Half-year report
June 30, 2008

AREVA

AREVA

Certification from the person responsible for the half-year financial report

« I certify that, to the best of my knowledge, the summary financial statements as of June 30, 2008 are prepared in accordance with accounting standards and that they give a true and fair view of the assets and liabilities, of the financial position and the income of the company and of all the companies included in the consolidation, and that the attached half-year management report presents a true view of the significant events of the first six months of the fiscal year and their impact on the financial statements, the main related party transactions and a description of the main risks and uncertainties for the remaining six months of the fiscal year. »

Mrs. Anne Lauvergeon
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1 | Highlights of the period

Concerning business strategy and capital expenditures

- AREVA acquired 70% of Koblitz, a Brazilian supplier of integrated solutions for power generation and cogeneration from bagasse and small hydro dams.
- FT1CI, the company that holds AREVA's indirect equity interest in STMicroelectronics (STM), and Finmeccanica concluded an agreement by which FT1CI is to acquire part of Finmeccanica's indirect equity interest in STM (i.e. 2.86% of STM's share capital) to equalize the indirect equity interests held in STM by FT1CI on the one hand, and by Finmeccanica and Cassa Depositi et Prestiti on the other.
- SGN, a subsidiary of AREVA, and Technip created a joint venture called TSU Project to bolster engineering personnel specialized in the management of major mining projects. The group also plans to step up the Imouraren project in Niger and the Trekkopje project in Namibia.
- AREVA strengthened its presence in the United Kingdom with the acquisition of the British firm RM Consultants, which specializes in risk management and nuclear safety.
- Along with Sorame and Ceir, AREVA signed an amendment to the shareholders' agreement of June 17, 1999 pertaining to Eramet, extending that agreement to December 31, 2008, with certain modifications.
- AREVA sold its 29.95% interest in the wind turbine manufacturer REpower to Suzlon.

In the commercial arena

- The British government officially announced the restart of the nuclear power program in the United Kingdom following a democratic consultation process launched two years ago. Certification of AREVA's EPR was upheld by all of the utilities competing to participate in the construction of a new fleet of the latest generation of reactors. If selected by the British government, EDF and E.On have already clearly indicated that they would choose the EPR.
- Total, Suez and AREVA teamed up to propose a nuclear generating plant in the United Arab Emirates to authorities of that country.
- Following Eskom's Invitation to Negotiate of November 2007, AREVA and its partners submitted a proposal to South Africa on January 31, 2008. The proposal includes the construction of two EPRs for the "Nuclear 1" program and preliminary designs for the constitution of a 20-GWe fleet of reactors.
- The International Nuclear Recycling Alliance (INRA) headed up by AREVA and Mitsubishi Heavy Industries, of which Japan Nuclear Fuel Limited (JNFL), URS Washington Division, The Babcock & Wilcox Company and Battelle are also members, received an extension to its contract with the U.S. Department of Energy (DOE) signed in October 2007 concerning the Global Nuclear Energy Partnership (GNEP).
- Shaw AREVA MOX Services, a joint venture formed by AREVA and the U.S. group Shaw, signed an agreement with the DOE for the construction of a MOX fuel fabrication facility at the Savannah River site in South Carolina.
- The DOE awarded a contract to Washington River Protection Solutions, LLC (WRPS), a company in which AREVA is a shareholder, related to the cleanup and dismantling program for underground tanks containing chemical and radioactive waste at the Hanford site in Washington State.
- The Suez group and the AREVA group sealed an agreement by which Suez acquires a 5% share in the company in charge of the Georges Besse II enrichment plant project.

In the industrial arena

- In accordance with the Georges Besse II project schedule, in February AREVA handed the keys over to the Enrichment Technology Company (ETC) for the centrifuge assembly building of the uranium centrifuge enrichment plant to be located at Tricastin. This event is a major milestone in the construction of the Georges Besse II plant and confirms that AREVA is keeping to the project schedule.
- In May, AREVA announced that the State of Idaho had been selected for the construction of its future uranium enrichment plant in the United States. The site is located in Bonneville County, about 30 kilometers west of the town of Idaho Falls, near the Idaho National Laboratory.

2 | Key data

2.1. Summary data

2.1.1. Financial indicators

(in millions of euros)	H1 2008	H1 2007	2008/2007 change
Backlog	38,123	35,553	13.6%
Revenue	6,168	5,373	14.8%
Gross margin	1,281	1,084	18.2%
In % of revenue	*20.8%*	*20.2%*	-
Earnings before interest, taxes, depreciation and amortization (EBITDA)	863	451	91.4%
In % of revenue	*14.0%*	*8.4%*	-
Operating income	539	207	160.4%
In % of revenue	*8.7%*	*3.9%*	-
Net financial income	213	118	80.5%
Net income attributable to equity holders of the parent	760	295	157.6%
In % of revenue	*12.3%*	*5.5%*	-
Net operating Capex	-455	-501	-9.2%
Operating cash flow before tax	-521	-513	1.6%
Dividends paid	-319	-340	-6.2%

(in millions of euros)	June 30. 2008	December 31. 2007	2008/2007 change
Net debt at the end of the period	4,459	4,003	11.4%
including put options of minority interests	2,074	2,049	1.2%

2.1.2. Definitions of financial indicators

Backlog: The backlog is valued based on economic conditions at the end of the period. It includes firm orders and excludes unconfirmed options. Foreign currency orders that are hedged are valued at the hedge exchange rate. Foreign currency orders that are not hedged are valued at the exchange rate as of the last date of the period under consideration. Natural uranium orders are valued based on the closing price of applicable spot and long term indices. The backlog reported for long-term contracts recorded under the percentage of completion method and partially performed as of the reporting date is equal to the difference between (a) the projected revenue from the contract at completion and (b) the revenue already booked for this particular contract. Accordingly, the backlog takes into account escalation and price revision assumptions used by the group to determine the projected revenue at completion.

Earnings before income tax, depreciation and amortization (EBITDA): EBITDA is equal to operating income plus net amortization, depreciation and operating provisions (except for provisions for impairment of working capital items). EBITDA is adjusted so as to exclude the cost of nuclear facility decommissioning obligations (dismantling, waste retrieval and packaging) met during the year, as well as the full and final payments paid or to be paid to third parties for facility decommissioning. It should be noted that the cash flows linked to end-of-life-cycle operations are presented separately.

Cash flows from end-of-life-cycle operations: this indicator encompasses all of the cash flows linked to end-of-life-cycle operations and to assets earmarked to cover those operations. It is equal to the sum of the following items:

- income from the portfolio of earmarked assets;
- cash from the sale of earmarked assets;
- minus acquisitions of earmarked assets;
- minus cash spent during the year on end-of-life-cycle operations;
- full and final payments received for facility dismantling;
- minus full and final payments made for facility dismantling.

Free operating cash flow: this indicator represents the cash flow generated by operating activities, before income tax. It is equal to the sum of the following items:

- EBITDA, excluding end-of-life-cycle operations;
- plus losses or minus gains included in operating income on sales of property, plant and equipment (PP&E) and intangible assets;
- plus the decrease or minus the increase in operating working capital requirement between the beginning and the end of the period (excluding reclassifications, currency translation adjustments and changes in consolidation scope);
- minus acquisitions of PP&E and intangible assets, net of changes in accounts payable related to fixed assets;
- plus sales of PP&E and intangible assets included in operating income, net of changes in receivables on the sale of fixed assets;
- plus prepayments received from customers during the period on non-current assets;
- plus acquisitions (or disposals) of consolidated companies (excluding equity associates).

Operating working capital requirements (OWCR): OWCR represents all of the current assets and liabilities related directly to operations and includes the following items:

- inventories and work-in-process;
- trade accounts receivable and related accounts;
- non interest-bearing advances;
- other accounts receivable, accrued income and prepaid expenses;
- less trade accounts payable and related accounts, trade advances and prepayments received (excluding interest-bearing advances), other operating liabilities, accrued expenses, and deferred income.

Note: OWCR does not include non-operating receivables and payables such as income tax liabilities, amounts receivable on the sale of non-current assets, and liabilities in respect of the purchase of non-current assets.

Net debt: This heading includes borrowings due in less than or more than one year, which include interest-bearing advances received from customers and put options by minority shareholders, less cash balances, non-trade current accounts, securities held for trading and other current financial assets. Shares classified as "available-for-sale securities" are now excluded from the calculation of the net debt position.

2.1.3. Indicateurs AREVA Way extra-financiers

(in millions of euros)	**Q2 2008**	Q1 2008	2007
SAFETY (over a 12-month sliding period)			
Accident frequency rate	3.37	3.62	3.55
Accident severity rate	0.08	0.09	0.11
DOSIMETRY			
Average exposure to radiation (group employees)	1.22	n/a	1.19
Average exposure to radiation (subcontractors)	0.49	n/a	0.49
ENVIRONMENT			
Electric power used (GWh)	313,953.10	454,807.77	1,447,118.64
Fossil energy used (GWh)	380,982.45	371,408.49	1,369,803.089
Direct greenhouse gas emissions (MT CO2 equivalent)	228,515.21	229,797.11	990,836.12

2.2. Segment reporting

First half 2008 (contributions to the group)

(in millions of euros)	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate & other eliminations	Total
Revenue	1,488	1,466	930	2,284	1	6,168
EBITDA	533	(98)	205	255	(31)	863
% of revenue	*35.8%*	*-6.7%*	*22%*	*11.2%*	-	*14.0%*
Operating income	400	(258)	175	253	(32)	539
% of revenue	26.8%	-17.6%	18.8%	11.1%	-	8.7%
Change in operating WCR	(264)	(130)	(87)	(198)	(59)	(739)
Net operating Capex	(125)	(178)	(44)	(99)	(9)	(455)
Free operating cash flow before tax	(46)	(407)	73	(45)	(96)	(521)

First half 2007 (contributions to the group)

(in millions of euros)	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate & other eliminations	Total
Revenue	1,342	1,154	856	2,021	0	5,373
EBITDA	292	(122)	172	156	(48)	451
% of revenue	*21.5%*	*-10.0%*	*18.1%*	*7.7%*	-	*8.4%*
Operating income	223	(230)	95	175	(56)	207
% of revenue	*16.4%*	*-18.8%*	*11.1%*	*8.7%*	-	*3.9%*
Change in operating WCR	(167)	9	(197)	(71)	(34)	(459)
Net operating Capex	(243)	(124)	(47)	(70)	(18)	(501)
Free operating cash flow before tax	(122)	(236)	(73)	17	(100)	(513)

2.3. Backlog

The group's backlog at June 30, 2008 stood at 38.123 billion euros, up 13.6% from 33.553 billion euros at June 30, 2007.

