HALF-YEAR REPORT

JUNE 30, 2006

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.

Main developments pertaining to the first half of 2006:

- Increased income from nuclear operations, before the impact of the OL3 contract with TVO.
- Recognition of a significant provision in respect of the OL3 contract.
- Successful turnaround of the **Transmission & Distribution** Division.
- Increased backlog in nuclear operations and in the **Transmission & Distribution** Division.

Update on OL3 contract with TVO:

The Olkiluoto 3 EPR (OL3) is the first Generation III reactor under construction anywhere in the world. It is also the first reactor for which two safety authorities – French and German – were involved during the design phase. The price and schedule terms of this turnkey contract with TVO of Finland, the customer, are very tight. The contract is being performed through a consortium with Siemens.

The project is currently encountering difficulties and delays inherent in its status as the first reactor of its kind ever built, linked to the following:

- Most of the difficulties are due to the process, specific to Finland, of technical documentation approval by the customer and detailed design approval by the Finnish safety authority, which take place as the work progresses.
- Added to this are the need to bring the network of subcontractors up to the requirements of the nuclear industry and difficulties in concrete production and certification encountered at the site.

The significant provision recognized by the group in the first half of 2006 corresponds to:

- the additional costs identified, and
- an estimation of risks, in particular regarding the current uncertainties surrounding project execution.

An efficient document production and approval system is key to the pace of the project's progress. AREVA is engaged in discussions with the customer to remedy the current difficulties.

Internally, the group has installed a new project director, placed coordination of dedicated group resources under the direct authority of the Chief Operating Officer, and strengthened its support to suppliers so that they can more quickly achieve the level of quality required for nuclear projects. This project will continue to be the regular subject of detailed reports to the Supervisory Board's Audit Committee.

Construction of the OL3, a first-of-a-kind EPR, gives the group unique experience in the world market for Generation III reactors.

Given the growth enjoyed by nuclear businesses, before the impact of the OL3 contract, and the recognition of the provision on the OL3 contract, operating income for the nuclear businesses in the first half of 2006 was €73 million or 2.2% of sales. This compares with operating income of €373 million in the first half of 2005 (11.4% of sales).

Update on the Transmission & Distribution Division optimization plan:

At June 30, 2006, cumulative restructuring expenses recorded under the **Transmission & Distribution** Division optimization plan represented approximately €290 million, including €29 million for the first half of 2006

The plan to refocus the business on core activities was completed for the most part in 2005, in particular with the disposal of telecom businesses in Australia and New Zealand, the “high voltage lines” business in Germany and the “low voltage” business in France. The division's Indian operations were also fully integrated in 2005.

The redeployment of the production sites is also essentially complete. In the first half of 2006, the **Transmission & Distribution** Division continued to focus its development strategy on countries experiencing strong growth. For example, AREVA inaugurated two new plants in Xiamen, China, in June 2006. The first plant, AREVA Vacuum Interrupter Co., is a joint venture between Xiamen Huadian Switchgear Co. and AREVA T&D. The plant manufactures 10-40.5 kV vacuum interrupters for medium voltage applications. The second plant, AREVA Switchgear Co., is wholly-owned by AREVA T&D. The plant will produce medium voltage circuit breakers. With the Xiamen facilities, AREVA products are now more accessible to Chinese customers. AREVA intends to leverage these technology platforms to develop solutions tailored to the needs of the local market. AREVA Vacuum Interrupter Co. will become AREVA T&D's largest manufacturing facility for medium voltage switchgear components worldwide.

The optimization plan's overall success was also bolstered by efforts to streamline procurement and a policy of selectiveness in booking systems orders.

As announced when 2005 financial results were reported, AREVA T&D is now in a position to contemplate targeted acquisitions aimed at strengthening its core business (1).

As a result, the **Transmission & Distribution** Division's operating margin for the first half of 2006 was 5.9% of sales revenue before restructuring expenses and 4.2% after restructuring expenses, compared with 1.9% and -1.3% respectively for the same period in 2005.

Main events in the AREVA group during the first half of 2006:

- March 1, 2006: Spencer Abraham, former U.S. Secretary of Energy, was named Chairman of the Board of Directors of the group's U.S. subsidiary, AREVA, Inc.
- March 6, 2006: Jean-Pol Poncelet was named Adviser to the Chairman of the Executive Board and Director of Alternative Energy Strategy in the International and Marketing Department. Mr Poncelet was Vice Prime Minister, Defense Minister and Minister of Energy in the Belgian government during the 1995-1999 period.
- April 5, 2006: AREVA announced its support of the “K-Challenge" team from France, thus becoming the official sponsor of the French Team for the 2007 America's Cup, to be held in Valencia, Spain, in the summer of 2007. The boat and its crew will henceforth bear the name AREVA Challenge.
- May 15, 2006: AREVA committed to cultural and social diversity by signing the “Diversity in the Workplace” charter. This charter encourages the hiring of young people from disadvantaged areas and people with disabilities and supports gender equity in the workplace.
- May 17, 2006: AREVA published its contribution to the United Kingdom's energy debate. In this document, AREVA states that a new generation of nuclear reactors can be built in the UK without government subsidies and according to the rules of fair competition.
- June 28, 2006: Christine Lagarde, Minister Delegate for Foreign Trade, inaugurated the Chalon Saint-Marcel plant expansion in the company of Anne Lauvergeon. In 2004, the group launched a €30 million investment program at the plant, which specializes in manufacturing heavy components for nuclear power plants (reactor vessels, steam generators, pressurizers). Close to 250 new employees were hired as part of this program and the heavy component assembly building was expanded by 2,900 m^2 (31,215 ft^2), increasing plant capacity by 10%.

(1) On August 1, 2006, T&D acquired the high voltage instrument transformer business of the German group Ritz, making it number 1 worldwide in this sector.

2. Key data

2.1. SUMMARY DATA

2.1.1. Financial indicators

(in millions of euros)	**H1 2006**	H1 2005*	2006/2005 change
Sales revenue	5,036	4,764	+5.7%
Gross margin	955	1,152	(17.1%)
% of sales	*18.9%*	*24%*	*-5.1 points*
Current operating income	167	390	(57.2%)
% of sales	*3.3%*	*8.2%*	*-4.9 points*
Operating income	115	326	(64.7%)
% of sales	*2.3%*	*6.8%*	*-4.5 points*
Net financial income	32	20	+60%
Net income attributable to equity holders of the parent	245	301	(18.6%)
% of sales	*4.8%*	*6.3%*	*-1.5 point*
Free operating cash flow before tax	(40)	599	
Dividends paid	427	419	

	June 30, 2006	December 31, 2005
Net cash/(debt)	(588)	(268)
Backlog	21,595	20,570

** Adjusted for the sale of FCI on November 3, 2005.*

2.1.2. Non-financial AREVA Way performance indicators

	Q1 2006	Q2 2006	2005
Safety			
Accident frequency rate (1)	4.78	5.04	5.41
Accident severity rate (2)	0.16	0.18	0.2
Radiation doses			
Average exposure to ionizing radiation (3)	1.4 (4)	1.34 (5)	1.23 (6)
Environment			
Electric power used (GWh)	345	374	1,432
Fossil energy used (GWh)	300	453	1,379
Direct emissions of greenhouse gases (7)	289.9	215.5	1,277.5

Occupational safety is one of the group's top priorities. Efforts in this area have produced positive results.

Despite a slight increase, 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 in 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: 25.4.
(2) Number of days of lost time per thousand hours worked.
(3) In mSv per year per employee. Maximum allowable dose per French regulations of 20 mSv/yr (52 mSv/yr in the U.S. and Niger).
(4) Data recorded in Q2 2006 for 2005.
(5) Data recorded in Q1 2006 for the period October 2004 – September 2005.
(6) Data recorded in 2005 for the period July 2004 – June 2005.
(7) In thousands of metric tons of CO_2 equivalent.

2.2. SEGMENT REPORTING

First half 2006

(in millions of euros)	Front End	Reactors and Services	Back End	T&D	Holding and other operations, and consolidation entries	Total
Contribution to consolidated revenue	1,381	1,102	851	1,701	1	5,036
Operating income	221	(266)	117	72	(29)	115
% of sales	*16.0%*	*(24.1%)*	*13.8%*	*4.2%*	*n.a.*	*2.3%*
EBITDA	286	(9)	166	107	(17)	534
% of sales	*20.7%*	*(0.8%)*	*19.4%*	*6.3%*	*n.a.*	*10.6%*
Change in operating working capital requirements	119	(101)	(110)	(124)	(27)	(243)
Net operating Capex	(175)	(81)	(38)	(39)	-	(334)
Operating cash flow before tax	229	(190)	18	(53)	(44)	(40)

First half 2005 adjusted for the sale of FCI and a change in the definition of operating cash flow*

(in millions of euros)	Front End	Reactors and Services	Back End	T&D	Holding and other operations, and consolidation entries	Total
Contribution to consolidated revenue	1,250	1,039	991	1,473	10	4,764
Operating income	207	32	134	(19)	(29)	326
% of sales	*16.6%*	*3.1%*	*13.6%*	*(1.3%)*	*n.a.*	*6.8%*
EBITDA	244	32	259	24	(22)	537
% of sales	*19.5%*	*3.1%*	*26.1%*	*1.6%*	*n.a.*	*11.3%*
Change in operating working capital requirements	(10)	207	115	(98)	(48)	167
Net operating Capex	(94)	(74)	(24)	91	(2)	(105)
Operating cash flow before tax	140	163	350	17	(71)	599

** Operating cash flow now includes acquisitions and disposals of consolidated shares. The data for H1 2005 have been adjusted to allow comparisons.*

First half 2005 as reported

(in millions of euros)	Front End	Reactors and Services	Back End	T&D	Connectors	Holding and other operations, and consolidation entries	Total
Contribution to consolidated revenue	1,250	1,039	991	1,473	638	5	5,396
Operating income	207	32	134	(19)	42	(29)	367
% of sales	*16.6%*	*3.1%*	*13.5%*	*1.3%*	*6.6%*	*n.a.*	*6.8%*
EBITDA	244	32	259	24	51	(22)	588
% of sales	*19.5%*	*3.1%*	*26.1%*	*1.6%*	*8.0%*	*n.a.*	*10.9%*
Change in operating working capital requirements	(10)	207	115	(98)	(19)	(48)	147
Net operating Capex	(94)	(56)	(24)	1	(27)	(2)	(202)
Operating cash flow before tax	140	181	350	(73)	7	(71)	534

2.3. BACKLOG

The group backlog [8] at June 30, 2006 was €21,595 million, compared with €20,570 million at December 31, 2005, representing an increase of 4.9%.

In the nuclear businesses, the backlog at June 30, 2006 was €18,296 million, compared with €17,555 million at December 31, 2005, i.e. an increase of 4.2%.

Compared with the first half of 2005, unit prices for orders received in the first half of 2006 increased in the *Mining* Business Unit, while orders tripled in the *Enrichment* Business Unit. Several supply contracts were awarded to the group to reserve production capacity or for early procurement of forgings needed to manufacture heavy reactor components.

In the **Transmission & Distribution** Division, the backlog at June 30, 2006 was €3,299 million, compared with €3,015 million at December 31, 2005, representing an increase of 9.4%.

New orders rose to €2,122 million in the first half of 2006, representing a net increase of 26.7% compared with the first half of 2005. Like-for-like, orders were up 17.5%. This trend is consistent with the second half of 2005 and the first quarter of 2006. Orders came from major contracts in the *Systems* business (Libya, Niger, United Kingdom and Mexico) and from strong business in *Products* (+21% like-for-like) and *Automation* (+25% like-for-like).

