangible assets	1,246	889	357	351
Financial assets	7		7	6
Pension fund assets	11		11	8
Deferred tax assets	871	784	87	85
Non-current assets	**2,571**	**1,790**	**781**	**736**
Inventories	136	16	120	107
Work-in-process	10		10	7
Operating receivables	306	5	301	267
Non-operating receivables	18	0	18	20
Other current financial assets				
Cash	31		31	21
Current assets	**501**	**21**	**480**	**422**
TOTAL ASSETS	**3,072**	**1,811**	**1,261**	**1,158**

(*) Adjusted IFRS data, including IAS 32 and 39.
(**) Adjusted IFRS data, excluding IAS 32 and 39.

Balance sheet at June 30, 2005 – Liabilities & shareholders' equity

(in millions of euros)	June 30, 2005 (*)	December 31, 2004 (**)
Shareholders' equity	449	371
Minority interests	5	4
Shareholders' equity	**454**	**375**
Provisions for contingencies and losses	155	174
Borrowings	342	315
Deferred tax liabilities	(1)	
Non-current liabilities	**496**	**489**
Operating liabilities	285	265
Non-operating liabilities	26	29
Current liabilities	**311**	**294**
Total liabilities & shareholders' equity	**1,261**	**1,158**

(*) Adjusted IFRS data, including IAS 32 and 39.

(**) Adjusted IFRS data, excluding IAS 32 and 39.

Income statement as of June 30, 2005

(in millions of euros)	June 30, 2005 (*)	December 31, 2004 (**)	June 30, 2004 (**)
Sales revenue	638	1,289	653
Cost of sales	(462)	(940)	(475)
Gross margin	**176**	**349**	**178**
Research and development expenses	(39)	(75)	(38)
Sales and marketing expenses	(48)	(102)	(50)
General and administrative expenses	(51)	(103)	(55)
Other current operating income and expenses	2	17	17
Current operating income	**40**	**86**	**51**
Non-current operating items	1	(5)	(5)
Operating income	**41**	**81**	**46**
Financial income	(5)	(15)	(5)
Net income before exceptional items and tax	**36**	**66**	**41**
Income tax	(7)	(26)	(12)
Deferred taxes	(4)	(9)	(9)
Goodwill impairment losses			
Net income before minority interests	**25**	**31**	**20**
Minority interests	1		
Consolidated net income	**24**	**31**	**20**

(*) Adjusted IFRS data, including IAS 32 and 39.

(**) Adjusted IFRS data, excluding IAS 32 and 39.

Note 21 – Impact of IFRS restatements on the income statement for the first half of 2004

The following tables include:

- A reconciliation between the income statement for the first half of 2004 as reported under French GAAP and the income statement for same period with IFRS reclassifications and restatements, but excluding IAS 32 and 39 (See paragraph 21-1);
- A summary of the impacts of IFRS reclassifications and restatements on exceptional items, taxes, the share in net income of equity affiliates and goodwill amortization (See paragraph 21-2).

21.1. Income statement as of June 30, 2004, presented per IFRS and adjusted per IFRS rules

New income statement items under IFRS are in italics	Income statement at June 30, 2004 reported per French GAAP	IFRS reclassifications	IFRS restatements	Cumulative reclassifications and restatements	Income statement at June 30, 2004 reported per French GAAP and restated per IFRS	Explanation notes
Sales revenue	**5,339**	**0**	**0**	**0**	**5,339**	
Other income from operations	*0*	*6*	*0*	*6*	*6*	*1*
Cost of sales	(3,988)	(6)	(33)	(39)	(4,027)	1
Gross margin	**1,351**	**0**	**(33)**	**(33)**	**1,318**	
Research and development expenses	(184)	0	0	0	(184)	
Sales and marketing expenses	(294)	0	0	0	(294)	
General and administrative expenses	(399)	0	0	0	(399)	
Other operating income and expenses	(147)	54	81	135	(12)	2 - 6
Current operating income	***327***	***54***	***48***	***102***	***429***	
Goodwill impairment losses	*0*	*0*	*0*	*0*	*0*	*4*
Restructuring costs and CATS-CASA early retirement costs	*0*	*(21)*	*(23)*	*(44)*	*(44)*	*2 - 4*
Other non-current income and expenses	*0*	*1*	*0*	*1*	*1*	*3 - 4 - 5*
Operating income	**327**	**34**	**25**	**59**	**386**	
Income from cash and cash equivalents	*35*	*0*	*0*	*0*	*35*	
Gross borrowing costs	*(24)*	*0*	*0*	*0*	*(24)*	
Net borrowing costs	***11***	***0***	***0***	***0***	***11***	
Other financial income and expenses	*93*	*(38)*	*(34)*	*(72)*	*21*	*6 - 7*
Financial income	**104**	**(38)**	**(34)**	**(72)**	**32**	
Exceptional items	2	(2)	0	(2)	0	3
Income tax	(107)	0	4	4	(103)	3
Net income of consolidated companies	**326**	**(6)**	**(5)**	**(11)**	**315**	
Share in net income of equity affiliates	44	(2)	0	(2)	42	3
Goodwill amortization	(76)	8	68	76	0	7
Net income before minority interests	294	0	63	63	357	
Minority interests	(51)	0	(13)	(13)	(64)	
Consolidated net income	**243**	**0**	**50**	**50**	**293**	