In the nuclear businesses, the backlog at June 30, 2008 was 32.331 billion euros, compared with 29.441 billion euros at June 30, 2007. Most notably, the first half of 2008 saw the signature of several multi-year contracts with Japanese and American utilities and with EDF in the front end of the cycle, for a combined total of more than 1 billion euros.

In the **Transmission & Distribution** division, the backlog at June 30, 2008 was 5.792 billion, compared with 4.116 billion at June 30, 2007. A total of 3.163 billion euros in orders was booked in the first half, an increase of 20.0% year-on-year (+17.6% like-for-like). The division won several important contracts, most notably with Dubai Electricity to supply two high voltage substations, with National Grid and RTE for the renovation of the IFA 2000 France-Britain interconnection, and with Rio Tinto Alcan in the industrial field.

2.4. Income statement

(in millions of euros)	**H1 2008**	H1 2007	2007
Revenue	**6,168**	**5,373**	**11,923**
Gross margin	**1,281**	**1,084**	**2,762**
Research and development expenses	(205)	(197)	(421)
Marketing and sales expenses	(287)	(252)	(529)
General and administrative expenses	(468)	(424)	(881)
Other operating expenses	(21)	(66)	(243)
Other operating income	240	63	64
Operating income	**539**	**207**	**751**
Net financial income	**213**	**118**	**64**
Income tax	(74)	(53)	(81)
Share in net income of equity associates	121	34	148
Net income from continuing operations	**799**	**306**	**882**
Net income from discontinued operations	-	-	-
Net income for the period	**799**	**306**	**882**
Minority interests	38	12	139
Net income attributable to equity holders of the parent	**760**	**295**	**743**

2.4.1. Revenue

Consolidated revenue rose to 6.168 billion euros in the first half of 2008, up 14.8% from the same period in 2007. Revenue rose 16.0% like-for-like.

(in millions of euros)	**H1 2008**	H1 2007	2008/2007 change
Contribution to consolidated revenue	**6,168**	**5,373**	**14.8%**
Front End division	1,488	1,342	10.9%
Reactors and Services division	1,466	1,154	27.0%
Back End division	930	856	8.7%
Nuclear	**3,883**	**3,352**	**15.9%**
Transmission & Distribution division	2,284	2,021	13.0%

Nuclear operations reported first half 2008 revenue of 3.883 billion, up 15.9% in reported data from first half 2007 and up 18.6% like-for-like. Highlights are as follows:

- growth in the **Front End** division is primarily due to a particularly high level of export business in Europe and Asia, especially in Enrichment and Fuel. This contrasts sharply with the first half of 2007, which was particularly impacted by unfavorable timing of deliveries in the Fuel business unit;
- business was quite brisk in the **Reactors and Services** division, with 31.3% growth like-for-like, driven by the physical advancement of major projects in Finland, France and China, and by very favorable Nuclear Services business levels in the United States;
- the **Back End** division saw positive growth due to a high level of MOX production and favorable production levels at La Hague in the first half, and to the start of engineering projects in the United States (MOX plant at Savannah River and Hanford Tank project).

The **Transmission & Distribution** division posted revenue of 2.284 billion euros for growth of 13.0%, consistent with the sharp increase in orders in the Products and Automation business units.

2.4.2. Gross margin

Gross margin for the group came to 1.281 billion euros in the first half of 2008, i.e. 20.8% of revenue. This compares with 1.084 billion in the first half of 2007, or 20.2% of revenue, for growth of 0.6 point.

(in millions of euros)	**H1 2008**	H1 2007	2008/2007 change
Gross Margin	**1,281**	**1,084**	**18.2%**
% of revenue	*20.8%*	*20.2%*	*+0.6 pt*
Nuclear operations	615	572	7.5%
Transmission & Distribution	665	511	30.1%

This improvement reflects:

- the noticeable improvement in the **Back End** division's gross margin, mainly due to a particularly favorable customer mix in MOX fuel, to improved profitability in Logistics, and to favorable first-half production levels at La Hague;
- the sharp improvement in the **Transmission & Distribution** division's margin, especially in the Products and Systems business units, through successful contract performance, better use of existing production capacities through lean manufacturing programs, and the positive impacts of the optimization plan.

However, the gross margin rate dropped in the Front End division, mainly due to increased mining costs and to the downturn in uranium trading operations. The gross margin rate for the Reactors and Services division remained stable, penalized by the revised provision on the OL3 contract.

2.4.3. Research and development

The group's research and development costs are recorded on the balance sheet if they meet the criteria for fixed assets under IAS 38, and are expensed if they do not.

Research and development expenses not eligible for capitalization are recorded in the income statement under gross margin if solely funded by the group; expenses for programs that are wholly or partially funded by customers or for joint projects in which AREVA has commercial rights to the results are recognized in the cost of sales. All research and development costs, whether capitalized or expensed during the period, constitute the total R&D expenditure.

	H1 2008		H1 2007	
(in millions of euros)	In millions of euros	In % of revenue	In millions of euros	In % of revenue
Research and development expenses	(205)	3.3%	(197)	3.7%
(recognized in the income statement)				
R&D expenditure	(459)	7.4%	(373)	6.9%

Taking into account all costs incurred for research and development, the total research and development expenditure was 459 million euros for the first half of 2008, or 7.4% of revenue for the period, up from 373 million euros for the first half of 2007 (6.9% of revenue).

This growth reflects in particular:

- expenses for the **nuclear** divisions, which carry the burden of the mineral exploration development program and increased R&D in reactors, equipment and nuclear services; and
- expenses in the **Transmission & Distribution** division aimed mainly at improving the performance of electric power systems and equipment and developing digital controls and information systems for power grid monitoring.

2.4.4. General and administrative, marketing and sales expenses

General and administrative expenses and marketing and sales expenses came to 755 million euros or 12.2% of revenue in the first half of 2008, slightly lower than the 12.6% of revenue in the first half of 2007.

2.4.5. Other operating income, other operating expenses

- Other operating expenses came to 21 million euros, down from 66 million euros in the first half of 2007. They include restructuring expenses in the amount of 8 million euros, compared with 17 million euros for the same period in 2007.
- Other operating income was 240 million euros, up from 63 million euros in the first half of 2007. They include dilution gains when minority shareholders acquired equity interests in the group's subsidiaries.

2.4.6. Operating income

Operating income for the first half of 2008 came to 539 million euros, up from 207 million euros in the first half of 2007, an increase of 322 million euros. The group's operating margin rate was 8.7% for the first half of 2008, compared with 3.9% for the first half of 2007.

- In nuclear operations, operating income was 324 million euros, compared with 88 million euros year-on-year. The operating margin rate came to 8.3%, compared with 2.6% in the first half of 2007. This increase is the result of strong operating income growth in the **Front End** division ((operating gain tied to third-party acquisitions of equity in the group's subsidiaries) and in the **Back End** division. In spite of strong performance in engineering and services, operating income from the Reactors and services was penalized by an additional provision recorded on the OL3 contract.
- The **Transmission & Distribution** division reported operating income of 253 million euros, compared with 175 million euros in the first half of 2007. In addition to improved gross margin, non-production costs indicate good control of general and administrative expenses, despite increased expenses in marketing and sales and R&D.
- The operating loss for Corporate was 39 million euros, up from a loss of 56 million euros in the first half of 2007. For the full year of 2008, Corporate expenses should be comparable to those of 2007.

2.4.7. Net financial income

(in millions of euros)	**H1 2008**	H1 2007
Net borrowing costs	**(76)**	**(12)**
Share related to end-of-life-cycle operations	**1**	**44**
Income from the earmarked financial portfolio	65	107
Discount reversal on end-of-life-cycle operations	(64)	(63)
Share not related to end-of-life-cycle operations	**288**	**86**
Income from disposals of securities and change in value of securities held for trading	354	19
Financial income from pensions and other employee benefits	(35)	(28)
Dividends received	60	52
Other income and expenses	(91)	43
Net financial income	**213**	**118**

Net financial income was 213 million euros in the first half of 2008, compared with 118 million euros for the same period in 2007.

The growth in income not related to end-of-cycle operations is primarily due to the recognition of the gain on the disposal of REpower shares. This gain is offset by cancellation of the income recognized in 2007 on the put option held by the group.

2.4.8. Income tax

First half 2008 tax expense came to 74 million euros, for an effective tax rate of 9.85%, compared with 16.28% for the first half of 2007. The effective tax rate at June 30, 2008 reflects the favorable impact of the absence of a tax on dilution income and taxation at a lower rate on the gain from the disposal of REpower shares.

2.4.9. Share in net income of associates

(in millions of euros)	**H1 2008**	H1 2007	2007
STMicroelectronics	(3)	(46)	(25)
Eramet group	116	71	153
REpower	1	2	7
Other	7	7	14
Total	**121**	**34**	**148**

The share in net income of associates rose substantially, to 121 million euros for the first half of 2008, compared with 34 million euros for the first half of 2007. This change is primarily due to the sharp rise in Eramet income.

The group may record net income from STMicroelectronics and Eramet that differs from the income reported by those companies:

- STMicroelectronics' financial statements are prepared according to U.S. GAAP and are in U.S. dollars. The group converts them into euros and adjusts them for IFRS. STMicroelectronics does not publish half-year income statements under IFRS. The IFRS adjustments included in AREVA's 2007 consolidated half-year financial statements are therefore unaudited;
- with regard to Eramet, income is calculated based on preliminary results. Any differences between Eramet's preliminary and final financial statements are recorded in the financial statements for the following period.

It should be noted that AREVA sold its 29.95% interest in REpower in June 2008 (see comments on net financial income, note 2.4.7).

2.4.10. Minority interests

The share of net income allocated to minority interests went from 12 million euros for the first half of 2007 to 38 million euros for the first half of 2008.