Like-for-like, new orders rose by 85% in the Africa-Middle East region, mainly due to two major contract awards in Libya, and by 25% in Asia, particularly in China, India and Malaysia. Orders rose by 14% in Europe, with growth coming mainly from the United Kingdom, Germany, France and Italy.

2.4. INCOME STATEMENT

2.4.1. Sales revenue

Consolidated sales revenue rose to €5,036 million in the first half of 2006, up 5.7% on the same period in 2005. Like-for-like*, group' sales revenue rose by 5.1%.

(in millions of euros)	**S1 2006**	H1 2006 adjusted (A)	2006/2005A change in %	2006/2005 change in % LFL*
Sales revenue	5,036	4,764	+5.7%	+5.1%
- of which Nuclear	3,334	3,281	+1.6%	+1.3%
- of which Transmission & Distribution	1,701	1,473	+15.5%	+13.8%

** LFL: constant exchange rate and consolidation scope.*

Nuclear operations reported first half 2006 sales revenue of €3,334 million, up 1.6% on the first half of 2005 (+1.3% like-for-like). Highlights included:

- significant growth in the **Front End** Division (+12.9%*) driven in particular by uranium deliveries and enrichment services.
- the contribution of reactor projects in Finland (OL3), China (Ling Ao-Phase II) and France (Flamanville 3 EPR), enabled the **Reactors and Services** Division to report sales growth of 2.7%*, despite the downturn in sales of reactor services;
- a 14.4%* drop in the **Back End** Division, primarily in the used fuel treatment business.

The **Transmission & Distribution** Division reported sales revenue of €1,701 million. Its strong organic growth of 13.8% is consistent with the increase in orders booked in the second half of 2005.

(8) The backlog includes firm orders and excludes unconfirmed options, and is valued based on economic conditions at the end of the period. Orders in hedged foreign currencies are valued at the hedge rate. Orders in non-hedged currencies 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 at the reporting date is equal to the difference between (a) the projected sales revenue from the contract at completion, and (b) the sales revenue already recognized for this particular contract. Accordingly, the backlog takes into account contract price revision and escalation assumptions used by the group to determine the projected revenue at completion.

** Like-for-like, i.e. at constant consolidation scope, exchange rate and accounting method.*

2.4.2. Gross margin

Gross margin for the group amounted to €955 million in the first half of 2006 (19% of sales). This compares with €1,152 million in the first half of 2005A (24.2% of sales), i.e. a decline of 17.1%.

This decline is the combined result of:

- growth in nuclear operations before the impact of the provision for the OL3 contract with TVO. The gross margin level is relatively stable compared with the first half of 2005.
- the significant level of the provision in respect of the OL3 contract corresponding, firstly, to additional costs identified and, secondly, to an estimation of the risks, covering in particular current uncertainties surrounding project execution.
- a significant improvement in the **Transmission & Distribution** Division.

In the nuclear businesses, gross margin after the impact of the OL3 provision was €543 million (16.3% of sales), against €818 million for the same period in 2005 (24.9% of sales).

In the **Transmission & Distribution** Division, the gross margin rose to €408 million, i.e. 24% of sales, up 1.5 point on the first half of 2005 (22.5%), when the gross margin represented €331 million.

2.4.3. Research and development

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

	H1 2006		H1 2005A	
	in millions of euros	% of sales	in millions of euros	% of sales
Research and development expenses in the income statement	161	3.2%	153	3.2%
Total research and development expenditure	286	5.7%	262	5.5%

In the first half of 2006, group research and development expenses totaled €161 million, i.e. 3.2% of sales revenue for the period. Research and Development expenses in the first half of 2005A totaled €153 million, also 3.2% of sales revenue.

Taking into account all costs incurred for research and development, total group research and development expenditure amounted to €286 million in the first half of 2006 (5.7% of sales revenue for the period), up from €262 million in the first half of 2005A (5.5% of sales revenue).

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

The growth reflects in particular:

- long-term growth in mineral exploration expenses;
- development expenses for the EPR reactor and its licensing in the United States;
- relative stability of R&D expenditure in the **Transmission & Distribution** Division.

2.4.4. General and administrative expenses, sales and marketing expenses

General and administrative expenses and sales and marketing expenses represented €619 million and 12.3% of sales revenue in the first half of 2006, relatively unchanged on €592 million and 12.4% of sales revenue in the first half of 2005A

2.4.5. Current operating income

Taking the above items into account, current operating income of the group for the first half of 2006 was €167 million, against €390 million for the first half of 2005A.

- The nuclear businesses reported current operating income for the period of €92 million (2.7% of sales revenue), compared with €390 million for the first half of 2005 (11.9% of sales revenue).
- First-half 2006 current operating income for the **Transmission & Distribution** Division was €101 million, i.e. 5.9% of sales revenue, up sharply from €28 million in the first half of 2005.

2.4.6. Operating income

Net non-current operating expenses and income for the first half of 2006 totaled €53 million, compared with €64 million for the same period in 2005.

- Nuclear operations as a whole recorded €20 million in non-current operating expenses, i.e. 0.6% of nuclear sales revenue for the period.
- The **Transmission & Distribution** Division recorded €29 million in restructuring expenses connected with its optimization plan in the first half of 2006.

Operating income for the first half of 2006 settled at €115 million, down 64.7% from €326 million in the first half of 2005A. The group's operating margin was 2.3% for the first half of 2006, compared with 6.8% for the first half of 2005A.

- In Nuclear, operating income was €73 million, down 80.7% on the €373 million reported for the first half of 2005. Operating margin represented 2.2% of sales, compared with 11.4% in the first half of 2005. This net decrease reflects the significant impact of the provision recognized on the OL3 contract, as operating income before the OL3 provision increased.
- Operating income was €72 million in the **Transmission & Distribution** Division, up from an operating loss of €19 million in the first half of 2005. These results confirm the **Transmission & Distribution** Division's accelerated recovery, thanks to the optimization plan implemented after the group acquired the division in early 2004 combined with solid demand.
- The operating loss reported by Corporate operations remained stable at -€29 million, or 0.6% of group sales revenue.

2.4.7. Net financial income

(in millions of euros)	**H1 2006**	H1 2005A*	H1 2005
Income from the earmarked financial portfolio	**(1)**	**11**	**11**
Income from the earmarked financial portfolio	*58*	*62*	*62*
Discount reversals on provisions	*(59)*	*(51)*	*(51)*
Financial income not related to end-of-life-cycle obligations			
Income (expenses) from net cash	(4)	9	5
Income from disposal of securities	5	32	32
Discount reversals on pension provisions	(29)	(29)	(30)
Dividends received	57	21	21
Forex gains (losses)	6	(7)	(7)
Other income and expenses	(2)	(17)	(17)
Net financial income	**32**	**20**	**15**

** Adjusted for the sale of FCI on November 3, 2005.*

Net financial income was €32 million in the first half of 2006, compared with €10 million for the same period in 2005A.

Net financial income related to end-of-life-cycle obligations is close to zero. The group policy is that financial income from the earmarked portfolio should be close or equal to the discount reversal on end-of-life-cycle provisions.

Financial income not related to end-of-life-cycle obligations is up, chiefly due to an increase in dividends received.

2.4.8. Income tax

The income tax expense for the first half of 2006 is €36 million, down 65% on €103 million for the first half of 2005A. This tax expense represents an effective tax rate of 24.2%, which is significantly lower than the effective tax rate of 29.8% for the first half of 2005A, when non-deductible expenses had a negative impact on net income.

2.4.9. Share in net income of associates

(in millions of euros)	**H1 2006**	H1 2005	2005
ST Microelectronics	48	9	38
Eramet Group	52	73	104
Other	5	4	11
Total	**104**	**86**	**153**

The share in net income of associates rose sharply in the first half of 2006, to €104 million, from €86 million in the first half of 2005. This growth reflects in particular:

- higher income reported by STMicroelectronics and the final effects of STMicroelectronics' transition to IFRS in 2005 (+€15 million), which the group recorded in the first half of 2006;
- the drop in income at Eramet, from a particularly high level in 2005.

It should be noted that the amount reported by the group for its share in the net income of STMicroelectronics and Eramet may differ from the amount calculated using data reported by these companies. The figures reported by AREVA are based on (i) 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. AREVA records the difference between Eramet's preliminary financial statements and its reported results in the following period.

2.4.10. Minority interests

The share of net income allocated to minority interests decreased from €52 million for the first half of 2005 to a net loss of €29 million for the first half of 2006. This change reflects the impact of the OL3 contract on the net income of AREVA NP (formerly Framatome ANP), in which Siemens holds a 34% interest.

Minority interests are as follows:

(in millions of euros)	H1 2006	H1 2005	2005
AREVA NP (formerly Framatome ANP)	(60)	36	47
AREVA NC (formerly Cogema)	21	12	36
AREVA T&D and Others	10	4	12
Total	**(29)**	**52**	**95**

2.4.11. Net income

In light of the above, net income attributable to equity holders of the parent for the first half of 2006 was €245 million, down 18.6% on the €301 million reported for the first half of 2005.

Earnings per share for the first half of 2006 is 6.92 euros, compared with 8.48 euros for the first half of 2005.

2.5. REVIEW BY BUSINESS DIVISION

2.5.1. Front End Division

(in millions of euros)	H1 2006	H1 2005	2006/2005 change
Sales revenue	1,381	1,250	+10.5% (+12.9% like-for-like)
Operating income	221	207	+6.8%
In % of sales	*16.0%*	*16.6%*	*-0.6 point*
Free operating cash flow	229	140	+63.6%

First half 2006 performance

First half 2006 sales revenue for the **Front End** Division was €1,381 million, representing organic growth of 12.9% (+10.5% based on reported data), compared with €1,250 million for the first half of 2005

- The *Mining* Business Unit enjoyed a substantial volume effect, with more than 6,800 metric tons (MT) of uranium delivered in the first half of 2006, up from around 5,500 MT in the first half of 2005 (less than half of the year's volume). The average sales price for concentrates also rose with the gradual escalation of long-term contract prices based on spot market prices. Overall, revenue for the *Mining* business increased 39.8% like-for-like. This rate is higher than expected for the year as a whole.
- Following a particularly buoyant first quarter, sales of *Enrichment* services benefited from a favorable price effect, posting growth of 15.4% like-for-like. Volumes delivered were down in France and the United States. This was partially offset by shipments to European customers and by significant growth in Asia, where the group is becoming the leading supplier to several utilities.
- Sales revenue for the *Fuel* Business Unit rose 4.1% like-for-like. The volume of UO_2 fuel shipped increased 3% on the first half of 2005, mainly due to brisk first quarter business in the United States.

Operating income for the first half of 2006 rose to €221 million, up 6.8% on €207 million for the first half of 2005. This increase is the combination of:

- favorable changes in the price of uranium, in addition to the volume effect described above;
- increased production costs in the mining businesses;
- an unfavorable product mix effect in the *Fuel* business.

Front End Division free operating cash flow increased sharply (+63.6%) from €140 million in the first half of 2005 to €229 million in the first half of 2006, despite a substantial increase in net Capex, which went from €94 million in the first half of 2005 to €175 million in the first half of 2006.

Price and volume effects contributed to the increase in EBITDA, which rose to €286 million in the first half of 2006 from €244 million in the first half of 2005. In addition, a €119 million reduction in working capital requirements was recorded in the first half of the year, due in part to a decrease in uranium inventories as significant quantities of material were delivered.