(1) Reclassification of royalty income and other income items included in "Cost of sales" to a new heading, "Other income from operations": €6 million.

(2) Reclassification of restructuring expenses and CATS-CASA early retirement costs included in "Other operating income and expenses" to a new specific heading included in non-current operating items: €21 million.

(3) Reclassification of exceptionnal items to other non-current income and expenses (€4 million), and share in net income of equity affiliates (-€2 million).

(4 New headings included in "Non-current operating items".

(5) Other non-current income and expenses include: gains and losses on disposals of tangible and intangible assets, impairment of tangible and intangible assets, income from deconsolidation and other changes in consolidated scope.

(6) Reclassification from "Operating income" to "Financial income" of discounting reversal on provisions for retirement: €30 million.

(7) Reclassification to "Financial income" of the goodwill amortization for Total shares sold in 2004: €8 million.

21.2 Summary of impacts of transition to IFRS on AREVA's consolidated income statement for the first half of 2004

(in millions of euros)	Operating income	Financial income	Exceptional items	Income tax	Share in net income of equity affiliates	Goodwill amortization	Net income, first half 2004
Reported consolidated net income (French GAAP)							**243**
Reported minority interests (French GAAP)							**51**
Total (French GAAP)	**327**	**104**	**2**	**(107)**	**44**	**(76)**	**294**
Discounting of end-of-life-cycle obligations(1)	43	(33)					10
Employee benefits (2)	33	(30)					3
Deferred taxes				4			4
Net goodwill(3)		(8)				66	58
Restructuring expenses - T&D division (4)	(23)						(23)
Valuation of uranium inventories held for trading	(1)						(1)
Provisions other than end-of-life-cycle provisions	-						-
Equity affiliates (3)			2		(2)	10	10
Reclassification of exceptional items to Operating income	4		(4)				-
Other adjustments (fixed assets, inventories, accounts receivable, deferred charges, etc.)	3	(1)					2
Total impact of IFRS restatements	**59**	**(72)**	**(2)**	**4**	**(2)**	**76**	**63**
of which: impact on consolidated net income							50
impact on minority interests							13
Consolidated net income (IFRS)							**293**
Minority interests (IFRS)							**64**
Total (IFRS)	**386**	**32**	**-**	**(103)**	**42**	**-**	**357**

(1) The impact of discounting of end-of-life-cycle assets and provisions is as follows: (a) reduction in amortization included in "Operating income"; (b) recording of a discounting reversal expense under "Financial income".

(2) Under IFRS, expenses corresponding to discounting reversals on provisions for employee benefits, net of return on retirement assets, are reclassified to "Financial income".

(3) Goodwill is not amortized under IFRS.

(4) Under IFRS, T&D Division restructuring expenses incurred during the year following the acquisition are recorded in the income statement.

Note 22 – Breakdown of the impact of IAS 32 and IAS 39 restatements on the balance sheet at december 31, 2004

The table below reconciles the IFRS balance sheet at January 1, 2005, including IAS 32 and 39, with the balance sheet at December 31, 2004, restated in accordance with IFRS excluding IAS 32 and 39, as reported in section 5.1.9. of the 2004 annual report.