Minority interests are as follows:

(in millions of euros)	**H1 2008**	H1 2007	2007
AREVA NP	(44)	(38)	(17)
AREVA NC	68	37	105
AREVA T&D and Other	14	13	51
Total	**38**	**12**	**139**

2.4.11. Net income

In light of the foregoing, net income attributable to equity holders of the parent was 760 million euros for the first half of 2008, an increase of 465 million euros in comparison to the 295 million euros of the first half of 2007.

Earnings per share for the first half of 2008 are thus 21.45 euros, compared with 8.31 euros for the first half of 2007, i.e. an increase of 13.14 euros per share.

2.5. Review by division

2.5.1. Front End division

(contribution to the group, in millions of euros)	**H1 2008**	H1 2007	2008/2007 change
Backlog	19,108	17,223	10.9%
Revenue	1,488	1,342	10.9%
Operating income	400	223	79.4%
In % of revenue	*26.9%*	*16.6%*	*+10.3 pts*
Operating cash flow before tax	-46	-122	-62.3%

Highlights and recent events

Highlights for the Mining sector are as follows:

- signature of an agreement with Kazatomprom concerning the terms of the Katco mining agreement. In particular, the plant's production capacity was increased from 1,500 metric tons per year to 4,000 metric tons per year and the contract term was extended from 2017 to 2039;
- the operating permit for the Trekkopje mine in Namibia was received and production is slated to start in 2009.

In Enrichment, the following events occurred during the first half:

- Suez became a 5% shareholder of Société d'Enrichissement du Tricastin, which will operate the GB II plant. This is yet another sign of utilities' determination to secure access to the front end of the fuel cycle;
- elsewhere, the group chose Bonneville County in Idaho as the location for construction of its U.S. uranium enrichment plant.
- the keys to the centrifuge assembly building of the GB II plant were turned over to ETC, which will soon begin assembling centrifuges from its German and Dutch facilities.

Events in Fuel were:

- a second part was signed to the agreement between AREVA and Kazatrompom concerning the creation of two joint ventures that will produce and market 400 metric tons of fuel assemblies per year. Marketing operations will be conducted by a joint company (51% AREVA, 49% Kazatomprom);
- along similar lines, AREVA and MHI signed a draft agreement to create a joint venture to supply fuel for pressurized water reactors, boiling water reactors and gas reactors as well as MOX fuel to the Japanese market.

First half 2008 performance

The backlog for the Front End division came to 19.108 billion euros at the end of June 2008. Contracts won in the Front End include the following:

- two contracts for a combined total of almost 250 million euros in Mining with Japanese and American utilities;
- MOX fuel supply to EDF, and
- more than 1 billion euros in Enrichment contracts with European and Asian utilities.

First half 2008 revenue for the Front End division totaled 1.488 billion euros, representing growth of 10.9% (+13.8% like-for-like), compared with 1.342 billion euros in the first half of 2007. This change is the combined result of:

- the unfavorable impact of the USD / EUR exchange rate, which affects the Mining, Enrichment and Fuel business units;
- a downturn in trading operations due to temporarily unfavorable spot market conditions;
- a positive consolidation impact, primarily due to the transfer of Plants business unit operations to the Fuel business unit during the first half;

- the rise in the average price of uranium applicable to orders booked by the Mining business unit in recent months, which is beginning to have an impact on revenue;
- an increase in volumes in the Mining, Enrichment and Fuel business units, a situation that could however be partially offset in the second half of the year; and
- a favorable geographic mix in Enrichment, with sales up sharply in Asia, and in Fuel.

Operating income in the Front End division for the first half of 2008 rose to 400 million euros, up from 223 million euros in the first half of 2007. This sharp increase is due in particular to new minority interests in the group's subsidiaries.

Free operating cash flow before tax in the Front End division is -46 million euros for the first half of 2008, compared with -122 million euros for the first half of 2007. The rise in Capex and the rebuilding of inventories in the Mining and Enrichment business units are offset by the impact of new minority shareholders in the group's subsidiaries.

2.5.2. Reactors and Services division

(contribution to the group, in millions of euros)	**H1 2008**	H1 2007	2008/2007 change
Backlog	7,633	5,597	36.4%
Revenue	1,466	1,154	27.0%
Operating income	-258	-230	-12.2%
In % of revenue	*-17.6%*	*19.9%*	*+2.3 pts*
Operating cash flow before tax	-407	-235	73.2%

Highlights and recent events

Main developments pertaining to the first half of 2008 in the Reactors field were as follows:

- AREVA acquired RM Consultants, a firm specializing in nuclear safety and environmental hazards, thereby strengthening its presence on the strategic British market.
- following a democratic consultation process launched in 2006, the United Kingdom plans to restart the nuclear program and AREVA clearly expressed its interest in participating in the construction of new reactors through partnerships with several utilities. EDF and E.On, two of the candidates, have already announced their choice of the EPR technology, assuming they are selected by the British government;
- in response to the invitation to tender from the South African Republic, AREVA submitted a proposal to build two EPRs and to provide preliminary designs for a 20 GWe reactor fleet by 2025;
- the U.S. Nuclear Regulatory Commission (NRC) announced a one-year delay in the certification process for new reactor design, rolling back the date at which new reactor construction could begin in the United States from 2010 to 2011.

The OL3 project

The first half of 2008 saw significant steps forward in the OL3 project:

- forging of primary coolant pipes and steam generator tubing completed;
- pool vault installed in the reactor building;
- successful completion of hydraulic pressure test for the reactor pressure vessel to be delivered on site before the end of 2008;
- start of assembly of piping for the auxiliary coolant system began on schedule on June 30, 2008.

Over the course of the period, TVO and AREVA continued to strengthen their cooperation by immediately setting up measures to improve construction oversight and resolve stumbling blocks based on the work of a joint TVO, AREVA and Siemens task force.

In December 2007, the consortium had exercised its right to indemnification by submitting a significant claim for payment of cost overruns it deems attributable to TVO. This claim supplements a similar claim submitted in 2006 and formally requests an extension of the contract deadline. TVO had also expressed its position in 2007, formally disagreeing with the consortium's 2006 claim and presenting a counterclaim against the consortium. TVO increased the amount of its counterclaim in August 2008. The consortium and its counsel consider the allegations made in the counterclaim to be unfounded and without merit under the contract terms and Finnish law.

In addition, AREVA is pursuing and accelerating its policy of exercising its rights in full by systematically making claims against the customer. Some of these claims are now in the arbitration and adjudication stage.

The accounting provision for the OL3 project was revised at June 30, 2008, particularly to recognize cost overruns generated by the mobilization of additional resources required to offset the interruptions caused by the project environment and additional risks for subcontracted construction operations.

Remaining uncertainties regarding the cost to completion relate chiefly to contractual risks, claims and the difficulties inherent in the construction of the first EPR.

First half 2008 performance

The backlog for the Reactors and Services division came to 7.633 billion euros at June 30, 2008. Contracts in Nuclear Services totaling 110 million euros were won in France, the United States and Germany, particularly for steam generator replacements and chemical cleaning of reactor vessels.

Revenue for the division came to 1.466 billion euros, a 27% increase like-for-like and a 31% increase at constant exchange rates, accounting methods and consolidation scope compared with the same period in 2007. This increase was due to:

- a negative exchange rate impact of 36 million euros, primarily due to the drop in the US dollar in relation to the euro;
- progress on major construction projects in Finland (OL3), France (Flamanville) and China (Taishan); and
- in Nuclear Services, very brisk business in the United States, where several steam generator replacements took place and scheduled reactor outages began earlier than in 2007.

The division had an operating loss of 258 million euros for the first half of 2008, compared with a loss of 230 million euros for the first half of 2007, reflecting:

- the revision of the provision for loss to completion on the OL3 contract;
- the sharp upturn in income from the Nuclear Services business unit due to very brisk business in the United States and high value-adding operations; and
- solid engineering operations, which continued to be highly profitable.

Free operating cash flow for the Reactors and Services division is negative for the first half of 2008, at -407 million euros, compared with -235 million euros for the first half of 2007, due to:

- improved EBITDA, which nonetheless remained negative, due in particular to the use of previously recognized provisions as cash; and
- an increase in operating Capex, mainly as a result of the acquisition of Koblitz.

2.5.3. Back End division

(contribution to the group, in millions of euros)	**H1 2008**	H1 2007	2008/2007 change
Backlog	5,591	6,621	-15.6%
Revenue	930	856	8.7%
Operating income	175	95	84.2%
In % of revenue	*18.8%*	*11.1%*	*+7.7 pts*
Operating cash flow before tax	73	-73	-200.0%

Highlights and recent events

The following events are worth noting in the first half of 2008:

- the U.S. Department of Energy (DOE) granted a contract extension to the International Nuclear Recycling Alliance (INRA) led by AREVA and MHI. The contract provides for an assessment of the closed nuclear fuel cycle in the United States as part of the Global Nuclear Energy Partnership program (GNEP);
- Shaw AREVA MOX Services, a joint venture formed by AREVA and the U.S. group Shaw, signed an agreement with the DOE for the construction of a MOX fuel fabrication facility at the Savannah River site in South Carolina. The contract is valued at 2.7 billion dollars;
- the DOE chose Washington River Protection Solutions (WRPS), which has subcontracted with AREVA, to manage the cleanup and dismantling program for the Hanford tanks, a chemical and radioactive waste storage site in the State of Washington.

First half 2008 performance

The backlog for the **Back End** division came to 5.591 billion euros at June 30, 2008. Among the most significant contracts won in the first half are:

- the order for 16 MOX fuel assemblies for the Takahama power plant from the Japanese utility Kansai; and
- the contract awarded by JNFL to provide startup support for Rokkasho Mura.

During the first half of 2008, the Treatment and Recycling operations were reorganized to bring the production operations of the La Hague and Melox plants together under the umbrella of a Recycling business unit and to combine operations associated with the dismantling of the group's and the CEA's sites in a Nuclear Site Value Development business unit.

Back End revenue rose 8.6% (+9.1% like-for-like), to 930 million euros.