Highlights

AREVA was awarded several new contracts in the first half of 2006, particularly in the *Mining* and *Enrichment* businesses.

- The market remains very strong, in particular for uranium. Long term prices for uranium exceeded $50 per pound of U_3O_8 in September. Over time, this price effect should translate into additional sales revenue and income for the *Mining* Business Unit.
- New orders received for *Enrichment* services in the first half of 2006 tripled compared with the first half of 2005, representing more than one year of sales revenue.
- The *Fuel* Business Unit signed several important contracts, in particular to supply reprocessed uranium fuel to German customers during the 2007-2011 period.

In terms of operations, mineral exploration activities continued to ramp up and exploration spending almost doubled. Work intensified near existing sites in particular. Prospecting accelerated in Canada and Finland, while new campaigns began in Australia and Mongolia.

In the enrichment field, site preparation and civil works to build the George Besse II plant began in anticipation of the finalization of the agreement establishing ETC, which was signed on July 3, 2006

2.5.2. Reactors and Services Division

(in millions of euros)	H1 2006	H1 2005	2006/2005 change
Sales revenue	1,102	1,039	+6.0% (+2.7% like-for-like)
Operating income	(266)	32	n.a.
In % of sales	*(24.1%)*	*3.1%*	*-21 points*
Free operating cash flow	(190)	163*	n.a.

** Adjusted: €181 million published for H1 2005. Operating cash flow now includes acquisitions and disposals of consolidated shares. H1 2005 data have been adjusted to allow comparison.*

First half 2006 performance

First half 2006 sales revenue for the **Reactors and Services** Division rose to €1,102 million, representing organic growth of 2.7% in relation to the first half of 2005 (+6.0% based on reported data).

- Sales revenue from the Ling Ao - Phase II project in China, involving the supply of primary cooling systems for the two additional Generation II reactors, and from advance engineering work on the Flamanville 3 EPR for EDF in France enabled the *Plants* Business Unit to report organic growth of 14.8% compared with the first half of 2005. First half 2006 revenue from the Olkiluoto 3 project in Finland is comparable to that of the first half of 2005. A special press release on the status of this project was issued on July 12, 2006.
- The *Equipment* Business Unit reported a slight fall in sales revenue (-2.7% like-for-like), with a major share of manufacturing capacity now devoted to the *Plants* Business Unit.

- *Nuclear Services* sales revenue is down 12.5% like-for-like. In the first half of the year, business was slow for reactor outages in all regions and market share was down in steam generator inspections at EDF reactors, whereas the Business Unit had major steam generator replacement projects in the first half of 2005.
- The downturn in *Nuclear Services* is offset by the strong performance of *Nuclear Measurements* (+19.0% like-for-like) and of the *Consulting and Information Systems* business (+13.6% like-for-like).

The **Reactors and Services** Division thus recorded an operating loss of €266 million in the first half of 2006, compared with operating income of €32 million in the first half of 2005. This decrease is due to provisions recorded in the first half of 2006 for the OL3 contract in Finland.

The Olkiluoto 3 EPR (OL3) is the first Generation III reactor under construction anywhere in the world. It is also the first reactor for which two safety authorities – French and German – were involved during the design phase. The price and schedule terms of this turnkey contract with TVO of Finland, the customer, are very tight. The contract is being performed through a consortium with Siemens. It is currently encountering difficulties and delays stemming in particular from its status as the first reactor of its kind ever built and from the process, specific to Finland, of technical documentation approval by the customer and detailed design approval by the Finnish safety authority, which take place as the work progresses.

The significant level of the provision recognized by the group in the first half of 2006 corresponds, on the one hand, to additional costs identified and, on the other, to an estimation of the risks, covering in particular current uncertainties surrounding project execution conditions. An efficient document production and approval system is key to the pace of the project's progress. AREVA is engaged in discussions with the customer to remedy the current difficulties. Internally, the group has installed a new project director, placed coordination of dedicated group resources under the direct authority of the Chief Operating Officer, and strengthened its support to suppliers so that they can more quickly achieve the level of quality required for nuclear projects. This project will continue to be the regular subject of a detailed report to the Supervisory Board's Audit Committee.

The construction of OL3, the flagship EPR, gives the group unique experience in the worldwide market for Generation III reactors.

Free operating cash flow before tax for the **Reactors and Services** Division is negative for the first half of 2006, at -€190 million, compared with +€163 million for the first half of 2005.

- EBITDA is down as a result of developments in the OL3 project, while capital expenditure is up slightly.
- A significant item of the first half of the year is the change in working capital requirements: €101 million in cash was used, mostly due to the consumption of advances received for reactor projects. The change in working capital requirements in the first half of 2005, when advances received for these projects made a favorable contribution, generated a cash inflow of €207 million.

Highlights

In the market for new reactors, certain AREVA customers took options in the first half of 2006 to procure materials needed for heavy component manufacturing for new reactors (e.g. the Flamanville EPR) or to reserve production capacity (Constellation Energy for the US-EPR).

In the equipment field, particularly the heavy component replacement market, the **Reactors and Services** Division was awarded a contract to supply two steam generators for Unit 2 of the Prairie Island nuclear plant operated by Nuclear Management Company.

New business was also brisk in the *Nuclear Measurement* Business Unit, which is very active in the U.S. Homeland Defense and U.S. Homeland Security markets.

In the area of production capacity, the expansion of the heavy component manufacturing plant in Chalon Saint-Marcel, France, was completed. In addition, an alliance was concluded with BWXT for the future assembly of heavy components for nuclear reactors in the United States.

2.5.3. Back End Division

(in millions of euros)	H1 2006	H1 2005	2006/2005 change
Sales revenue	851	991	(14.1%)
			(-14.4% like-for-like)
Operating income	117	134	(12,7%)
In % of sales	*13.8%*	*13.6%*	*+0.2 point*
Free operating cash flow	18	350	(94.9%)

First half 2006 performance

First half 2006 sales revenue for the **Back End** Division is €851 million, down 14.4% like-for-like compared with the same period in 2005, when sales of €991 million were reported.

- Sales revenue for the *Treatment-Recycling* businesses, which represent more than three-fourths of the Division's sales, fell 16.0% like-for-like on the first half of 2005. Production in a workshop at the La Hague plant was interrupted for one month during the second quarter of 2006. The drop in activity was partially offset by increased production in waste vitrification and packaging.
- *Logistics* posted a 1.4% drop in revenue like-for-like compared with the first half of 2005, when transportation operations for the Eurofab project and the final shipments of used fuel from Germany took place. The growth in sales of transportation and storage equipment limited the downturn.

Operating income for the **Back End** Division settled at €117 million in the first half of 2006, compared with €134 million in the first half of 2005. This decrease is consistent with the fall in sales revenue. The margin rate remained stable at close to 14%. The shortfall in operating income is expected to be offset in the second half of 2006.

Free operating cash flow was €18 million in the first half of 2006, compared with €350 million in the first half of 2005, when it was exceptionally high.

- The decrease in sales revenue had a corresponding negative impact on EBITDA.
- Net operating Capex rose slightly, from €24 million in the first half of 2005 to €38 million in the first half of 2006.
- The drop in operating cash flow is largely the result of the reversal of the customer advance cycle (advances collected vs. advances used) in the used fuel Treatment business. This had a significant impact in the first half of 2006: the change in operating working capital requirements represents a cash outflow of €110 million, compared with a cash inflow of €115 million in the first half of 2005.

Highlights

A new law on radioactive waste management was adopted in France in the first half of 2006.

In the United States, discussions continued regarding the possible use of the closed fuel cycle for used fuel management, prompting the U.S. Department of Energy to issue a request in August for Expression of interest from industry, regarding the design and construction of a Treatment-Recycling facility (Consolidated Fuel Treatment Center, CFTC) and an Advanced Breeder Reactor (ABR). In September 2006, the group responded to this request in cooperation with Washington group International and BWTX.

As indicated above, production at the La Hague plant was disrupted in the second quarter of 2006 by the malfunction of a piece of equipment, which required corrective maintenance lasting almost a month. Conversely, production levels were satisfactory at the Melox plant, representing 150 metric tons on an annualized basis

2.5.4. Transmission & Distribution Division

(in millions of euros)	**H1 2006**	H1 2005	2006/2005 change
Sales revenue	1,701	1,473	+15.5% (+13.8% like-for-like)
Current operating income	101	28	+258.0%
In % of sales	*5.9%*	*1.9%*	*+4.0 points*
Operating income	72	(19)	n.a.
In % of sales	*4.2%*	*(1.3%)*	*+5.5 points*
Free operating cash flow	(53)	17*	n.a.

** Adjusted: -€73 million published for H1-2005. Operating cash flow now includes acquisitions and disposals of consolidated shares. H1 2005 data have been adjusted to allow comparison.*

First half 2006 performance

First half 2006 sales revenue for the **Transmission & Distribution** Division is €1,701 million, an increase of 15.5% over first half 2005 sales of €1,473 million. Revenue rose 13.8% on a like-for-like basis.

All of the division's Business Units contributed to revenue growth in the first half of 2006:

- sales of *Products* rose 14.4% (9), mostly in high voltage and transformers. The increase reflects the rise in commodity prices, which were passed on to customers, particularly in the Transformers business.
- *Systems* saw growth of 10.8% (9), particularly in Latin America (Mexico and Brazil).
- sales revenue in the *Automation* Business Unit rose 4.8% (9), mainly driven by the Automation Support & System business, especially in the Africa-Middle East and Europe regions.
- *Services* saw revenue rise by 19.9% (9) due to brisk trading operations in Europe, "Proximity Business" in the United States and projects in the United Kingdom.

Geographically, sales increased in practically every region, like-for-like. The strongest growth was recorded in the Americas region, where revenue rose 66% in South America (especially Mexico and Brazil) and by 13% in North America. Asia saw 15% growth in China and 44% in India, followed by Europe, with 13% growth.

Current operating income for the **Transmission & Distribution** Division was €101 million in the first half of 2006, up very significantly from €28 million in the first half of 2005; this represents an operating margin before restructuring expenses of 5.9% of sales revenue. The significant increase in all Business Units reflects the success of the 2004-2007 optimization plan and higher sales volumes.

(9) Like-for-like and before elimination of intercompany sales.

Of particular note:

- productivity improvements in the use of materials and a hedging program limited the impact of higher commodity prices on operating profits;
- stronger controls and greater selectivity in choosing turnkey projects for the *Systems* business started to bear fruit.

Restructuring costs for the first half of 2006 were €29 million, compared with €47 million for the same period in 2005. At June 30, 2006, restructuring expenses recorded under the three-year plan, which is entering its final phase, represented close to €290 million in all.

After restructuring expenses, the **Transmission & Distribution** Division reported operating income of €72 million, up from a loss of €19 million in the first half of 2005.

Free operating cash flow is negative, at -€53 million, compared with €17 million in the first half of 2005, when significant disposals of shares of consolidated companies were recorded, particularly for service operations in New Zealand. These disposals are now recorded in the operating cash flow calculation. Adjusted for this change in definition, the **Transmission & Distribution** Division's free operating cash flow increased by €20 million:

- EBITDA benefited from the combination of higher sales volumes and the success of the optimization plan; at €107 million, it quadrupled between the first half of 2005 and the first half of 2006.
- Cash flow was negatively impacted by a €124 million increase in working capital requirements, largely related to the increase in sales revenue.
- The Division's net operating Capex rose to €39 million in the first half of 2006.