It presents the restatements made, including their total impact on consolidated shareholders' equity as follows:

• Shareholders' equity	+ 364
• Minority interests	(375)
Total shareholders' equity and minority interests	(11)

Balance sheet at december 31, 2004, restated for IFRS, including IAS 32 and 39

(in millions of euros)	Balance sheet at 12/31/2004 restated for IFRS excl. IAS 32/39 (§ 5.1.9 of 2004 annual report)	Reclass. of current & non-current assets and liabilities conversion reserves and other[1][2]	Balance sheet at 12/31/2004 restated for IFRS excl. IAS 32/39 after reclass.	Reclass. available-for sale securities[3]	Reclass. ST Micro-electronics[4]	Permanent impaiment of available-for sale securities[5]	Change in valuation: Available-for sale securities[6]	Change in valuation: Securities held for trading[7]	Sell options held by minority interest holders[8]	Revaluation of inventories and derivatives for trading operations[9]	Fair value Framépargne instrument[10]	Hedging instruments for future probable flows[11]	Other IAS 39 impacts : fair value hedges and ineligible derivative instruments[12]	Impact from deferred taxes[13]	Total Restatements IAS 32/39	Balance sheet 01/01/2005 restated for IAS 32/39
Non-current assets	**13,045**	**(24)**	**13,021**	**353**	**(21)**	**(71)**	**509**	**0**	**556**	**0**	**0**	**0**	**17**	**(32)**	**1,311**	**14,332**
Goodwills on consolidated companies	1,648	2	1,650						556						556	2,206
Intangible assets	596	1	597												0	597
Tangible assets	3,703	(1)	3,702												0	3,702
End-of-life-cycle assets (AREVA share)	162		162												0	162
End-of-life-cycle assets (third-party share)	2,015		2,015												0	2,015
Financial assets earmarked for end-of-life-cycle obligations	2,281		2,281			(67)	184								117	2,398
Equity affiliates	1,335	(1)	1,334		(21)										(21)	1,313
Other non-current financial assets	823	(24)	799	353		(4)	325						17		691	1,490
Pension fund assets	10		10												0	10
Deferred tax assets	472	(1)	471											(32)	(32)	439
Current assets	**8,385**	**21**	**8,406**	**(353)**	**0**	**0**	**0**	**5**	**0**	**33**	**0**	**24**	**91**	**0**	**(200)**	**8,206**
Inventories and work-in-process	2,098	(1)	2,097							28					28	2,125
Trade accounts receivable and related accounts	3,290		3,290										1		1	3,291
Other operating receivables	856	4	860							5		24	88		117	977
Current tax assets	116		116												0	116
Other non operating receivables	386	(6)	380										(1)		(1)	379
Cash and cash equivalents	1,054		1,054					1							1	1,055
Other current financial assets	585	24	609	(353)				4					3		(346)	263
Total assets	**21,430**	**(3)**	**21,427**	**0**	**(21)**	**(71)**	**509**	**5**	**556**	**33**	**0**	**24**	**108**	**(32)**	**1,111**	**22,538**

(1) Reclassifications between current and non-current items / miscellaneous, implemented after closing for 2004.
(2) Including zeroing out conversion reserves at 01/01/2005 i.e. date of first implementation of IFRS (see Note 1.1), for €37 million.
(3) Marketable securities / shares reclassified to "Available-for-sale securities" (see Note 1.12).
(4) Elimination of treasury shares held by ST Microelectronics.
(5) Permanent impaiment of available-for-sale securities, determined as per Note 1.12 and implemented retrospectively.
(6) Revaluation of available-for-sales, to market value at 12/31/2004.
(7) Revaluation of securities held for trading, to market value at 12/31/2004.
(8) Recording sell options held by minority shareholders of consolidated subsidiaries (see Note 1.17).
(9) Revaluation of inventories and derivative instruments included in contacts related to uranium trading activity, to fair value at 12/31/2004.
(10) Revaluation of commitments given by AREVA to the Framépargne mutual fund, to fair value at 12/31/2004 (see Note 17 on commitments)
(11) Revaluation of derivative instruments designed as cash-flow hedges, to fair value at 12/31/2004 (see Note 1.18).
(12) Revaluation of derivatives designated as fair value hedge, of hedged commitments and of derivatives net designated as hedge (see Note 1.18).
(13) Differed taxes on restatements.