- Recycling / Nuclear Site Value Development business, which represents more than three-fourths of the division's sales, rose by 10.4%, reflecting favorable production levels at La Hague, in contrast to the low volume of business in the first half of 2007, and the startup of engineering contracts awarded by the DOE in the United States (MOX fuel fabrication facility at Savannah River and Hanford Tank dismantling).
- The Logistics business unit saw revenue rise by 20%, due in particular to very brisk business in storage and in MOX fuel transportation to Japan.

The **Back End** division recorded operating income of 175 million euros, up from 95 million euros in the first half of 2007. The change is due to the conjunction of several positive factors:

- a favorable production rate at La Hague in the first half of 2008, compared with the production delays experienced in the first half of 2007;
- a particularly favorable customer mix in MOX fuel; and
- markedly improved profitability in the Logistics business unit, driven by very brisk business in Casks and Transportation.

For the year as a whole, business levels and the operating margin rate are expected to remain stable compared with 2007.

Free operating cash flow for the **Back End** division is 73 million euros for the first half of 2008, compared with a negative 73 million for the first half of 2007, reflecting:

- the improvement in EBITDA resulting from strong business levels; and
- lesser use of customer advances compared with the same period last year.

2.5.4. Transmission & Distribution division

(contribution to the group, in millions of euros)	**H1 2008**	H1 2007	2008/2007 change
Backlog	5,791	4,116	40.7%
Revenue	2,284	2,021	13.0%
Operating income	253	175	44.6%
In % of revenue	*11.1%*	*8.7%*	*+2.4 pts*
Operating cash flow before tax	-45	17	-364.7%

Highlights and recent events

The **Transmission & Distribution** division consolidated the Finnish company Nokian Capacitors, which designs and manufactures components for power grids, in line with the group's objective of strengthening its position on the ultra high voltage market.

First half 2008 performance

The backlog for the **Transmission & Distribution** division was 5.791 billion euros at June 30, 2008. Contract wins include:

- a 130-million euro contract with Dubai Electricity and Water Authority to supply two high voltage substations, won in conjunction with Hyundai Heavy Industries, which will supply four power transformers;
- a 64-million euro contract in the United Arab Emirates to strengthen the local power grid;
- a 32-million euro order for the turnkey supply of a facility consisting of a gas-insulated substation and power transformers to Naftec, a subsidiary of the Algerian group Sonatrach; and
- a contract valued at more than 60 million euros awarded by National Grid and RTE to bolster the reliability of the IFA 2000, the high voltage undersea power grid linking France and England.

The division's revenue came to 2.284 billion euros, an increase of 13% (+12% like-for-like) compared with the 2.021 billion euros of the first half of 2007. This change is the combined result of:

- a negative foreign exchange impact of 63 million euros, primarily due to the change in the Indian rupee, the Chinese yuan, the British pound sterling and the U.S. dollar in relation to the euro;
- an 82-million euro consolidation impact due to the consolidation of recently acquired companies Passoni & Villa, VEI Distribution and Nokian Capacitors;
- sales in Products, which were up 20.1% like-for-like, driven by gas-insulated switchgear, power transformers, distribution transformers and instrument transformers; and
- sales of the Systems business unit, which were down 2.1% at constant consolidation scope and exchange rates, based on the invoicing schedule, while those of the Automation business unit were up 14.2% like-for-like.

Operating income for the **Transmission & Distribution** division was up sharply, from 175 million euros a year ago to 253 million euros in the first half of 2008. The operating margin rate, which has risen continually for the past nine half-year periods, exceeded the 10% threshold for the first time, reaching 11.1% of revenue for growth of 2.4 points compared with the first half of 2007 (8.7%). Successful execution of orders in backlog together with the positive impact of optimization plans contributed to improved results.

Operating cash flow came to -45 million euros at the end of June 2008, compared with +17 million euros at the end of June 2007, reflecting:

- strong improvement in the division's EBITDA, which went from 156 million euros to 255 million euros during the period, the result of performance improvement activities and the operational leverage given by volume growth;
- the use of cash generated by the increase in WCR, concomitant with increased business; and
- net Capex, most notably work to expand the production sites, which went from -70 million euros in first half 2007 to -99 million euros in first half 2008.

2.5.5. Corporate and other operations

(contribution to the group, in millions of euros)	H1 2008	H1 2007	2008/2007 change
Revenue	1	0	-
Operating income	-39	-59	-33.9%
Operating cash flow before tax	-96	-100	-4.1%

The operating loss for Corporate went from -59 million euros to -39 million euros from the first half of 2007 to the first half of 2008. This figure includes:

- the recognition of funding for cross-cutting, innovative research projects, in line with the group's strategic goals; and
- the centralization of infrastructure expenses connected with information systems.

2.6. Cash flow

2.6.1. Change in net debt

(in millions of euros)	H1 2008	H1 2007
EBITDA	863	451
In % of revenue	*14.0%*	*8.4%*
Dilution gains or losses on disposals of operating assets	(190)	(4)
Change in operating WCR	(739)	(459)
Net operating Capex	(455)	(501)
Free operating cash flow before tax	**(521)**	**(513)**
Cash flows for end-of-life-cycle operations	(20)	242
Dividends paid	(319)	(340)
Other (net financial assets, net taxes, non-operating WCR)	428	(89)
Change in net debt	**(432)**	**(700)**

	6/30/2008	12/31/2007
Net debt at the end of the period (including put options of minority interests)	(4,459)	(4,002)

2.6.2. Free operating cash flows by business

	EBITDA		Change in operating WCR		Operating Capexnet of disposals		Free operating cash flow before tax	
(in millions of euros)	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007
Nuclear	640	342	(482)	(354)	(347)	(414)	(380)	(430)
Transmission & Distribution	255	156	(198)	(71)	(99)	(70)	(45)	17
Corporate	(31)	(48)	(59)	(34)	(9)	(18)	(96)	(100)
Group total	**863**	**451**	**(739)**	**(459)**	**(455)**	**(501)**	**(521)**	**(513)**

EBITDA was up for the first half of 2008, at 863 million euros, compared with 451 million euros for the first half of 2007. This change is attributable to improved EBITDA in all divisions.

The change in operating working capital requirement corresponds to a cash use of 739 million euros in the first half of 2008, compared with 459 million euros for the first half of 2007. This change primarily reflects the reconstitution of uranium and SWU inventories in the **Front End** division and business growth in the **Transmission & Distribution** division.

Net operating Capex over the period came to 455 million euros, a 46-million euro drop compared with the 501 million euros for the first half of 2007. This change is the result of:

- a 206-million euro increase in gross operating Capex, most notably to bolster production resources in the Mining business unit, continued construction of the Georges Besse II plant, the Renewable Energies business unit's acquisition of Koblitz, and the construction of new plants in the **Transmission & Distribution** division; and
- a 252-million euro increase in operating disposals, corresponding in particular to new minority interests in the group's subsidiaries.

Including these items, the group's free operating cash flow in the first half of 2008 was -521 million euros, comparable to that of the first half of 2007.

Comments regarding changes in free operating cash flows by division are given in section 2.5.

2.6.3. Cash flows for end-of-life-cycle operations

To meet its dismantling commitments, the group constituted a dedicated portfolio to fund expenses relating to these operations. It is the group's policy to offset negative cash flows associated with end-of-life-cycle operations with positive cash flows from dividends or sales of securities held in the portfolio.

Cash flows related to end-of-life-cycle came to -20 million euros in the first half of 2008, compared with 242 million euros at June 30, 2007. The main transactions were as follows:

- disbursements related to end-of-life-cycle operations in the amount of -51 million euros, up from that of the first half of 2007 (-34 million euros); and
- dividends received in the amount of 25 million euros, compared with 21 million euros at June 30, 2007.

2.6.4. Other cash flows

Other cash flows came to 428 million euros and include in particular the sale of REpower shares.

2.7. Balance sheet items

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

(in millions of euros)	**June 30, 2008**	December 31, 2007
Goodwill on consolidated companies	4,461	4,377
Property, plant and equipment (PP&E) and intangible assets	7,137	6,933
Assets earmarked for end-of-life-cycle operations	5,004	5,364
Equity associates	1,661	1,558
Other non-current financial assets	2,476	2,588
TOTAL ASSETS	**20,739**	**20,820**
Equity and minority interests	7,916	7,464
Provisions for end-of-life-cycle operations	5,135	5,075
Other provisions (including net deferred taxes)	3,474	3,792
Working capital requirement	(244)	488
Put options held by minority interests	2,074	2,049
Net debt excluding put options held by minority interests	2,385	1,953
TOTAL LIABILITIES AND EQUITY OF THE SIMPLIFIED BALANCE SHEET	**20,739**	**20,820**

2.7.1. Fixed assets, excluding assets earmarked to finance end-of-life-cycle operations

Goodwill on consolidated companies was up, primarily due to the initial consolidation of Koblitz (Brazil) and Nokian Capacitors (Finland) in 2008.

The 103-million euro growth of "Equity associates" is due to:

- income growth for Eramet;
- the acquisition of additional STMicroelectronics shares funded by the CEA's acquisition of an equity position in FT1CI, a company that holds AREVA's indirect interest in STMicroelectronics;
- partially offset by the disposal of the 29.95% interest AREVA held in REpower to Suzlon.

The 112-million euro drop in "Other non-current financial assets" is attributable mainly to the drop in the value of publicly traded shares held by the group.

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

The change in the balance sheet from December 31, 2007 to June 30, 2008 with regard to assets and provisions for end-of-life cycle operations is summarized in the table below.

(in millions of euros)	**June 30, 2008**	December 31, 2007
ASSETS		
End-of-life-cycle asset	2,675	2,665
AREVA share (to be amortized in future years)	161	174
Third party share	2,514	2,491
Earmarked financial assets	2,490	2,873
LIABILITIES AND EQUITY		
Provisions for end-of-life-cycle operations	5,135	5,075
Provisions to be funded by AREVA	2,621	2,584
Provisions to be funded by third parties	2,514	2,491

Provisions for end-of-life-cycle operations at June 30, 2008 totaled 5.135 billion euros, with AREVA funding 2.621 billion euros of this and third parties funding 2.514 billion euros.

Earmarked assets relating to these end-of-life-cycle operations came to 5.004 billion euros; the “third party share” of these assets is 2.514 billion euros, while financial assets earmarked by AREVA to these operations total 2.49 billion euros.