Highlights

Plant restructuring continued in accordance with the 2004-2007 optimization plan:

- a new plant, AREVA Switchgear Co., was inaugurated in Xiamen, China. This facility will manufacture medium voltage circuit breakers.
- a joint venture was established with Xiamen Huadian Switchgear Co., involving the startup of the AREVA Vacuum Interrupter C plant, also in Xiamen.

New orders remained strong in *Systems*, especially in the United Kingdom, Australia and India.

2.5.5. Corporate and other operations

(in millions of euros)	**H1 2006**	H1 2005	2006/2005 change
Sales revenue	-	10	n.a.
			n.a.
Operating income	(29)	(29)	n.a.
In % of sales	*n.a.*	*n.a.*	*n.a.*
Free operating cash flow	(44)	(71)	n.a.

No particular comment is warranted regarding *Corporate* data.

2.6. CASH FLOW

2.6.1. Adjusted cash flow statement

(in millions of euros)	**H1 2006**	H1 2005A
EBITDA	534	537
% of sales	*10.6%*	*11.3%*
Change in operating WCR	(243)	167
Net operating Capex	(334)	(105)
Free operating cash flow	**(40)**	**599**
Cash flows related to end-of-life-cycle obligations	87	(89)
Dividends paid	(427)	(419)
Cash impact of changes in the consolidated group	-	n.a.
Other (taxes, non-operating WCR)	60	n.a.
Increase (decrease) in net cash	**(320)**	**n.a.**

	June 30, 2006	December 31, 2005
Net cash/(debt)	(588)	(268)

2.6.2. Free operating cash flow by Division

	EBITDA		Change in operating WCR		Net operating Capex		**Free operating cash flow before tax**	
(in millions of euros)	H1 2006	H1 2005	H1 2006	H1 2005	H1 2006	H1 2005A*	**H1 2006**	H1 2005
Nuclear	443	535	(92)	312	(294)	(193)	57	652
Transmission & Distribution	107	24	(124)	(98)	(39)	91	(53)	17
Corporate	(17)	(22)	(27)	(48)		(2)	(44)	(71)
Group total	**534**	**537**	**(243)**	**167**	**(334)**	**(105)**	**(40)**	**599**

** Adjusted. Operating cash flow now includes acquisitions and disposals of consolidated shares. H1 2005 data have been adjusted to allow comparison.*

Group EBITDA for the first half of 2006, at €534 million, is stable compared with €537 million for the first half of 2005A, despite the decrease in nuclear business due to period expenses for the OL3 contract. This stability is attributable to the recovery of the **Transmission & Distribution** Division, where EBITDA quadrupled in relation to the first half of 2005.

The change in operating working capital requirements corresponds to the use of €243 million in cash in the first half of 2006. This compares to an exceptionally high cash inflow of €167 million in the first half of 2005, when large customer advances were received.

Net capital expenditure tripled to €334 million for the period, compared with €105 million in the first half of 2005, which included significant disposals of **Transmission & Distribution** Division assets early in the year.

Including these items, group free operating cash flow in the first half of 2006 was -€40 million, compared with +€599 million in the first half of 2005A.

Comments regarding changes in free operating cash flow by Division are given in Section 3.5.

2.6.3. Other cash flows

Cash flow related to end-of-life-cycle obligations for the first half of 2006 totaled +€87 million. The group policy is to maintain cash flow related to end-of-life-cycle obligations close to zero on average, as earmarked portfolio assets are sold to cover dismantling expenses. Cash flow related to end-of-life-cycle obligations was negative at the end of 2005. This situation was remedied in the first half of 2006 with asset disposals in a comparable amount.

A total of €427 million was paid in dividends for 2005, including €77 million to minority shareholders of the subsidiaries.

Other cash flows, comprised mostly of dividends received, represent +€60 million on a net basis.

In all, net cash decreased by €320 million in the first half of 2006.

2.7. BALANCE SHEET DATA

Condensed consolidated balance sheet

ASSETS

(in millions of euros)	June 30, 2006	December 31, 2005
Non-current assets	**16,226**	**15,786**
Goodwill on consolidated companies	2,196	2,095
Other intangible assets	814	761
Property, plant and equipment	3,557	3,542
including: End-of-life-cycle assets (AREVA share)	*157*	*163*
End-of-life-cycle assets (third party share)	2,083	2,045
Assets earmarked for end-of-life-cycle operations	2,786	2,798
Investments in associates	1,417	1,288
Other non-current financial assets	2,449	2,365
Pension fund assets	-	-
Deferred tax assets	923	892
Current assets	**8,673**	**9,060**
Inventories and work-in-process	2,322	2,272
Trade accounts receivable and related accounts	3,670	3,793
Other operating receivables	1,058	914
Current tax assets	86	172
Other non-operating receivables	145	142
Cash and cash equivalents	1,003	1,484
Other current financial assets	371	264
Assets of operations held for sale	**19**	**19**
Total assets	**24,898**	**24,846**

LIABILITIES AND EQUITY

(in millions of euros)	June 30, 2006	December 31, 2005
Equity and minority interests	**6,617**	**6,590**
Share capital	1,347	1,347
Consolidated premiums and reserves	3,607	2,891
Deferred unrealized gains and losses	1,166	992
Currency translation reserves	31	83
Net income attributable to equity holders of the parent	245	1,049
Minority interests	221	228
Non-current liabilities	**8,308**	**8,179**
Employee benefits	1,142	1,096
Provisions for end-of-life-cycle obligations	4,540	4,490
Other non-current provisions	86	91
Long-term borrowings	1,648	1,637
Deferred tax liabilities	892	865
Current liabilities	**9,973**	**10,077**
Current provisions	1,496	1,331
Short-term borrowings	314	379
Advances and prepayments received	4,484	4,671
Trade accounts payable and related accounts	1,927	1,939
Other operating liabilities	1,650	1,644
Current tax liabilities	39	99
Other non-operating liabilities	51	1
Liabilities of operations held for sale	**12**	**13**
Total Liabilities and Equity	**24,898**	**24,846**

Working capital assets and liabilities, as well as deferred taxes, are offset in the condensed balance sheet. Assets and liabilities are not offset in the detailed balance sheet presented in Section 5.3.

2.7.1. Non-current assets

"Investments in associates" and "Other non-current financial assets" are the only non-current asset headings requiring an explanation.

The change in "Investments in associates" primarily reflects the recording of income and dividends from associates and an increase in AREVA's interest in REpower, from 21.2% to 29.9% as a result of acquisitions of shares, including new shares issued by REpower.

"Other non-current financial assets" increased, despite the decrease in the value of the Safran shares held by the group. This increase reflects the sharp rise in the value of Suez shares, from €727 million at December 31, 2005 to €898 million at June 30, 2006.

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

The change in assets and provisions for end-of-life-cycle obligations during the period December 31, 2005 to June 30, 2006 is summarized in the table below:

(in millions of euros)	**June 30, 2006**	December 31, 2005
ASSETS		
End-of-life-cycle assets	2,240	2,208
AREVA share (to be amortized in future years)	157	163
Third party share	**2,083**	**2,045**
AREVA financial portfolio earmarked to finance end-of-life-cycle obligations	**2,786**	**2,798**
LIABILITIES		
Provisions for end-of-life-cycle obligations	**4,540**	**4,490**
Provisions to be funded by AREVA	2,457	2,444
Provisions to be funded by third parties	2,083	2,045

The net amount of end-of-life-cycle assets was €2,240 million at June 30, 2006, compared with €2,208 million at December 31, 2005.

The balance sheet allows the provisions tied to end-of-life-cycle obligations at June 30, 2006 (€4,540 million, of which €2,083 million are to be funded by third parties and €2,457 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" (€2,083 million) and "Financial portfolio earmarked to finance end-of-life-cycle obligations", at market value (€2,786 million).

By design, the third party share of end-of-life-cycle assets is always equal to the provision to be funded by the third parties, but the value of the financial portfolio earmarked to finance end-of-life-cycle obligations borne by the group varies according to changes in the value of securities in the portfolio.

At June 30, 2006, the market value of the earmarked portfolio was slightly in excess of AREVA's obligation: €2,786 million in assets compared with €2,457 million in discounted provisions to be financed by the group.

The nature of the obligations and the calculation of the provision are presented in Note 8 to the consolidated financial statements.

2.7.3. Working capital requirements

The group has negative working capital requirements, reflecting significant customer advances primarily relating to long-term operations in the **Back End** Division.

Group WCRs were -€1,061 million at December 31, 2005 and -€870 million at June 30, 2006. This change mainly reflects the €243 million increase in WCRs corresponding in particular to a net use of customer advances and down-payments of close to €200 million in the first half of 2006.

2.7.4. Net cash/debt at the end of the period

Consolidated net debt at December 31, 2005 was €268 million. The decrease in net cash in the first half of 2006 of €320 million described above, results in net debt of €588 million at June 30, 2006.

On the condensed balance sheet, this net debt figure corresponds to the total of "Long-term and short-term borrowings", less "Cash and cash equivalents" and "Other current financial assets", i.e.: 1,648 + 314 – 1,003 – 371 = €588 million.

Debt includes the put held by Siemens in respect of its 34% interest in AREVA NP (formerly Framatome ANP). The value of this interest, determined by experts, is unchanged at €1,076 million at June 30, 2006. Excluding Siemens' put, the group's net cash position at June 30, 2006 is +€488 million.

2.7.5. Equity

Equity increased from €6,590 million at December 31, 2005 to €6,617 million at June 30, 2006. No particular comment is needed in this regard.

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

2.7.6. Provisions other than provisions for end-of-life-cycle obligations

The main change concerns current provisions of €1,496 million at June 30, 2006, which are up €165 million on €1,331 million at December 31, 2005.

This change reflects the provision for the OL3 contract with TVO (Finland), less reversals of provisions for restructuring and provisions for contract performance risk.

A description of other provisions may be found in Note 12 to the consolidated financial statements.

2.7.7. Off-balance sheet commitments

(in millions of euros)	**June 30, 2006**	December 31, 2005
Commitments given	2,973	3,076
Commitments received	845	900
Recipcrocal commitments	1,015	907

A detailed table of off-balance sheet commitments is presented in Note 15 to the consolidated financial statements.

Reciprocal commitments include a commitment to Urenco of €400 million. This commitment became moot on July 3, 2006 following AREVA's acquisition of 50% of the shares of ETC (see Section 4, Events subsequent to the half-year end).

No particular comment is warranted regarding off-balance sheet commitments.

The group also provided certain guarantees that are not listed in the summary above:

- a guarantee of ownership of FCI shares sold to Bain Capital on November 3, 2005;
- a parent-company guarantee to TVO for the full value of the contract for construction of an EPR reactor in Finland. The group received a counter-guarantee from Siemens corresponding to its share of the contract; the net commitment given by the group is in the range of €1.5 billion to €2 billion.

3. Outlook

For the full year of 2006, the group foresees:

- sales revenue growth;
- operating income close to the level achieved in 2005, despite the significant impact of the OL3 contract, as contributions from other activities are expected to increase;
- sharply negative free operating cash flow before tax, due to a scheduled increase in Capex during the second half of 2006 and the use of customer advances.

4. Events subsequent to the half-year end

The main events subsequent to June 30, 2006 are as follows:

Corporate

- On September 25, 2006, Alain-Pierre Raynaud joined the group as Chief Financial Officer and member of AREVA's Executive Committee. He replaces Gérald Arbola, who was named Chief Operating Officer of the group on June 29, 2006. Mr Raynaud has spent most of his working life with Renault and Nissan.