Balance sheet at december 31, 2004, restated for IFRS, including IAS 32 and 39

(in millions of euros)	Balance sheet at 12/31/2004 restated for IFRS excl. IAS 32/39 (§ 5.1.9 of 2004 annual report)	Reclass. of current & non-current assets and liabilities conversion reserves and other(1)(2)	Balance sheet at 12/31/2004 restated for IFRS excl. IAS 32/39 after reclass.	Reclass. available-for sale securities(3)	Reclass. ST Micro-electronics(4)	Permanent impairment of available-for sale securities(5)	Change in valuation: Available-for sale securities(6)	Change in valuation: Securities held for trading(7)	Sell options held by minority interest holders(8)	Revaluation of inventories and derivatives for trading operations(9)	Fair value Framépargne instrument(10)	Hedging instruments for future probable flows(11)	Other IAS 39 impacts : fair value hedges and ineligible derivative instruments(12)	Impact from deferred taxes(13)	Total Restatements IAS 32/39	Balance sheet 01/01/2005 restated for IAS 32/39
Shareholders' equity and minority interests	**5,310**	**0**	**5,310**	**0**	**(21)**	**(71)**	**509**	**5**	**(375)**	**0**	**12**	**24**	**0**	**(94)**	**(11)**	**5,299**
Share capital	1,347		1,347													1,347
Consolidated premiums and reserves	2,878	(34)	2,844													2,788
Currency translation reserves	(112)	34	(78)													(78)
Consolidated net income	451		451													451
Deferred unrealized gains and losses	0		0													420
Minority interests	746		746													371
Non-current liabilities	**6,797**	**(94)**	**6,703**	**0**	**0**	**0**	**0**	**0**	**931**	**0**	**6**	**0**	**(1)**	**62**	**998**	**7,701**
Employee benefits	1,032	(1)	1,031												0	1,031
Provisions for end-of-life-cycle obligations	4,332		4,332												0	4,332
Other non-current provisions	140	(74)	66												0	66
Borrowings due in more than one year	744	(19)	725						931		6		(1)		936	1,661
Deferred tax liabilities	549		549											62	62	611
Current liabilities	**9,323**	**91**	**9,414**	**0**	**0**	**0**	**0**	**0**	**0**	**33**	**(18)**	**0**	**109**	**0**	**124**	**9,538**
Current provisions	1,245	78	1,323								(18)		0		(18)	1,305
Negative goodwill	0		0												0	0
Borrowings due in less than one year	199	20	219										3		3	222
Advances and prepayments received	4,326		4,326												0	4,326
Trade accounts receivable and related accounts	1,688	3	1,691										4		4	1,695
Other operating liabilities	1,430	(18)	1,412							33			101		134	1,546
Current tax liabilities	91	(1)	90												0	90
Other non operating liabilities	344	9	353										1		1	354
Total liabilities and shareholders' equity	**21,430**	**(3)**	**21,427**	**0**	**(21)**	**(71)**	**509**	**5**	**556**	**33**	**0**	**24**	**108**	**(32)**	**1,111**	**22,538**

(1) Reclassifications between current and non-current items / miscellaneous, implemented after closing for 2004.
(2) Including zeroing out conversion reserves at 01/01/2005 i.e. date of first implementation of IFRS (see Note 1.1), for €37 million.
(3) Marketable securities / shares reclassified to "Available-for-sale securities" (see Note 1.12).
(4) Elimination of treasury shares held by ST Microelectronics.
(5) Permanent impairment of available-for-sale securities, determined as per Note 1.12 and implemented retrospectively.
(6) Revaluation of available-for-sales, to market value at 12/31/2004.
(7) Revaluation of securities held for trading, to market value at 12/31/2004.
(8) Recording sell options held by minority shareholders of consolidated subsidiaries (see Note 1.17).
(9) Revaluation of inventories and derivative instruments included in contacts related to uranium trading activity, to fair value at 12/31/2004.
(10) Revaluation of commitments given by AREVA to the Framépargne mutual fund, to fair value at 12/31/2004 (see Note 17 on commitments)
(11) Revaluation of derivative instruments designed as cash-flow hedges, to fair value at 12/31/2004 (see Note 1.18).
(12) Revaluation of derivatives designated as fair value hedge, of hedged commitments and of derivatives net designated as hedge (see Note 1.18).
(13) Differed taxes on restatements.

6. Outlook

The Group's objectives for 2005 are:
• increasing sales revenue, like for like;
• maintaining the level of current operating income;
• increasing net income, which will include the capital gain on the sale of FCI.

In nuclear, the Group expects operating income to settle at a high level and an increase in capital spending in the **Front End** (mining, enrichment) and in **Reactors and Services**.

In **Transmission & Distribution**, current operating income for the full year should increase, and restructuring expenses are expected to be up sharply compared with those recorded in 2004 (€142 million) as deployment of the optimization plan continues.

A business corporation (société anonyme) with an Executive Board and a Supervisory Board capitalized at €1,346,822,638
Corporate office : 27-29, rue Le Peletier - 75009 – Paris - France
Tel.: +33 (0) 1 44 83 71 00 - Fax: +33 (0) 1 44 83 25 00 - www.areva.com

Franklin Partners - Groupe Mediagérance