The nature of the commitments and the calculation of the provision are presented in note 7 to the consolidated financial statements.

2.7.3. Working capital requirement

The group’s working capital requirement came to 244 million euros at June 30, 2008, compared with -488 million euros at December 31, 2007. The change is due in particular to the 738-million euro increase in operating WCR resulting from the reconstitution of uranium and SWU inventories in the **Front End** division, the increase in operating receivables in the nuclear divisions, and the increase in WCR in the **Transmission & Distribution** division, in line with business growth.

2.7.4. Net debt at the end of the period

The group’s net debt rose to 2.385 billion euros at the end of June 2008 from 1.953 billion euros at the end of 2007.

In addition to the abovementioned change in cash flow, the increase in net debt is also due to the payment of dividends in the amount of 319 million euros.

After put options held by minority interests, net debt of 4.459 billion was reported, compared with 4.002 billion at the end of 2007.

2.7.5. Equity

The 452-million euro increase in equity, which went from 7.464 billion euros at December 31, 2007 to 7.916 billion euros at June 30, 2008, is primarily due to the sharp increase in net income for the period (after dividend payment).

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

2.7.6. Other provisions (including net deferred taxes)

The main change in other provisions is due to the increase in current provisions, which rose by 48 million euros from December 31, 2007 to June 30, 2008, to a total of 1.871 billion euros.

In particular, this change includes the change in the provision for losses to completion pertaining to the OL3 contract (TVO – Finland).

The description of other provisions may be found in Note 11 to the consolidated financial statements.

2.7.7. Off balance-sheet commitments

(in millions of euros)	**June 30, 2008**	December 31, 2007
Commitments given	4,076	3,502
Commitments received	1,006	1,191
Reciprocal commitments	2,584	2,932

A detailed table of off-balance sheet commitments is presented in Note 14 to the consolidated financial statements.

The change in commitments given reflects the sharp increase in the group's backlog, which translates into more warranties given to customers.

The drop in commitments received is due to AREVA's disposal of REpower shares to Suzlon, ending the agreement signed by the two groups under which AREVA was entitled to sell its interest for a guaranteed price.

Reciprocal commitments correspond mainly to the draw of part of AREVA's syndicated credit.

3 | Outlook

For the full year of 2008, the group confirms its previous expectations:

- strong revenue and backlog growth;
- rising operating income;
- continuation of its capital investment program.

4 | Events subsequent to closing

The main events subsequent to June 30, 2008 closing are described below.

On the strategic level

- On July 7, 2008, ATMEA, the joint venture between AREVA and Mitsubishi Heavy Industries, announced that the International Atomic Energy Agency (IAEA) had completed its review of the safety options of the ATMEA 1 reactor.
- On July 11, 2008, Nuclear Management Partners (NMP), consisting of AREVA, URS Washington Division and AMEC, was designated as the "preferred bidder" to manage the Site Licence Company (SLC), i.e. the company that will operate the Sellafield site in the United Kingdom.

Marketing and sales

- On July 25, 2008, the Indian group Larsen and Toubro gave AREVA T&D India a 40-million euro order to supply an electrical station for the Indira Gandhi International Airport in Delhi.
- At the beginning of August, AREVA signed a contract for more than 200 million euros with Taiwan Power Company (Taipower) for the supply of fuel assemblies to the Chinshan and Kuosheng boiling water reactors.
- On August 1, AREVA and the Central African Republic signed an agreement setting terms to mine the Bakouma uranium deposits.

Operations

- On July 8, 2008, an inadvertent release of natural uranium to the environment occurred at one of the group's plants, Socatri. The Nuclear Safety Authority (ASN) classified the incident as a level 1 event on the 7-level International Nuclear Event Scale (INES).

5 | Consolidated financial statements as of June 30, 2008

5.1. Statutory Auditors' report on half-year 2008 information For the period January 1 to June 30, 2008

To the Shareholders:

In accordance with our appointment as statutory auditors by your Annual General Meeting and in compliance with article L. 232-7 of the French Commercial Code and article L.451-1-2 III of the French Monetary and Financial Code, we hereby report to you on:

- the limited review of the summary consolidated financial statements of AREVA for the period January 1 to June 30, 2008, as attached to this report;
- the verification of the information provided in the half-year report.

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

Report on the consolidated financial statements

We have conducted our limited review in accordance with professional standards applicable in France. A limited review consists primarily of discussions with the members of the executive management team responsible for accounting and financial matters and the implementation of analytical procedures. These investigations are not as extensive as an audit conducted in accordance with professional standards applicable in France. Accordingly, a limited review provides a moderate assurance that the financial statements as a whole are free of material misstatement and a lesser assurance than would result of an audit.

Based on our limited review, we have not identified material irregularities that would indicate that the summary consolidated half-year financial statements are inconsistent with IAS 34 accounting standards in accordance with IFRS as adopted in the European Union for interim financial information.

Without prejudice to the above conclusion, we call your attention to the following items:

- Note 7 to the consolidated financial statements, which present the procedures for measuring end-of-life-cycle assets and liabilities. This evaluation, which reflects AREVA management's best estimate, is sensitive to assumptions regarding cost estimates, disbursement schedules, discount rates and the outcome of current negotiations with EDF;
- Note 11 to the consolidated financial statements related to the OL3 contract and the sensitivity of result to completion on this contract to compliance with the current time schedule, contractual risks and claims.

Specific procedures

We also verified information given in the half-year report that comments on the summary consolidated half-year financial statements, which were the subject of our limited review.

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

Neuilly-sur-Seine and Paris La Défense, August 29, 2008

The Statutory Auditors

Deloitte & Associés — Mazars & Guérard

Pascal Colin — Jean-Paul Picard — Jean-Luc Barlet

5.2. Consolidated income statement

(in millions of euros)	Note	**1st half 2008**	1st half 2007	2007
Revenue		**6,168**	**5,373**	**11,923**
Other income from operations		18	12	21
Cost of sales		(4,905)	(4,301)	(9,183)
Gross margin		**1,281**	**1,084**	**2,762**
Research and development expenses		(205)	(197)	(421)
Marketing and sales expenses		(287)	(252)	(529)
General and administrative expenses		(468)	(424)	(881)
Other operating expenses	3	(21)	(66)	(243)
Other operating income	3	240	63	64
Operating income		**539**	**207**	**751**
Income from cash and cash equivalents		13	20	37
Gross borrowing costs		(89)	(32)	(110)
Net borrowing costs		**(76)**	**(12)**	**(73)**
Other financial expenses		(264)	(127)	(264)
Other financial income		553	257	402
Other financial income and expenses		**289**	**130**	**138**
Net financial income	**4**	**213**	**118**	**64**
Income tax	**5**	**(74)**	**(53)**	**(81)**
Net income of consolidated businesses		**678**	**273**	**734**
Share in net income of equity associates	8	121	34	148
Net income from continuing operations		**799**	**306**	**882**
Net income from discontinued operations		-	-	-
Net income for the period		**799**	**306**	**882**
Less minority interests		38	12	139
Net income attributable to equity holders of the parent		**760**	**295**	**743**
Average number of shares outstanding		35,442,701	35,442,701	35,442,701
Earnings per share from continuing operations		21.45	8.31	20.95
Basic earnings per share		21.45	8.31	20.95
Diluted earnings per share (1)		21.45	8.31	20.95

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

5.3. Consolidated balance sheet

Assets

(in millions of euros)	Note	June 30, 2008	December 31, 2007
Non-current assets		**21,393**	**21,425**
Goodwill on consolidated companies	6	4,461	4,377
Intangible assets		2,771	2,729
Property, plant and equipment		4,366	4,204
End-of-life-cycle asset (third party share)	7	2,514	2,491
Assets earmarked to finance end-of-life-cycle operations	7	2,490	2,873
Equity associates	8	1,661	1,558
Other non-current financial assets	9	2,475	2,588
Pension fund assets		1	-
Deferred tax assets		655	604
Current assets		**10,448**	**9,251**
Inventories and work-in-process		3,201	2,817
Trade accounts receivable and related accounts		4,399	3,884
Other operating receivables		1,724	1,402
Current tax assets		100	94
Other non-operating receivables		178	141
Cash and cash equivalents	10	642	634
Other current financial assets		204	279
Assets of operations held for sale		**-**	**-**
Total assets		**31,841**	**30,676**

Liabilities and equity

(in millions of euros)	Note	June 30, 2008	December 31, 2007
Equity and minority interests		**7,916**	**7,464**
Share capital		1,347	1,347
Consolidated premiums and reserves		4,455	3,925
Deferred unrealized gains and losses on financial instruments		895	1,117
Currency translation reserves		(271)	(138)
Net income attributable to equity holders of the parent		760	743
Minority interests		729	470
Non-current liabilities		**11,674**	**11,951**
Employee benefits		1,197	1,175
Provisions for end-of-life-cycle operations	7	5,135	5,075
Other non-current provisions	11	117	121
Long-term borrowings	12	4,282	4 302
Deferred tax liabilities		944	1,277
Current liabilities		**12,251**	**11 261**
Current provisions	11	1,871	1,823
Short-term borrowings	12	1,023	613
Advances and prepayments received		4,388	4,172
Trade accounts payable and related accounts		2,717	2,565
Other operating liabilities		2,118	1,921
Current tax liabilities		64	127
Other non-operating liabilities		71	41
Liabilities of operations held for sale		**-**	**-**
Total liabilities and equity		**31,841**	**30,676**