Strategy

- On July 3, 2006, the group acquired a 50% interest in Enrichment Technology Company (ETC). The remaining 50% is held by Urenco. ETC develops, designs and manufactures uranium enrichment equipment. This acquisition enables AREVA to secure its access to centrifuge equipment needed to build the new Georges Besse II uranium enrichment plant.

  ETC has approximately 1,000 employees. The company reported 2005 sales of €232 million.

- On September 8, 2006, the group acquired 100% of Sfarsteel, a world leader in forgings, machining, mechanics and heavy component welding, in particular for the nuclear industry. The company has 400 employees. Sales totaled €69 million in 2005. This acquisition enables AREVA to strengthen its access to heavy components, especially forgings, in the midst of a worldwide nuclear revival.
- AREVA NP, Inc. has entered into an agreement with BWX Technologies, Inc. (BWXT), a subsidiary of McDermott International, Inc. This agreement will restart equipment manufacturing for nuclear power plants in the United States and contribute to the North American development of UniStar Nuclear, a joint venture between AREVA and Constellation Energy. This alliance between two nuclear industry leaders forms an essential link in the UniStar supply chain. It focuses on the manufacturing of equipment for future US-EPRs and of replacement equipment for existing power plants.
- On August 1, 2006, the group acquired the German group Ritz's high voltage instrument transformer operations. Ritz High Voltage is a world leader in instrument transformers. It has close to 500 employees and sales of around €50 million. The group will capitalize on product and regional synergies with AREVA T&D's instrument transformer business, particularly in strategic countries such as China and the United States, to become the world leader in this business.

Operations

- On September 8, 2006, AREVA (project leader), Washington group International and BWXT submitted a joint expression of interest to the U.S. Department of Energy (DOE) for the development of a Consolidated Fuel Treatment Center for used fuel treatment and recycling and an Advanced Burner Reactor.

  This expression of interest is in response to the Global Nuclear Energy Partnership (GNEP) initiative launched by the DOE in January 2006. The GNEP is seeking to establish a system of industrial services and supply guarantees to support fully controlled expansion of nuclear power across the globe that complies with non-proliferation requirements. In particular, the GNEP foresees reliance on used fuel recycling to take advantage of the fuel's energy content and minimize final waste volumes. The DOE asked the nuclear industry to evaluate the feasibility of an integrated center for used fuel treatment and recycling and an advanced design reactor.

  The expression of interest submitted by AREVA-WGI-BWXT to the DOE is intended to demonstrate that the three partners have the necessary experience and the technology to accelerate implementation of the GNEP initiative with a high level of safety. The center designed by AREVA would be able to treat and recycle used fuel in the same facilities. The Advanced Burner Reactor will use the recycled fuel to generate electricity while consuming minor actinides.

- An agreement was concluded with Constellation Energy, through the AREVA-Constellation joint venture, UniStar, to supply long-lead components needed to build the first in a series of US-EPRs.

  Among the U.S. companies interested in building new nuclear power plants, UniStar is currently the only one to have taken steps to order components. The agreement concerns 44 forgings for the first US-EPR that AREVA intends to build in the United States. These components, which will be manufactured outside the United States, concern the reactor vessel and the steam generators. They will ultimately be assembled by BWX Technologies (BWXT) in Mount Vernon, Indiana, or by AREVA's plant in Chalon Saint-Marcel.

- The group has signed a contract with the U.S. utility Pacific Gas & Electric Company (PG&E) to replace vessel heads at Diablo Canyon 1 and 2.

  The contract covers the manufacturing, shipment and installation of the vessel heads, control rod drive mechanisms and vessel head equipment for the two reactors in Avila Beach, California. The replacement operations are scheduled for the fall of 2009 (unit 2) and the fall of 2010 (unit 1)

- The test period for the Konti Skan High Voltage Direct Current link (HVDC) between Denmark and Sweden was completed successfully and ownership was transferred to the customer.

5. Consolidated financial statements

5.1. STATUTORY AUDITORS' REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1, 2006 TO JUNE 30, 2006

This is a free translation into English of the Statutory Auditor's limited review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as independent auditors and in compliance with article L. 232-7 of the French Commercial Code (the *Code de Commerce*), we hereby report to you on:

- the limited review of the accompanying condensed half-year consolidated financial statements of AREVA for the period January 1 to June 30, 2006,
- the verification of information provided in the half-year report.

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

We have conducted our limited review in accordance with professional standards applicable in France. A limited review of interim financial statements consists of inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying the conclusion expressed above, we draw your attention to the following items:

- Evaluation methods for end-of-life cycle assets and liabilities described in Note 8 of the notes to the financial statements: this evaluation, which reflects AREVA management's best estimates, is based on assumptions regarding cost estimates, disbursement schedules, discount rates and the outcome of ongoing negotiations with EDF;
- Note 12 to the financial statements, regarding provisions: this note indicates that the provision recorded by the group in the first half of 2006 for the OL3 contract corresponds to additional cost identified and an estimation of risks regarding the current project execution schedule, in view of difficulties and delays experienced so far.

In accordance with professional standards applicable in France, we have also verified the information given in the interim half-year financial report commenting the condensed half-year consolidated financial statements subject to our limited review.

We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, September 28, 2006

The Statutory Auditors

Deloitte & Associés		Mazars & Guérard	Salustro Reydel Member of KPMG International
Pascal Colin	Jean-Paul Picard	Thierry Blanchetier	Denis Marangé

5.2. CONSOLIDATED INCOME STATEMENT

(in millions of euros)	Notes	1st half 2006	1st half 2005 adjusted*	2005
Sales revenue		**5,036**	**4,764**	**10,125**
Other operating revenue		7	2	7
Cost of sales		(4,088)	(3,614)	(7,852)
Gross margin		**955**	**1,152**	**2,280**
Research and development expenses		(161)	(153)	(328)
Sales and marketing expenses		(244)	(237)	(478)
General and administrative expenses		(375)	(355)	(724)
Other operating income and expenses		(8)	(16)	(4)
Current operating income		**167**	**390**	**746**
Goodwill impairment	3			
Restructuring and early retirement costs	3	(43)	(65)	(138)
Other non-current income and expenses	3	(10)	1	(56)
Operating income		**115**	**326**	**551**
Income from cash and cash equivalents		31	20	59
Gross borrowing costs		(35)	(11)	(42)
Net borrowing costs		**(4)**	**9**	**17**
Other financial income and expenses		36	11	(30)
Net financial income/(expense)	5	**32**	**20**	**(13)**
Income tax	6	**(36)**	**(103)**	**(146)**
Net income of consolidated businesses		**110**	**244**	**393**
Share in net income of associates	10	104	86	153
Net income from continuing operations		**214**	**330**	**546**
Net income from discontinued operations		2	22	598
Net income for the period		**216**	**352**	**1,144**
Less: minority interests		29	(52)	(95)
Net income attributable to equity holders of the parent		**245**	**301**	**1,049**
Average number of shares outstanding		35,442,701	35,442,701	35,442,701
Earnings per share from continuing operations		6.88	7.84	12.72
Basic earnings per share		6.92	8.48	29.60
Diluted earnings per share [(1)]		6.92	8.48	29.60

(1) AREVA has not issued any instruments with a diluting impact on share capital.

** See Note 4 – Net income from discontinued operations.*

5.3. CONSOLIDATED BALANCE SHEET

Assets

(in millions of euros)	Notes	June 30, 2006	December 31, 2005
Non-current assets		**16,226**	**15,786**
Goodwill on consolidated companies	7	2,196	2,095
Other intangible assets		814	761
Property, plant and equipment		3,557	3,542
including: End-of-life-cycle assets (AREVA share)	*8*	*157*	*163*
End-of-life-cycle assets (third party share)	8	2,083	2,045
Assets earmarked for end-of-life-cycle operations	8	2,786	2,798
Investments in associates	9	1,417	1,288
Other non-current financial assets	10	2,449	2,365
Pension fund assets		-	-
Deferred tax assets		923	892
Current assets		**8,673**	**9,060**
Inventories and work-in-process		2,322	2,272
Trade accounts receivable and related accounts		3,670	3,793
Other operating receivables		1,058	914
Current tax assets		86	172
Other non-operating receivables		145	142
Cash and cash equivalents	11	1,003	1,484
Other current financial assets		371	264
Assets of operations held for sale		**19**	**19**
Total assets		**24,898**	**24,846**

Liabilities and equity

(in millions of euros)	Notes	June 30, 2006	December 31, 2005
Equity and minority interests		**6,617**	**6,590**
Share capital		1,347	1,347
Consolidated premiums and reserves		3,607	2,891
Deferred unrealized gains and losses		1,166	992
Currency translation reserves		31	83
Net income attributable to equity holders of the parent		245	1,049
Minority interests		221	228
Non-current liabilities		**8,308**	**8,179**
Employee benefits		1,142	1,096
Provisions for end-of-life-cycle operations	8	4,540	4,490
Other non-current provisions	12	86	91
Long-term borrowings	13	1,648	1,637
Deferred tax liabilities		892	865
Current liabilities		**9,973**	**10,077**
Current provisions	12	1,496	1,331
Short-term borrowings	13	314	379
Advances and prepayments received		4,484	4,671
Trade accounts payable and related accounts		1,927	1,939
Other operating liabilities		1,650	1,644
Current tax liabilities		39	99
Other non-operating liabilities		51	1
Liabilities of operations held for sale		**12**	**13**
Total liabilities and equity		**24,898**	**24,846**

5.4. CONSOLIDATED CASH FLOW STATEMENT

(in millions of euros)	**1st half 2006**	1st half 2005 adjusted*	2005
Net income attributable to equity holders of the parent	**245**	**301**	**1,049**
Minority interests	(29)	52	95
Net income before minority interests	**216**	**352**	**1,144**
Less: income from discontinued operations	(2)	(22)	(598)
Net income from continuing operations	**214**	**330**	**546**
Share in net income of associates	(104)	(86)	(153)
Net amortization, depreciation and impairment of PP&E and intangible assets and marketable securities maturing in more than 3 months	221	231	507
Goodwill impairment	-	-	-
Net charge to provisions	159	(41)	109
Net effect of reverse discounting of assets and provisions	89	79	169
Income tax expense (current and deferred)	36	102	146
Net interest included in borrowing costs	(5)	(2)	(13)
Loss/(gain) on disposals of PP&E and intangible assets and marketable securities maturing in more than 3 months; change in fair value	(44)	(50)	(123)
Other non-cash items	(3)	52	(14)
Cash flow from operations before interest and tax	**564**	**616**	**1,173**
Net interest received (paid)	3	(1)	2
Income tax paid	(29)	(73)	(119)
Cash flow from operations after interest and tax	**538**	**541**	**1,056**
Change in working capital requirements	(214)	(39)	(286)
Net cash from operating activities	**324**	**503**	**770**
Investment in PP&E and intangible assets	(332)	(204)	(535)
Loans granted and acquisitions of non-current financial assets	(1,167)	(59)	(727)
Disposals of PP&E and intangible assets	4	28	66
Loan repayments and disposals of non-current financial assets	1,211	323	429
Dividends from associates	27	28	29
Net cash from/(used in) investing activities	**(256)**	**116**	**(739)**
Share issues subscribed by minority shareholders in consolidated subsidiaries	-	-	9
Dividends paid to shareholders of the parent company	(350)	(340)	(340)
Dividends paid to minority shareholders of consolidated companies	(77)	(79)	(81)
Increase (decrease) in borrowings	(16)	(8)	19
Net cash flow used in financing activities	**(444)**	**(427)**	**(392)**
Decrease/(increase) in marketable securities maturing in more than 3 months	(85)	(4)	(9)
Impact of foreign exchange movements	4	(8)	(7)
Net cash flow from discontinued operations		**(20)**	**853**
Increase/(decrease) in net cash	**(457)**	**159**	**475**
Net cash at the beginning of the period	1,419	945	945
Cash at the end of the period	**1,003**	**1,262**	**1,484**
Less: short-term bank facilities and non-trade current accounts (credit balances)	(41)	(158)	(65)
Net cash at the end of the period	**962**	**1,104**	**1,419**

** The Cash Flow Statement for the first half of 2005 has been adjusted for FCI cash flows (sold during the second half of 2005).*

"Net Cash" per the Cash Flow Statement consists of:

- "Cash and cash equivalents" (see Note 11), which includes:
  - cash balances and non-trade current accounts, and
  - risk-free marketable securities, with initial maturities of less than three months, and money market funds;
- after deduction of short-term bank facilities and non-trade current accounts in credit included in short-term borrowings (see Note 13).

5.5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of euros)	Number of shares and investment certificates	Share capital	Consolidated premiums and reserves	Currency translation reserves	Deferred unrealized gains and losses on financial instruments	Equity attributable to equity holders of the parent	Minority interests	Total equity and minority interests
January 1, 2005 (incl. IAS 32 and 39)	**35,442,701**	**1,347**	**3,231**	**(70)**	**420**	**4,928**	**369**	**5,297**
First half 2005 net income	-	-	301			301	52	352
Change in deferred unrealized gains and losses after tax:								
– cash flow hedges					(6)	(6)	(4)	(10)
– change in value of available-for-sale securities					281	281	8	289
Total income and expenses recognized			**301**		**275**	**576**	**56**	**632**
Dividends paid*	-	-	(340)			(340)	(79)	(419)
Change in consolidated group	-	-					(1)	(1)
Change in accounting method and other adjustments	-	-				-	-	-
Currency translation adjustments	-	-		140		140	15	155
June 30, 2005	**35,442,701**	**1,347**	**3,192**	**70**	**695**	**5,304**	**361**	**5,665**
January 1, 2006	**35,442,701**	**1,347**	**3,940**	**83**	**992**	**6,362**	**228**	**6,590**
First half 2006 net income			245			245	(29)	216
Change in deferred unrealized gains and losses after tax:								
– cash flow hedges					27	27	4	31
– change in value of available-for-sale securities					147	147	2	149
Total income and expenses recognized			**245**		**174**	**419**	**(23)**	**396**
Dividends paid*			(350)			(350)	(77)	(427)
Change in consolidated group								
Change in accounting method and other adjustments			17			17	102	119
Currency translation adjustments				(52)		(52)	(9)	(61)
June 30, 2006	**35,442,701**	**1,347**	**3,852**	**31**	**1,166**	**6,396**	**221**	**6,617**
* Dividend paid per share *(in euros)*:								
- in 2005 from 2004 net income			9.59					
- in 2006 from 2005 net income			9.87					

5.6. SEGMENT REPORTING

Data by business division

1st half 2006

(in millions of euros except personnel data)	Front End	Reactors and Services	Back End	Transmission & Distribution	Holding and other operations, and consolidation entries	**Total group**
Gross sales revenue	**1,403**	**1,154**	**1,019**	**1,702**	**(241)**	**5,036**
Intercompany sales	(22)	(52)	(167)	(1)	242	
Contribution to consolidated sales revenue	1,381	1,102	851	1,701	1	5,036
Current operating income	221	(252)	122	101	(25)	167
% of gross sales revenue	*15.8%*	*(21.8%)*	*12.0%*	*5.9%*		*3.3%*
Operating income	**221**	**(266)**	**117**	**72**	**(29)**	**115**
% of gross sales revenue	*15.7%*	*(23.1%)*	*11.5%*	*4.2%*	*n.a.*	*2.3%*

1st half 2005

(in millions of euros except personnel data)	Front End	Reactors and Services	Back End	Transmission & Distribution	Holding and other operations, and consolidation entries	**Total group**
Gross sales revenue	**1,294**	**1,092**	**1,110**	**1,473**	**(206)**	**4,764**
Intercompany sales	(44)	(53)	(119)	(0)	216	
Contribution to consolidated sales revenue	1,250	1,039	991	1,473	10	4,764
Current operating income	214	33	144	28	(28)	391
% of gross sales revenue	*16.5%*	*3.0%*	*12.9%*	*1.9%*	*n.a.*	*8.2%*
Operating income	**207**	**32**	**134**	**(19)**	**(29)**	**326**
% of gross sales revenue	*16.0%*	*2.9%*	*12.1%*	*(1.3%)*	*n.a.*	*6.9%*

2005

(in millions of euros except personnel data)	Front End	Reactors and Services	Back End	Transmission & Distribution	Holding and other operations, and consolidation entries	**Total group**
Gross sales revenue	**2,712**	**2,469**	**2,147**	**3,212**	**(414)**	**10,125**
Intercompany sales	(81)	(121)	(226)		428	
Contribution to consolidated sales revenue	2,631	2,348	1,921	3,212	14	10,125
Current operating income	385	97	222	102	(60)	746
% of gross sales revenue	*14.2%*	*3.9%*	*10.3%*	*3.2%*	*n.a.*	*7.4%*
Operating income	**374**	**87**	**208**	**(61)**	**(57)**	**551**
% of gross sales revenue	*13.8%*	*3.5%*	*9.7%*	*(1.9%)*	*n.a.*	*5.4%*

Sales revenue by region

1st half 2006

(in millions of euros)	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	**Total group**
France	630	409	590	147	1	1,777
Europe (excluding France)	356	322	151	593	0	1,422
N. & S. America	234	264	36	293	0	827
Asia-Pacific	145	93	73	372	0	683
Africa/Middle East	17	14	0	296	0	327
Total	**1,382**	**1,102**	**850**	**1,701**	**1**	**5,036**

1st half 2005

(in millions of euros)	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	**Total group**
France	565	400	554	137	6	1,662
Europe (excluding France)	298	302	287	550	0	1,437
N. & S. America	271	291	58	190	5	815
Asia-Pacific	89	35	92	286	0	502
Africa/Middle East	27	11	0	310	0	348
Total	**1,250**	**1,039**	**991**	**1,473**	**11**	**4,764**

2005

(in millions of euros)	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	**Total group**
France	1,116	873	1,104	270	8	3,371
Europe (excluding France)	604	702	511	1,204	1	3,022
N. & S. America	631	626	118	485	4	1,864
Asia-Pacific	229	115	187	656	1	1,188
Africa/Middle East	51	32	0	597	0	680
Total	**2,631**	**2,348**	**1,920**	**3,212**	**14**	**10,125**

5.7. NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED JUNE 30, 2006

All amounts are presented in millions of euros unless otherwise indicated. Some totals may include rounding differences.

Note 1 - Accounting principles

1.1. Preparation of the financial statements

The interim consolidated financial statements for the half–year ended June 30, 2006 have been prepared in accordance with IAS 34, Interim Financial Reporting. These condensed financial statements do not contain all disclosures required in year-end financial statements prepared in accordance with International Financial Reporting Standards (IFRS). They must be read in conjunction with the consolidated financial statements for the year ended December 31, 2005.

Material events for the period are described in the half-year activity report.

1.2. Accounting principles

Accounting principles used to prepare the condensed financial statements for the half-year ended June 30, 2006 are identical to those described in Note 1 to the consolidated financial statements for the year ended December 31, 2005, except as follows:

AREVA applies the methodology prescribed in IAS 34 to calculate expenses regarding retirement obligations, other employee benefits and income taxes for the interim period.

- Interim period expenses regarding retirement obligations and other employee benefits are based on the discount rate used at the end of the prior year, adjusted to reflect material changes in market conditions since that date and curtailments, terminations and other non-recurring material events. Accordingly, AREVA calculated first half 2006 expenses using the discount rate determined at December 31, 2005. The use of a revised discount rate at June 30, 2006 would have no material impact on employee benefit liabilities or on net income for the period.
- The tax expense for the interim period is calculated based on the best estimate of the weighted average annual tax rate anticipated for the full year. Nonetheless, the calculation takes into account income subject to specific tax rates, such as income from sales of shares subject to the long-term capital gains regime and income from some subsidiaries subject to special tax treatment.

The implementation of several new IFRS standards and amendments to existing accounting standards that are mandatory for years beginning on or after January 1, 2006 had no material impact on AREVA's consolidated financial statements for the half-year ended June 30, 2006.

In particular, AREVA did not elect to apply the option now authorized by IAS 19 to record actuarial differences concerning retirement obligations and other employee benefits directly in equity at each balance sheet date. AREVA continues to apply the "corridor method" to unrealized gains and losses resulting from changes in assumptions and experience differences subsequent to January 1, 2004, the date of first adoption of the IFRS.

AREVA's consolidated financial statements for the half-year ended June 30, 2006 take into account the final impact of IFRS adoption by STMicroelectronics, an associate. By the deadline set to close the annual financial statements for the year ended December 31, 2005, AREVA had not received a detailed assessment of the impact of IFRS adoption on the 2005 financial statements of STMicroelectronics.

Note 2 - Consolidation scope

The main changes in the scope of consolidation during the first half of 2006 are described hereunder.

AREVA increased its interest in REpower by subscribing to a capital increase by the company and by acquiring shares on the market. After these operations, AREVA's interest is 29.99%.

Note 3 - Other non-current operating income and expenses

(in millions of euros)	**1st half 2006**	1st half 2005	2005
Restructuring and early retirement costs	**(43)**	**(65)**	**(138)**
Goodwill impairment	-	-	-
Other non-current operating income and expenses	(10)	1	(56)
Total	**(53)**	**(64)**	**(194)**

At June 30, 2006, restructuring and early retirement costs represented €29 million for the **Transmission & Distribution** Division and €14 million for the **Nuclear** businesses. Other non-current operating expenses correspond mostly to a forecast loss on a proposed disposal in progress.

At June 30, 2005, restructuring and early retirement costs represented €47 million for the **Transmission & Distribution** Division and €17 million for the **Nuclear** business.

Note 4 - Net income from discontinued operations

Net income from discontinued operations at June 30, 2005 corresponded almost entirely to FCI net income of €24 million, as follows:

(in millions of euros)	
Operating income	42
Net financial expense	(5)
Income tax	(12)
Net income	**24**

Note 5 - Net financial income/(expense)

(in millions of euros)	**1st half 2006**	1st half 2005	2005
Net borrowing costs	**(4)**	**9**	**16**
Income from cash and cash equivalents	31	20	59
Gross borrowing costs	(35)	(11)	(43)
Other financial income and expenses	**36**	**11**	**(29)**
Share related to end-of-life-cycle operations	***(1)***	***11***	***(32)***
Income from disposal of securities	40	26	26
Dividends received	16	33	33
Interest income on receivables from CEA	3	3	5
Discount reversal on end-of-life-cycle operations	(59)	(51)	(96)
Share not related to end-of-life-cycle operations	***36***	***0***	***3***
Foreign exchange gain (loss)	6	(7)	(5)
Income from disposal of securities and change in value of marketable securities	5	32	92
Dividends received	57	21	29
Impairment of financial assets	5	6	5
Interest income on prepayments received (Back End contracts)	(17)	(19)	(42)
Other	10	(4)	(18)
Financial income from pensions and other employee benefits	(29)	(29)	(59)
Net financial income	**32**	**20**	**(13)**

At June 30, 2005, dividends received from Suez were included in other financial income and expenses – share related to end-of-life-cycle operations. On December 31, 2005, Suez shares were transferred to available-for-sale securities not earmarked for end-of-life-cycle operations. Accordingly, at June 30, 2006, dividends received from Suez were included in other financial income and expenses – share not related to end-of-life-cycle operations.