5.4. Consolidated cash flow statement

(in millions of euros)	**1st half 2008**	1st half 2007	2007
Net income before minority interests	**799**	**306**	**882**
Less: income from discontinued operations	-	-	-
Net income from continuing operations	**799**	**306**	**882**
Share in net income of associates	(121)	(34)	(148)
Net amortization, depreciation and impairment of PP&E and intangible assets and marketable securities maturing in more than 3 months	310	233	553
Goodwill impairment losses	-	-	-
Net share to provisions	(25)	(19)	9
Net effect of reverse discounting of assets and provisions	108	98	147
Income tax expense (current and deferred)	74	53	81
Net interest included in borrowing costs	54	6	55
Loss (gain) on disposals of fixed assets and marketable securities maturing in more than 3 months; change in fair value	(270)	(104)	(160)
Other non-cash items	(235)	(75)	(125)
Cash flow from operations before interest and taxes	**694**	**466**	**1,294**
Net interest received (paid)	(42)	5	(26)
Income tax paid	(145)	(71)	(130)
Cash flow from operations after interest and tax	**506**	**400**	**1,138**
Change in working capital requirement	(733)	(454)	(416)
Net cash from operating activities	**(226)**	**(54)**	**722**
Investment in PP&E and intangible assets	(669)	(506)	(1,112)
Loans granted and acquisitions of non-current financial assets	(449)	(649)	(1,127)
Acquisitions of shares of consolidated companies, net of acquired cash	(61)	(54)	(1,853)
Disposals of PP&E and intangible assets	14	23	40
Loan repayments and disposals of non-current financial assets	432	757	1,204
Disposals of shares of consolidated companies, net of disposed cash	493	-	-
Dividends from equity associates	78	50	52
Net cash used in investing activities	**(162)**	**(379)**	**(2 796)**
Share issues subscribed by minority shareholders in consolidated subsidiaries	265	3	5
Dividends paid to shareholders of the parent company	(240)	(300)	(300)
Dividends paid to minority shareholders of consolidated companies	(78)	(40)	(45)
Increase (decrease) in borrowings	365	137	1,862
Net cash used in financing activities	**312**	**(200)**	**1,522**
Decrease (increase) in marketable securities maturing in more than 3 months	7	179	178
Impact of foreign exchange movements	(1)	5	(7)
Net cash flow from discontinued operations	**-**	**-**	**-**
Increase (decrease) in net cash	**(70)**	**(450)**	**(381)**
Net cash at the beginning of the year	520	901	901
Cash at the end of the year	**642**	**506**	**634**
Less: short-term bank facilities and non-trade current accounts (credit balances)	(192)	(55)	(113)
Net cash at the end of the year	**450**	**451**	**520**

“Net cash” taken into account in establishing the cash flow statement consists of:

- Cash and cash equivalents” (see note 10), which includes:
  - cash balances and non-trade current accounts, and
  - risk-free marketable securities initially maturing in less than three months, and money market funds;
- after deduction of short-term bank facilities and non-trade current accounts included in short-term borrowings (see note 12).

5.5. Consolidated statement of changes in equity

(in millions of euros)	Number of shares and investment certificates	Share capital	Premiums and consolida-ted reserves	Currency translation reserves	Deferred unrealized gains and losses on finan-cial instruments	Equity attributable to equity holders of the parent	Minority interests	Total equity
December 31, 2006	**35,442,701**	**1,347**	**4,268**	**(25)**	**1,131**	**6,721**	**294**	**7,016**
Net income for the first half of 2007			295			295	12	306
Change in deferred unrealized gains and losses (after tax):								
- on cash flow hedging instruments					3	3	(1)	2
- change in value of available-for-sale securities					314	314	2	316
Total income and expenses recognized			**295**		**316**	**611**	**13**	624
Dividends paid *			(300)			(300)	(40)	(340)
Change in accounting method and other adjustments (1)			(47)			(47)	36	(11)
Currency translation adjustments				(1)		(1)		(1)
June 30, 2007	**35,442,701**	**1,347**	**4,216**	**(26)**	**1,448**	**6,983**	**303**	**7,286**
December 31, 2007	**35,442,701**	**1,347**	**4,668**	**(138)**	**1,117**	**6,994**	**470**	**7,464**
Net income for the first half of 2008			760			760	38	799
Change in deferred unrealized gains and losses (after tax):								
- on cash flow hedging instruments					7	7	(1)	6
- change in value of a vailable-for-sale securities					(229)	(229)	(9)	(238)
Total income and expenses recognized			**760**		**(222)**	**538**	**28**	**566**
Dividends paid *			(240)			(240)	(78)	(318)
Change in accounting method and other adjustments (1)			27			27	335	362
Currency translation adjustments				(133)		(133)	(26)	(159)
June 30, 2008	**35,442,701**	**1,347**	**5,215**	**(271)**	**895**	**7,186**	**729**	**7,916**
* Dividend paid per share (in euros):								
- in 2007 from 2006 net income			8.46					
- in 2008 from 2007 net income			6.77					

(1) Other adjustments relate to associates whose financial statements were not available when AREVA closed its records for the years ended December 31, 2006 and December 31, 2007. These adjustments include fair value adjustments in associates' equity positions.

5.6. Segment reporting

Data by division

1st half 2008 Results

(in millions of euros)	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate and eliminations	Total Group
Gross sales revenue	**1,504**	**1,540**	**1,038**	**2,286**	**(200)**	**6,168**
Inter-company sales	(17)	(74)	(108)	(2)	201	0
Contribution to consolidated sales revenue	1,488	1,466	930	2,284	1	6,168
Operating income	**400**	**(258)**	**182**	**253**	**(39)**	**539**
% of gross sales revenue	*26.6%*	*-16.8%*	*17.6%*	*11.1%*	*n.a.*	*8.7%*

1st half 2007 Results

(in millions of euros)	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate and eliminations	Total Group
Gross sales revenue	**1,358**	**1,220**	**951**	**2,023**	**(178)**	**5,373**
Inter-company sales	(16)	(65)	(96)	(2)	178	0
Contribution to consolidated sales revenue	1,342	1,154	856	2,021	0	5,373
Operating income	**223**	**(230)**	**97**	**175**	**(59)**	**207**
% of gross sales revenue	*16.4%*	*-18.8%*	*10.2%*	*8.7%*	*n.a.*	*3.9%*

2007 Results

(in millions of euros)	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate and eliminations	Total Group
Gross sales revenue	**3,181**	**2,870**	**1,978**	**4,340**	**(446)**	**11,923**
Inter-company sales	(42)	(152)	(240)	(12)	446	-
Contribution to consolidated sales revenue	3,140	2,717	1,738	4,327	1	11,923
Operating income	**496**	**(178)**	**207**	**406**	**(180)**	**751**
% of gross sales revenue	*15.6%*	*-6.2%*	*10.5%*	*9.3%*	*n.a.*	*6.3%*

Contribution to consolidated sales revenue by business division and customer location

1st half 2008

(in millions of euros)	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	**Group total**
France	584	547	628	180	1	1,938
Europe (excluding France)	348	404	134	823	0	1,709
North & South America	246	369	54	234	0	904
Asia-Pacific	285	116	114	614	0	1,130
Africa / Middle East	24	30	0	434	0	488
Total	**1,488**	**1,466**	**930**	**2,284**	**1**	**6,168**

1st half 2007

(in millions of euros)	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	**Group total**
France	567	422	513	170	0	1,672
Europe (excluding France)	317	336	215	662	0	1,530
North & South America	286	282	41	281	0	890
Asia-Pacific	161	89	86	461	0	797
Africa / Middle East	11	25	1	447	0	484
Total	**1,342**	**1,154**	**856**	**2,021**	**0**	**5,373**

2007

(in millions of euros)	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate	**Group total**
France	1,018	946	1,000	348	1	3,313
Europe (excluding France)	779	814	341	1 473		3,407
North & South America	678	638	86	570		1,972
Asia-Pacific	631	238	310	1 052		2,231
Africa / Middle East	34	81	1	884		1,000
Total	**3,140**	**2,717**	**1,738**	**4,327**	**1**	**11,923**

5.7. Notes to the consolidated financial statements at June 30, 2008

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

Note 1 - Accounting principles

1. Preparation of the financial statements

The consolidated financial statements for the period ended June 30, 2008 were prepared in accordance with accounting standard IAS 34 regarding interim financial data. These summary financial statements do not disclose all of the information required for year-end financial statements prepared in accordance with International Financial Reporting Standards (IFRS). They must be read together with the consolidated financial statements for the year ended December 31, 2007.

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

2. Accounting principles

Accounting principles used to prepare the summary financial statements for the period ended June 30, 2008 are the principles described in note 1 to the Financial Statements for the year ended December 31, 2007, except as follows:

- Presentation of the income statement

  As provided in accounting standard IAS 1, material expense and income amounts may not be offset in the income statement. Material income and expense amounts at June 30, 2008 would be offset if presented together under "Other operating income and expenses". Accordingly, AREVA now reports these items under two separate income statement headings:

  - "Other operating expenses" including, among others, costs associated with restructuring and early employee retirement plans; and
  - "Other operating income" including, among others, gains on disposals of assets other than financial assets and dilution income resulting from third-party acquisitions of minority interests in fully consolidated companies.

- AREVA applies the methods prescribed in IAS 34 to calculate retirement obligations expenses, 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 previous year, adjusted to reflect material changes in market conditions since that date and reductions, liquidations and other non-recurring material events. Accordingly, AREVA calculated first half 2008 expenses using the discount rate established at December 31, 2007. The use of a discount rate updated as of June 30, 2008 would have no material impact on the amount of the provision for employee benefits or on net income for the period.
  - The AREVA group calculated its income tax expense for the interim period by applying the estimated average tax rate for the year to before-tax income. However, a different tax rate was used for income items subject to a specific tax rate, such as gains on disposals of securities eligible for long-term capital gain tax treatment.

Note 2 - Consolidation scope

The main changes in the scope of consolidation during the first half of 2008 are described hereunder.

Koblitz

In early January 2008, AREVA acquired 70% of Koblitz, a Brazilian supplier of integrated solutions for energy production and heat/electricity cogeneration from renewable sources. Koblitz employs 575 people and had 2007 revenue of 52 million euros.

Georges Besse 2 plant

In early June 2008, the Suez group acquired a 5% interest in SET Holding, which owns the Georges Besse 2 enrichment plant.

REPower

AREVA sold its 29.95% interest in REpower to Suzlon in early June 2008.

STMicroelectronics

In March 2008, the Commissariat à l'Énergie Atomique (CEA) acquired a 2.9% share of STMicroelectronics through FT1CI, the holding company that owns AREVA's indirect interest in STMicroelectronics.

The CEA thus became a minority interest holder in FT1CI. AREVA's interest in STMicroelectronics did not change as a result of this transaction.

Nokian

AREVA's Transmission and Distribution division (T&D) entered into an agreement to acquire Finnish company Nokian Capacitors Ltd. This strategic acquisition allows AREVA to strengthen its position on the booming ultra high voltage market.