Note 6 - Income tax

6.1. Analysis of income tax expense

The AREVA group calculated its income tax expense at June 30, 2006 by applying the estimated average tax rate for the year to pre-tax income.

The group's estimated effective tax rate for 2006 is 24.21%. The group's actual effective tax rate for 2005 was 27.14%.

6.2. Taxes recognized directly in equity

Changes in deferred taxes for the first half of 2006 in the amount of €3.1 million, resulting from changes in the fair value of financial instruments recognized in retained earnings, were recognized directly in equity.

Note 7 - Goodwill

Goodwill at June 30, 2006 was as follows:

(in millions of euros)	December 31, 2005	Acquisitions	Disposals	Put options of minority shareholders	Currency translation and other	**June 30, 2006**
Nuclear Divisions	**1,596**	**2**	**0**	**103**	**(9)**	**1,692**
Transmission & Distribution Division	**499**	**0**	**0**	**0**	**5**	**504**
Total	**2,095**	**2**	**0**	**103**	**(4)**	**2,196**

The increase in goodwill in the **Nuclear** divisions comes primarily from an adjustment to goodwill in respect of put options held by the AREVA NP minority shareholder, based on income recorded and dividends paid by that company for the period January 1, 2006 to June 30, 2006.

As there was no indication of goodwill impairment, no goodwill impairment tests were performed at June 30, 2006.

Note 8 - End-of-life-cycle operations

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

ASSETS *(in millions of euros)*	**June 30, 2006**	December 31, 2005	**LIABILITIES**	**June 30, 2006**	December 31, 2005
End-of-life-cycle assets	2,240	2,208	Provisions for end-of-life-cycle operations	4,540	4,490
– AREVA share (1)	157	163	– funded by AREVA	2,457	2,444
– third party share (2)	2,083	2,045	– funded by third parties (2)	2,083	2,045
Assets earmarked to finance end-of-life-cycle operations (3)	2,786	2,798			

(1) Amount of total provision to be funded by AREVA still subject to amortization.
(2) Amount of the provision to be funded by third parties.
(3) Portfolio of financial assets and receivables earmarked to finance AREVA's share of the total provision.

End-of-life-cycle assets

In addition to the value of its property, plant and equipment, AREVA recognizes the deferred portion of the group's share of end-of-life-cycle obligations, such as nuclear facility dismantling and decontamination. The group's share of this adjustment account asset is amortized according to the same schedule as the underlying property, plant and equipment. An adjustment account asset is also recognized for the third party share of end-of-life-cycle obligations, corresponding to the share of dismantling and waste retrieval and packaging operations to be financed by some customers. Conversely, a provision is established to cover total estimated end-of-life-cycle costs as soon as a facility starts up, including any share to be funded by third parties.

	Group share					
(in millions of euros)	Gross value	Amortization	Net value	Third party share	**June 30, 2006**	December 31, 2005
Dismantling	614	(457)	157	1,583	1,740	1,715
Waste retrieval and packaging				500	500	493
Total	**614**	**(457)**	**157**	**2,083**	**2,240**	**2,208**

The third party share of the end-of-life-cycle asset for dismantling mainly corresponds to funding expected from EDF for the La Hague site and from CEA for the Pierrelatte site. This item increases based on the discount reversal and decreases based on work performed.

The third party share of the end-of-life-cycle asset for waste retrieval and packaging corresponds to the funding expected from EDF for its share of the commitment for the La Hague site. These assets will be recovered once an agreement is signed with EDF finalizing the terms and conditions of payment. In effect, when waste retrieval and packaging obligations are covered by contractual commitments from third parties regarding future costs, no liability or corresponding adjustment asset is recognized. However, the share of waste retrieval and packaging work already completed and to be funded by EDF is included in work in process.

Assets earmarked for end-of-life-cycle operations

This item consists of the following:

(in millions of euros)	**June 30, 2006**	December 31, 2005
Receivables related to decommissioning	134	129
Earmarked assets	2,652	2,669
Total	**2,786**	**2,798**

- Receivables related to decommissioning primarily include a receivable resulting from the signature of a contract in December 2004, under which CEA agreed to fund a share of decommissioning expenses at the La Hague and Cadarache plants. This receivable has no set due date.
- The portfolio of assets earmarked for end-of-life-cycle operations breaks down as follows:

(in millions of euros)	**June 30, 2006**	December 31, 2005
Market value		
Publicly traded shares	618	570
Share funds	1,008	973
Bond and money market mutual funds	1,026	1,126
Total	**2,652**	**2,669**
By region		
Euro zone	2,134	2,164
Europe excluding Euro zone	502	502
Other	16	2
Total	**2,652**	**2,669**

Provisions for end-of-life-cycle operations

(in millions of euros)	**June 30, 2006**	December 31, 2005
Decommissioning of nuclear facilities	3,293	3,262
Waste retrieval and packaging	1,247	1,228
Provisions for end-of-life-cycle operations	**4,540**	**4,490**

As a nuclear operator, the AREVA group has a legal obligation to secure and decommission its facilities when they are shut down permanently. The group must also retrieve and package various types of waste from operations, which could not be processed during those operations, in accordance with prevailing standards. Group facilities subject to these obligations include facilities in the front end of the fuel cycle, in particular Eurodif's enrichment plant at Pierrelatte and the fuel fabrication facilities, but they are predominantly facilities in the back end of the fuel cycle, i.e. the treatment plant at La Hague and the Melox and Cadarache MOX fuel fabrication plants.

Under certain circumstances, chiefly in the case of used fuel treatment, several customers have agreed to fund a portion of the costs related to decommissioning operations and to the retrieval and packaging of waste for which they retain ownership. For the group, this has the effect of transferring the financial responsibility for decommissioning and for waste retrieval and packaging from the group to these parties.

Expenses relating to end-of-life-cycle commitments will be incurred between 2006 and 2060, based on foreseeable facility shut-down dates and the scheduling of operations. In particular, cash spending for decommissioning of the UP2-800 and UP3 plants at La Hague is expected to occur during the period 2040-2060.

EDF/AREVA NC negotiations

EDF and AREVA NC embarked on framework negotiations to establish:

Firstly:

- The legal and financial terms of a transfer to AREVA NC of EDF's current financial obligations with respect to dismantling operations at the La Hague site, which could conceivably include 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 AREVA NC's respective shares of obligations for the retrieval and packaging of waste at the La Hague and Saint-Laurent-des-Eaux sites.

Secondly:

- The financial terms of the future used fuel treatment contract beyond 2007.

Considering the global nature of this negotiation, AREVA did not modify the respective shares of dismantling expenses allocated to the parties in its financial statements for the year ended December 31, 2005. Based on available information, this is not expected to have a material impact on the group's financial statements or financial position.

Note 9 - Investments in associates

	June 30, 2006					December 31, 2005
(in millions of euros)	% of control	Share in net income of associates	Investment in associates (excluding goodwill)	Goodwill	Investment in associates (including goodwill)	Investment in in associates (including goodwill)
STMicroelectronics	10.94%	48	818	43	861	831
Eramet	26.25%	52	405	35	440	391
REpower	29.99%	1	54	23	77	27
Other associates		4	38		38	38
Total		**104**	**1,315**	**102**	**1,417**	**1,288**

Changes at June 30, 2006 primarily reflect net income and dividends from associates and an increase in AREVA's interest in REpower from 21.2% to 29.9% as a result of acquisitions of shares, including new shares issued by REpower. In addition, the final impact of STMicroelectronics' first-time adoption of IFRS is included in the share in net income of this associate in the amount of €15 million (see Note 1.2, Accounting principles).

Note 10 - Other non-current financial assets

(in millions of euros)	June 30, 2006	December 31, 2005
Available-for-sale securities	2,058	1,976
Loans to associates	30	32
Other non-current financial assets	349	355
Derivatives on financing activities	12	2
Total	**2,449**	**2,365**

Available-for-sale securities

Available-for-sale securities are as follows:

(in millions of euros)	Number of shares at June 30, 2006	June 30, 2006	December 31, 2005
Publicly traded shares (at market value)			
- Total	7,350,064	378	390
- Alcatel	2,597,435	26	27
- Société Générale	1,690,000	194	176
- Suez	27,627,000	898	727
- Safran (formerly Sagem)	30,772,945	524	622
Investments in privately held companies		38	34
Total		**2,058**	**1,976**

On May 18, 2006, Total performed a four-for-one stock split. This operation had no impact on the portfolio's total value.

Other non-current financial assets

At June 30, 2006 and December 31, 2005, this heading mainly includes an advance to Urenco shareholders for the acquisition of Enrichment Technology Company (ETC) and deposits with the U.S. Customs Service in connection with a dispute regarding import duties (USEC case).

Note 11 - Cash and cash equivalents

(in millions of euros)	June 30, 2006	December 31, 2005
Marketable securities (initial maturity of < 3 months)	781	1,227
Cash and non-trade current accounts	222	257
Net value	**1,003**	**1,484**

Marketable securities with initial maturities of less than three months consisted mostly of negotiable instruments and short-term cash mutual funds.

Note 12 - Other provisions

(in millions of euros)	June 30, 2006	December 31, 2005
Restoration of mining sites and mill decommissioning	61	66
Site clean-up and reclamation of other industrial sites	25	25
Other non-current provisions	**86**	**91**
Restructuring and layoff plans	138	165
Provisions for ongoing cleanup	77	67
Provisions for customer warranties	232	236
Provisions for losses to completion	390	93
Accrued costs	396	417
Other	263	353
Current provisions	**1,496**	**1,331**
Total other provisions	**1,582**	**1,422**

Olkiluoto 3 EPR

The Olkiluoto 3 EPR (OL3) is the first Generation III reactor under construction anywhere in the world. This contract is being performed through a consortium with Siemens. It is also the first reactor for which two safety authorities – French and German – have been involved during the design phase. The price and schedule terms of this turnkey contract with TVO of Finland, the customer, are very tight. Construction is currently encountering difficulties and delays stemming in particular from the OL3 reactor's status as the first reactor of its kind ever built and from the process, specific to Finland, of technical documentation approval by the customer and detailed design approval by the Finnish safety authority, which take place as the work progresses. Due to this approval process, any delay has a negative impact on downstream operations.

The significant level of the provision recognized by the group in the first half of 2006 corresponds, on the one hand, to additional costs identified in particular for engineering and civil works and, on the other, to an estimation of the risks, regarding in particular current uncertainties surrounding project execution.

AREVA is engaged in discussions with the customer to remedy the current difficulties. Accordingly, detailed information is not provided concerning this provision.