Nokian Capacitors Ltd. brings fifty years of experience in the design and manufacture of components for power grids, particularly capacitors. The company is represented in 70 countries. It employs 290 people and recorded 2007 revenue of 61 million euros.

NOTE 3 - Other operating expenses and other operating income

Other operating expenses

(in millions of euros)	**1st half 2008**	1st half 2007	2007
Restructuring and early retirement costs	(8)	(17)	(57)
including Nuclear divisions	*(6)*	*(11)*	*(26)*
including Transmission & Distribution division	*(2)*	*(6)*	*(31)*
Goodwill impairment losses	-	-	-
Impairment of other assets	-	-	-
Other operating expenses	(13)	(49)	(186)
Total other operating expenses	**(21)**	**(66)**	**(243)**

Other operating income

(in millions of euros)	**1st half 2008**	1st half 2007	2007
Dilution income and gains on disposals of assets other than financial assets	190	4	4
Other operating income	50	59	60
Total other operating income	**240**	**63**	**64**

At June 30, 2008, dilution income and gains on disposals of assets other than financial assets includes income resulting from third-party acquisitions of minority interests in fully consolidated AREVA group companies.

At June 30, 2007, other operating income included a reversal of 20 million euros in provisions for the Transmission & Distribution division.

At December 31, 2007, operating expenses include, among others, the impact of revised cost estimates for end-of-life-cycle operations.

NOTE 4 - Net financial income

(in millions of euros)	**1st half 2008**	1st half 2007	2007
Net borrowing costs	**(76)**	**(12)**	**(73)**
Income from cash and cash equivalents	13	20	37
Gross borrowing costs	(89)	(32)	(110)
Other financial income and expenses	**289**	**130**	**138**
Share related to end-of-life-cycle operations	***1***	***44***	***107***
Income from disposal of securities earmarked for end-of-life-cycle operations	37	83	154
Dividends received	25	21	21
Interest income on receivables from the CEA	3	3	6
Impairment of securities	-	-	-
Impact of revised schedules	-	-	38
Discount reversal on end-of-life-cycle operations	(64)	(63)	(112)
Share not related to end-of-life-cycle operations	***288***	***86***	***31***
Foreign exchange gain (loss)	5	(2)	(4)
Income from disposals of securities and change in value of securities held for trading	354	19	3
Dividends received	60	52	63
Impairment of financial assets	(6)	(1)	(45)
Interest income on prepayments received (back end contracts)	(22)	(17)	(50)
Other financial expenses	(136)	(17)	(36)
Other financial income	68	78	154
Financial income from pensions and other employee benefits	(35)	(28)	(55)
Net financial income	**213**	**118**	**64**

First half 2008 income from disposals of securities not related to end-of-life-cycle operations includes a gain on the disposal of REpower shares. Other financial expenses include 121 million euros from the reversal of a gain recognized in 2007 on the put option held by the group on REpower shares.

The impairment of financial assets at December 31, 2007 relates to 40 million euros for Summit Resources shares.

Note 5 - Income tax

The AREVA group calculated its income tax expense at June 30 by applying the estimated average tax rate for the year to before-tax income. The corresponding effective tax rate at June 30, 2008 is 9.85%. The group's effective tax rate for 2007 was 9.94%.

Changes in deferred taxes for the first half of 2008 in the amount of 372 million euros, resulting from changes in the fair value of financial instruments recognized in retained earnings, were recorded directly in equity.

Note 6 - Goodwill

Goodwill at June 30, 2008 was as follows:

(in millions of euros)	December 31, 2007	Acquisitions	Disposals	Minority interest put options	Currency translation adjustments and other	June 30, 2008
Nuclear divisions	**3,830**	**44**	**0**	**71**	**(60)**	**3,885**
Transmission & Distribution division	**547**	**28**	**0**	**0**	**1**	**576**
Total	**4,377**	**73**	**0**	**71**	**(60)**	**4,461**

The increase in goodwill in the Nuclear divisions comes primarily from the acquisition of Koblitz in Brazil and the adjustment related to put options held by AREVA NP's minority shareholder, based on income recognized and dividends paid by that company for the period January 1 to June 30, 2008.

The increase in goodwill in the Transmission & Distribution division reflects mostly the acquisition of Nokian in Finland.

As provided in IFRS 3, the fair value of identifiable assets and liabilities acquired in business combinations may be adjusted during a 12-month period following the date of acquisition. Accordingly, goodwill recognized on acquisitions made during the second half of 2007 and the first half of 2008 is tentative and may be adjusted at a later date.

There was no indication of goodwill impairment and no goodwill impairment tests were performed as of June 30, 2008.

Note 7 - 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 *(en millions d'euros)*	June 30, 2008	December 31, 2007	**LIABILITIES AND EQUITY**	June 30, 2008	December 31, 2007
End-of-life-cycle asset - AREVA share (1)	161	174			
Assets earmarked for end-of-life-cycle operations	5,004	5,364	Provisions for end-of-life-cycle operations	5,135	5,075
- End-of-life-cycle asset – third party share (2)	2,514	2,491	- funded by third parties (2)	2,514	2,491
- Assets earmarked for end-of-life cycle operations (3)	2,490	2,873	- funded by AREVA	2,621	2,584

(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 fund AREVA's share of the total provision

End-of-life-cycle asset

In addition to the value of its property, plant and equipment, the group recognizes the deferred portion of its share of end-of-life-cycle operations (nuclear facility dismantling, 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 operations, corresponding to the share of dismantling, waste retrieval and packaging operations to be financed by third parties. 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, 2008**	**December 31, 2007**
Dismantling	674	(512)	161	2,027	2,189	2,186
Waste retrieval and packaging				487	487	479
Total	**674**	**(512)**	**161**	**2,514**	**2,676**	**2,665**

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

The third party share of costs associated with waste retrieval and packaging corresponds to the funding expected from EDF for its share of the commitment for the La Hague site. This asset will be recovered when AREVA and EDF sign an agreement finalizing the terms and conditions of payment. In effect, when waste retrieval and packaging operations are covered by contractual commitments from third parties covering future costs, no liability or corresponding end-of-life-cycle asset is recognized. 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 heading consists of the following:

(in millions of euros)	**June 30, 2008**	December 31, 2007
Receivables related to decommissioning	185	119
Earmarked assets	2,305	2,755
Total	**2,490**	**2,873**

Receivables related to dismantling correspond primarily to receivables resulting from a December 2004 contract under which the CEA agreed to fund a share of facility dismantling expenses at the La Hague and Cadarache plants. These receivables have no set maturity dates.

The portfolio of assets earmarked to fund end-of-life-cycle operations includes the following:

(in millions of euros)	**June 30, 2008**	December 31, 2007
At market value		
Publicly traded shares	594	846
Equity mutual funds	821	946
Bond and money market mutual funds	890	963
Total	**2,305**	**2,755**

Provisions for end-of-life-cycle operations

(in millions of euros)	**June 30, 2008**	December 31, 2007
Dismantling of nuclear facilities	3,920	3,881
Waste retrieval and packaging	1,215	1,194
Provisions for end-of-life-cycle operations	**5,135**	**5,075**

As an operator of nuclear facilities, the AREVA group has a legal obligation to secure and dismantle its facilities when they are shut down permanently. The group must also retrieve and package, in accordance with applicable standards, the various types of operating waste that could not be processed during treatment. 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 are predominantly facilities in the back end of the fuel cycle, including the treatment plants at La Hague and the Melox and Cadarache MOX fuel fabrication plants.

For some operations, mainly in the case of used fuel treatment, several customers have agreed to fund a portion of the costs related to dismantling 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 dismantling and waste retrieval and packaging from the group to those third parties.

EDF/AREVA NC negotiations

Ongoing negotiations between EDF and AREVA regarding pricing terms for treatment and recycling services after 2007 continued during the first half of 2008. The results achieved so far are consistent with the current interim agreement and the positions taken in AREVA's financial statements as of June 30, 2008.

Other negotiations are ongoing on terms and conditions for a lump sum payment to be allocated to future dismantling of the La Hague facility, including waste retrieval and packaging, and for a long-term commitment to back end operations through 2040. Based on available information, these discussions are not expected to have a negative impact on the group's financial statements or financial position.

NOTE 8 - Investments in associates

	June 30, 2008					December 31, 2007
(in millions of euros)	% of control	Share in net income of equity associates	Investment in associates, excluding goodwill	Goodwill	Investment in associates, including goodwill	Investment in associates, including goodwill
STMicroelectronics	13.99%	(3)	873	43	917	791
Eramet	26.43%	116	650	35	685	587
REpower	-	1	-	-	-	123
Other equity associates		7	60	-	60	57
Total		**121**	**1,583**	**79**	**1,661**	**1,558**

Changes from December 31, 2007 to June 30, 2008 reflect for the most part the gain on disposal of REpower shares, net income recognized and dividends paid by associates during the period, and the CEA's acquisition of a participating interest in FT1CI (see note 2).

Note 9 - Other non-current financial assets

(in millions of euros)	June 30, 2008	December 31, 2007
Available-for-sale securities	2,079	2,269
Receivables from associates	32	28
Other non-current financial assets	294	262
Derivatives on financing activities	70	29
Total	**2,475**	**2,588**

Available-for-sale securities

Available-for-sale securities are as follows:

(in millions of euros)	Number of shares at June 30, 2008	June 30, 2008	December 31, 2007
Publicly traded shares (at market value)			
- Total	7,350,064	398	418
- Alcatel	2,597,435	10	13
- Suez	27,627,000	1,195	1,287
- Safran	30,772,945	379	432
- Summit	20,659,641	35	38
- Northern Uranium	8,500,000	3	4
- Nokian	-	-	34
- Other publicly traded securities		15	7
Investment in privately held companies		44	36
Total		**2,079**	**2,269**

Changes in investments in Total, Alcatel, Suez and Safran correspond solely to changes in their market prices. AREVA did not buy or sell any shares in these companies during the reporting period.

Other non-current financial assets

At June 30, 2008 and December 31, 2007, this heading consisted primarily of deposits made with the U.S. customs authorities in connection with the Usec dispute.

Note 10 - Cash and cash equivalents

(in millions of euros)	June 30, 2008	December 31, 2007
Cash equivalents	323	346
Cash and current accounts	319	288
Net value	**642**	**634**

Cash equivalents consist primarily of short-term marketable securities and money market funds in euros.

Note 11 - Other provisions

(in millions of euros)	June 30, 2008	December 31, 2007
Restoration of mining sites and mill decommissioning	67	71
Site clean-up and reclamation of other industrial sites	50	50
Other non-current provisions	**117**	**121**
Restructuring and layoff plans	64	81
Provisions for ongoing cleanup	92	91
Provisions for customer warranties	234	241
Provisions for losses to completion	675	579
Accrued costs	489	497
Other	318	334
Current provisions	**1 871**	**1 823**
Total Other Provisions	**1 987**	**1 943**

Contract to build the Olkiluoto 3 EPR

The first half of 2008 saw significant steps forward in the OL3 project:

- forging of primary coolant pipes and steam generator tubing completed;
- pool vault installed in the reactor building;
- successful completion of hydraulic pressure test for the reactor pressure vessel to be delivered on site before the end of 2008;
- start of assembly of piping for the auxiliary coolant system began on schedule on June 30, 2008.

Over the course of the period, TVO and AREVA continued to strengthen their cooperation by immediately setting up measures to improve construction oversight and resolve stumbling blocks based on the work of a joint TVO, AREVA and Siemens task force.

In December 2007, the consortium had exercised its right to indemnification by submitting a significant claim for payment of cost overruns it deems attributable to TVO. This claim supplements a similar claim submitted in 2006 and formally requests an extension of the contract deadline. TVO had also expressed its position in 2007, formally disagreeing with the consortium's 2006 claim and presenting a counterclaim against the consortium. The customer increased its claim in August 2008. The consortium and its counsel consider the allegations made in the counterclaim to be unfounded and without merit under the contract terms and Finnish law; accordingly, no provision was recorded in this respect.

In addition, AREVA is pursuing and accelerating its policy of exercising its rights in full by systematically making claims against the customer. Thus, some of these claims are now in the arbitration and adjudication stage.

The accounting provision for the OL3 project was revised at June 30, 2008, particularly to recognize cost overruns generated by the mobilization of additional resources required to offset interruptions caused by the project environment and additional risks for subcontracted construction operations.

Remaining uncertainties regarding the cost to completion of the contract relate chiefly to contractual risks, claims and the difficulties inherent in the construction of the first EPR reactor.

Note 12 - Borrowings

(in millions of euros)	Long-term borrowings	Short-term borrowings	June 30, 2008	December 31, 2007
Put options of minority shareholders	2,074	-	2,074	2,049
Interest-bearing advances	712	1	713	652
Loans from financial institutions	1,435	771	2,206	2,009
Short-term bank facilities and non-trade current accounts (credit balances)	-	192	192	113
Financial derivatives	-	51	51	27
Miscellaneous debt	61	8	69	65
Total borrowings	**4,282**	**1,023**	**5,305**	**4,915**

Put options of minority shareholders

This heading relates for the most part to the put options held by Siemens on its equity interest in AREVA NP.

The shareholders' agreement signed in 2001 between Framatome SA (absorbed by AREVA in 2001) and Siemens grants a put option to Siemens in respect of shares it holds in AREVA NP, representing 34% of the share capital, and a call option to AREVA in respect of AREVA NP shares held by Siemens, under the terms and conditions hereunder.

First, the put and call may be exercised after a deadlock, as defined in the shareholders' 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. for the first time in 2012, the parties may exercise the put and the call unconditionally.

Accordingly, Siemens will be free to exercise a put option enabling it to sell all its AREVA NP shares to AREVA, based on an expert valuation, and AREVA will be free to exercise a call option enabling it to buy all AREVA NP shares held by Siemens, based on an expert valuation.

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

Note 13 - 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 as follows:

CEA

(in millions of euros)	**June 30, 2008**	December 31, 2007
Sales	257	609
Purchasing	46	86
Loans to / receivables from related parties	307	346
Borrowings from related parties	96	103

Relations with government-owned companies

The group has business relationships with government-owned companies, in particular EDF. Transactions with EDF include sales of uranium, enrichment services and nuclear fuel, maintenance and sales of equipment for nuclear reactors, and used fuel transportation, storage, treatment and recycling services. Ongoing negotiations with EDF are described in note 7, End-of-life-cycle operations.

Note 14 - Commitments given or received

Off-balance sheet commitments

(in millions of euros)	June 30, 2008	December 31, 2007
Commitments given	**4,076**	**3,502**
Contract guarantees given	3,221	2,864
Other operating guarantees	367	321
Commitments given on financing	41	30
Other commitments given	447	287
Commitments received	**1,006**	**1,191**
Operating commitments received	686	675
Commitments received on collateral	2	6
Other commitments received	318	510
Reciprocal commitments	**2,584**	**2,932**

The amounts above only include commitments that the group considers valid as of the date of closing. Accordingly, these commitments do not include construction contracts currently under negotiation.

Commitments given

Operating commitments represent almost 90% of all commitments given. The majority of these commitments relate to performance guarantees.

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

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

Commitments received

Commitments received at June 30, 2008 include the maximum value of vendor warranties received from Alstom for environmental liabilities, following the group's acquisition of the Transmission & Distribution division.

Reciprocal commitments

In February 2007, the group established a 2 billion euro revolving line of credit available in euros and U.S. dollars over a seven-year period, of which 300 million euros had been drawn as of June 30, 2008.

Note 15 – Other information

Disputes and contingent liabilities

USEC litigation

In 2001, the United States Department of Commerce (DOC) ordered that countervailing duties (CVD) be levied on 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 (AD) and unfair subsidies. The level of countervailing duties applied to Eurodif exports to the United States led to the deposit of 213 million dollars with the U.S. Customs Service at the end of June 2008, which may be recovered once the case has been adjudicated.

Eurodif's defense included an administrative proceeding before the U.S. DOC and a legal proceeding before U.S. courts, in the first instance before the Court of International Trade (CIT), with a subsequent appeal to the Court of Appeals for the Federal Circuit (CAFC).

The CAFC ruled in favor of Eurodif in March 2005, September 2005 and February 2007 and the DOC complied with these decisions on the order of the CIT.

The order imposing countervailing duties (CVD) was cancelled on May 25, 2007. After the decision, Eurodif petitioned the DOC, the CIT and the U.S. Customs Administration for the reimbursement of CVD deposits in the amount of 62 million dollars plus interest. The U.S. Treasury has reimbursed 9.6 million dollars, deposited in 2001, to date.

Usec and the DOC appealed the anti-dumping (AD) ruling issued in Eurodif's favor. The CAFC denied the appeal on September 21, 2007. Usec and the DOC appealed this latest ruling on February 15, 2008.

The U.S. Supreme Court has agreed to hear the case and is expected to issue a decision in the second quarter of 2009.

The administrative proceedings on dumping continue pending completion of the judicial process. These proceedings relate to the AD deposits, the 2007 request for reconsideration and the establishment of revised countervailing duties.

Ongoing investigations

In May 2004, the European Commission initiated an investigation following a request for immunity submitted by ABB in connection with anticompetitive practices in the gas insulated switchgear market (GIS). On January 24, 2007, the European Commission imposed a total of 750 million euros in fines on the companies involved. Among them, Alstom and AREVA T&D SA were held jointly liable for the payment of a fine in the amount of 54 million euros. AREVA SA, AREVA T&D Holding and AREVA T&D AG are jointly liable with AREVA T&D SA for the payment of up to 25.5 million euros of this fine. The companies have appealed the Commission's decision. The appeal is being examined by the Court of First Instance of the European Communities.

This investigation generated additional, although less critical, investigations by competition authorities in Hungary, the Czech Republic, Slovakia, South Africa and Brazil. In Hungary, authorities ruled in favor of AREVA's position. In the Czech Republic, a June 2008 ruling reversed the Czech competition authority's February 2007 decision to levy a 5.6 million euro fine against AREVA T&D. This fine had already been reduced to about 5.2 million euros in April 2007. The case has been remanded to the competition authority for re-adjudication. At this point of the proceedings, the competition authority must refund amounts previously paid by AREVA T&D.

In Slovakia, the competition authority ruled against the defendants on December 27, 2007 and levied a fine of about 1.5 million euros, including approximately 1 million euros against AREVA T&D SA. The balance of the fine must be paid in equal shares by AREVA T&D Holding SA and AREVA T&D AG. The AREVA group companies have appealed the decision and the case is under examination.

In April 2007, Alstom and AREVA entered into an agreement related to warranty obligations and in particular to the assumption by Alstom of the financial consequences of the inquiries into anti-competitive practices.

Administrative sanctions against a Mexican subsidiary of AREVA T&D

In July 2004, Mexico's Secretaria de la Funcion Publica (SFP) ordered AREVA T&D S.A. de C.V., a Mexican subsidiary of AREVA T&D, to pay a fine in the amount of 341,000 pesos (approximately 34,000 U.S. dollars), i.e. the highest fine allowed, and prohibited the company from participating in calls for tender in the public sector for a two-year period. AREVA T&D S.A. de C.V. challenged the administrative order in an «amparo" procedure aimed at challenging the constitutionality of the decision.

On August 23, 2007, the judiciary ruled on a second «amparo" procedure initiated by AREVA T&D S.A. de C.V. The court voided the administrative order against AREVA T&D S.A. de C.V. on the basis of the statute of limitation applicable to one of the two calls for tender under review and ordered the SFP to issue a new decision on the second call for tender.

Subsequent to this ruling, the SFP ordered a new sanction against AREVA T&D S.A. de C.V. in September 2007 prohibiting the company from participating in calls for tender in the public sector for a period of one year, eleven months and thirteen days and levying a fine of 310,050 pesos.

AREVA T&D S.A. de C.V. has taken all possible measures to void the sanctions taken by the SFP, including an appeal to the Federal Court on Tax and Administrative Matters. None of these proceedings has yielded any result thus far and AREVA T&D S.A. de C.V. may therefore not participate in calls for tender in the public sector until September 2009.

Note 16 – Events subsequent to the end of the period

There was no event subsequent to June 30, 2008, which may have a significant impact on the group's financial statements.

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

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