Note 13 - Borrowings

(in millions of euros)	Long-term borrowings	Short-term borrowings	June 30, 2006	December 31, 2005
Put options of minority shareholders	1,076		1,076	1,076
Interest-bearing advances	470	52	522	497
Loans from financial institutions	41	210	251	286
Short-term bank facilities and non-trade current accounts in credit		41	41	65
Other borrowings	61	11	72	92
Total Borrowings	**1,648**	**314**	**1,962**	**2,016**

Put options of minority shareholders

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 AREVA NP, representing 34% of the capital, and a call option allowing AREVA to acquire AREVA NP shares held by Siemens, under the following conditions:

First, 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. starting in 2012, the parties may exercise the put and the call unconditionally.

Accordingly, Siemens will have the right to exercise a put option to sell all of its AREVA NP 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' AREVA NP shares at a price determined in the same manner.

Commitments to purchase minority interests held by Siemens in AREVA NP SAS are included in borrowings at the price applicable to the option, estimated at the net present value of future cash flows. This value is adjusted on December 31 of each year.

Note 14 - Related party transactions

Transactions between the parent company and its subsidiaries, which are related parties, were eliminated in consolidation and are not presented in this note.

Transactions between the group and other important related parties are presented below:

CEA

(in millions of euros)	June 30, 2006	December 31, 2005
Borrowings from related parties	513	240
Loans to/receivables from related parties	644	532
Sales	234	574
Purchases	23	24

Relations with State-owned companies

The group has business relationships with State-owned companies and in particular EDF. Transactions with EDF include sales of uranium, enrichment services and nuclear fuel, power plant maintenance and equipment sales, and used fuel transportation, storage, treatment and recycling services. Ongoing negotiations with EDF are described in Note 8 - End-of-life-cycle operations.

Note 15 - Commitments given or received

Off-balance sheet commitments

(in millions of euros)	June 30, 2006	December 31, 2005
Commitments given	**2,973**	**3,076**
Contract guarantees given	2,417	2,463
Other operating guarantees	195	227
Commitments and collateral given on financing	24	49
Other commitments given	337	337
Commitments received	**845**	**900**
Operating commitments received	391	427
Commitments and collateral received on financing	16	36
Other commitments received	438	437
Reciprocal commitments	**1,015**	**907**

Commitments given

AREVA gave a specific guarantee of ownership of FCI shares sold to Bain Capital. This guarantee, which is capped at the sale price (€582 million), is not included in the summary table.

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

Commitments received

At June 30, 2006, AREVA had outstanding claims under vendor warranties received from Alstom in connection with the acquisition of the **Transmission & Distribution** Division. This general warranty is capped at €175 million. AREVA has sent several letters to Alstom notifying it of facts that may be subject to compensation under the warranty, to be determined case by case when the final amount of the loss is known. The most significant events are described in Note 16.

Since March 31, 2006, AREVA may no longer submit new claims under the general warranty.

Reciprocal commitments

At June 30, 2006, reciprocal commitments include a maximum commitment of €400 million given to the shareholders of Urenco to acquire from them a 50% interest in ETC.

Note 16 - Other information

Potential litigation and liabilities

Complaint from associations regarding former mining sites in the Limousin region

Certain associations have filed a complaint for alleged waste dumping and damage to fish life in the vicinity of former mining sites near Bessines, in the Limousin region of France. The lower criminal court of Limoges heard the case on June 24, 2005. In a decision rendered on October 14, 2005, the court ruled completely in favor of AREVA NC on all counts. The decision of the court regarding alleged criminal conduct cannot be appealed.

The plaintiffs have appealed the component of the ruling denying civil damages. On May 24, 2006, the case was reheard by the Court of Appeal of Limoges, ruling on damages only.

On June 28, 2006, the criminal appellate division of the Limoges Court of Appeal confirmed the Limoges lower criminal court's ruling of October 14, 2005 and denied the appellants' claim on procedural grounds.

Two of the three associations have filed an appeal of the June 28 ruling with the Court of Cassation.

ISF2

The ISF2 project concerns the construction of a dry storage unit for RBMK nuclear fuel in Ukraine.

In May 2004, the customer wrote to AREVA NP advising that the assemblies were not in the condition stated in the contractual documents. Without prejudicing the contractual positions of either party, and independently of pending commercial and financial negotiations, a memorandum of understanding was signed on July 17, 2004 by the three parties, i.e. AREVA NP, the customer's representative (PMU) and the plant, thus demonstrating their desire to cooperate to complete this project.

At the customer's request, AREVA NP drafted a technical solution taking into account the possibility that the customer may not be able to establish the actual condition of the fuel assemblies (contractual responsibility of the customer). In November 2004, this solution was presented to the donor countries in the presence of all interested parties (EBRD, AREVA NP, Customer and Ukrainian safety authorities).

In July 2005, the cost estimate for the solution proposed by AREVA NP was presented to the meeting of donor countries. At their request, the EBRD performed a technical and financial audit. At the end of October 2005, the contract was suspended by mutual agreement of the parties for an initial three-month period, and work was undertaken under a special service contract so that the most critical tasks could nonetheless continue.

The technical and financial audit report commissioned by the donor countries was issued in January 2006. AREVA NP expressed its disagreement with the report's conclusion during the general meeting of donor countries held in London on February 14, 2006. During this same meeting, AREVA NP made new proposals so as to move the project forward. A U.S. company presented an alternative solution to AREVA NP's proposals during the meeting of donor countries held on June 27, 2006. As of June 30, 2006, the contract was still suspended.

USEC litigation

In 2001, the U.S. Department of Commerce (DOC) ordered that countervailing duties be levied on European enrichers for enrichment services imported to the United States from France, Germany, the Netherlands and the United Kingdom. This action followed complaints filed in December 2000 by the United States Enrichment Corporation (USEC) against Eurodif and Urenco for dumping and unfair subsidies. The level of countervailing duties applied to Eurodif exports to the United States led to the deposit of US$188 million with the U.S. Customs Service at the end of June 2006, which may be recovered once the case has been adjudicated.

Eurodif's defense included administrative proceedings before the DOC and a legal proceeding before the U.S. Court of International Trade (CIT):

- In February 2003, Eurodif asked the DOC to revise provisional 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 by approximately 80% compared with the provisional amount. The duties for alleged dumping in 2004 were determined in October 2005.
- In April 2002, Eurodif lodged an appeal with the U.S. Court of International Trade (CIT). The CIT issued favorable rulings validating Eurodif's legal analysis in March 2003 and in September 2003.
- the matter was referred in early 2004 to the U.S. Court of Appeal for the Federal Circuit (CAFC), which is the ultimate level of appeal, which issued a ruling on March 3, 2005 in favor of Eurodif, thus terminating all legal proceedings and the anti-dumping and subsidy protection measures implemented by the DOC. The CAFC confirmed its ruling during re-hearings on September 9, 2005. The court remanded the case to the CIT, which in turn ordered the DOC to comply with these decisions in January 2006.

The group is not in a position to determine when the deposits made by Eurodif will be reimbursed, considering the complexity of the legal process involved.

Ongoing investigations

The European Commission conducted an investigation into alleged anti-competition practices between suppliers of gas-insulated switchgear (GIS) and issued a Statement of Objections targeting AREVA, Alstom, ABB, Siemens and other European and Japanese companies. AREVA considers that any penalty in the case should be assessed directly against Alstom or, if not, that Alstom should compensate AREVA under the vendor warranties given in connection with the sale of the **Transmission & Distribution** Division.

This investigation led to other investigations by competition authorities in Australia, the Czech Republic, Hungary, Mexico and New Zealand. In Hungary, authorities ruled in favor of AREVA's position. AREVA wants to eradicate all anti-competition practices in its businesses and has had various discussions with the Commission on the steps it has taken to ensure that this is done. AREVA is currently implementing a compliance program in all of its businesses.

Administrative sanctions against a Mexican subsidiary of AREVA T&D

In 2004, proceedings were instigated by Mexican authorities against a subsidiary of AREVA T&D for anti-competition practices, which could cause it to be prohibited from bidding on government contracts in Mexico.

A court decision exonerating AREVA T&D was rendered on August 11, 2005. However, the local authority concerned has handed down a new decision which is identical to the first decision, preventing AREVA T&D SA de CV from bidding on government contracts in Mexico. Proceedings have been initiated to ensure enforcement of the court's ruling and suspend the administrative measure until a new court decision, if any, is issued on the merits.

Note 17 - Events subsequent to the period end

Ritz High Voltage

AREVA T&D has entered into an agreement with the German group Ritz setting financial and legal terms for the acquisition of its high voltage instrument transformer operations.

Ritz High Voltage is a world leader in instrument transformers, with sales of around €50 million and a workforce of close to 500 people.

With this acquisition, AREVA becomes the world leader in the instrument transformer market. The group will capitalize on product and regional synergies with AREVA T&D's instrument transformer business, particularly in strategic countries such as China and the United States.

The acquisition is consistent with AREVA's targeted acquisition strategy aimed at strengthening each of AREVA T&D's product lines.

ETC

On July 3, 2006, AREVA acquired a 50% interest in Enrichment Technology Company (ETC), with the remaining shares held by Urenco. Prior to this acquisition, the European Union competition authorities approved the transaction and a multilateral agreement to control the technology for centrifuge enrichment of uranium was ratified by France, Germany, the Netherlands and the United Kingdom.

ETC controls Urenco's operations involving the design and construction of uranium centrifuge enrichment equipment and facilities, and related R&D. ETC will have sole responsibility for the partners' business in this area. However, the partners will continue to compete against each other in the enrichment services market.

The acquisition of a 50% interest in ETC secures AREVA's access to the centrifuge equipment needed to build the new Georges Besse II uranium enrichment plant. In so doing, AREVA will be able to meet its long term commitments to customers and ensure a smooth transition from the Georges Besse gaseous diffusion enrichment plant to the George Besse II centrifuge enrichment plant.

ETC reported 2005 sales of €232 million and employs around 1,000 people, chiefly in its facilities in Capenhurst (United Kingdom), Almelo (the Netherlands) and Jülich and Gronau (Germany).

La Mancha

On May 19, 2006, AREVA NC and La Mancha executed an agreement to combine their gold mining and exploration operations. La Mancha Resources Inc. is a Canadian company. Its stock trades on the TSX/V stock exchange in Toronto.

This combination will take the form of an asset contribution by CFMM and AREVA Australia to La Mancha. The group will contribute its gold assets, comprised of Cominor and its subsidiaries in Côte d'Ivoire and Sudan, and Mineraus in Australia. In exchange for this contribution, CFMM will receive a majority interest in La Mancha (more than 62%) and 7 million warrants.

In addition to this contribution, La Mancha will raise funds by issuing new shares to private investors for a total of 40 million Canadian dollars.

After this transaction, La Mancha will own 100% of Cominor and the Australian subsidiary Mineraus.

The transaction should be completed soon. A prospectus was sent to shareholders on August 25, 2006 for approval of the transaction during a General Meeting to be held on September 20. A request to transfer share trading from the TSX/V platform to the TSX was submitted on September 1.

The closing is scheduled for September 28, subject to meeting conditions precedent, mainly authorization by the Australian government and approval of the transaction by the General Meeting of Shareholders.

Acquisition of Sfasteel (forgings operations in Le Creusot)

On September 8, 2006, AREVA NP acquired 100% of the share capital of Sfarsteel, a company specialized in forgings, machining, mechanics and heavy component welding with plants near Le Creusot, France. Sfarsteel has approximately 400 employees and reported sales of €69 million in 2005. This acquisition, occurring as it does in the midst of a worldwide nuclear revival, allows AREVA to strengthen its access to heavy components, especially forgings.

A business corporation (société anonyme) whith an Executive Board
and a Supervisory Board capitalized at €1,346,822,638

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