

AREVA group results and outlook at mid-2007

Friday, August 31, 2007

Highlights and recent events



Highlights and recent events



▶ Successful takeover bid



▶ Draft agreement with MHI for new generation reactor



▶ AMEREN choose the EPR



▶ Brazil confirms completion of Angra III



▶ Joins    in the GNEP



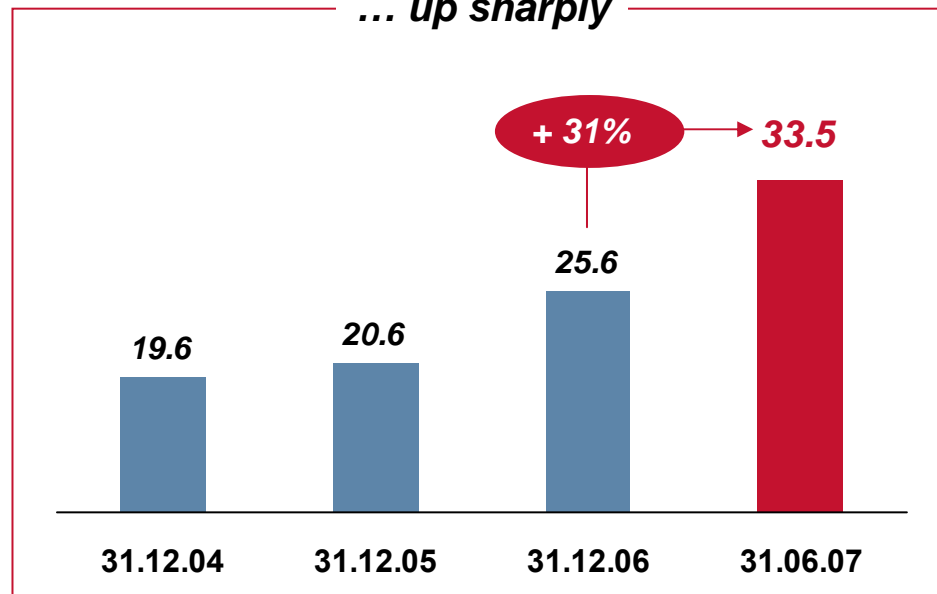
▶ Strategic agreement with Rusal in Transmission and Distribution

AREVA is the profitable growth stock in carbon-free energy

Backlog at end of June...

€33.5B

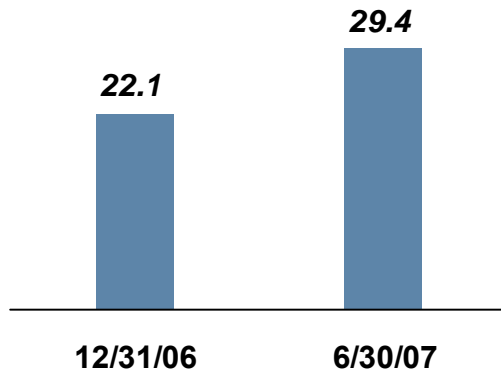
... up sharply



- ▶ **Base of profitability ensured by recurring nuclear operations and short/mid term T&D**
- ▶ **A major capital program to sustain long-term profitable growth in nuclear operations**
- ▶ **Commercial agreements illustrate the effectiveness of the Group's integrated business model**
- ▶ **Strong backlog growth**

Major commercial successes

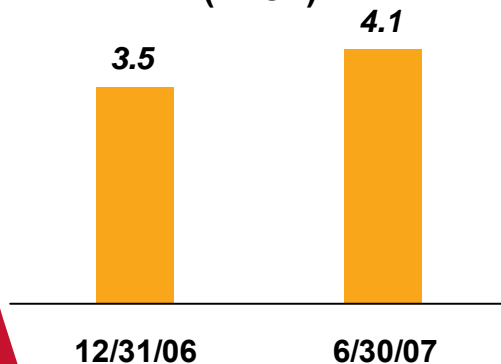
Nuclear Backlog (in €B)



▶ The backlog has risen by 33% since the end of 2006

- ◆ **Enrichment:** long-term contract with Kepco (South Korea)
- ◆ **Fuel:** EDF reloads for 2008-2012
- ◆ **Reactors:** 2nd EPR booked (Flamanville)
- ◆ **Back End:** Sogin contract for the treatment of used fuel from Italy

T&D Backlog (in €B)



▶ The backlog has risen by 18% since the end of 2006

▶ Organic growth of 25% in new orders compared with H1 2006, including 45% growth in Q2

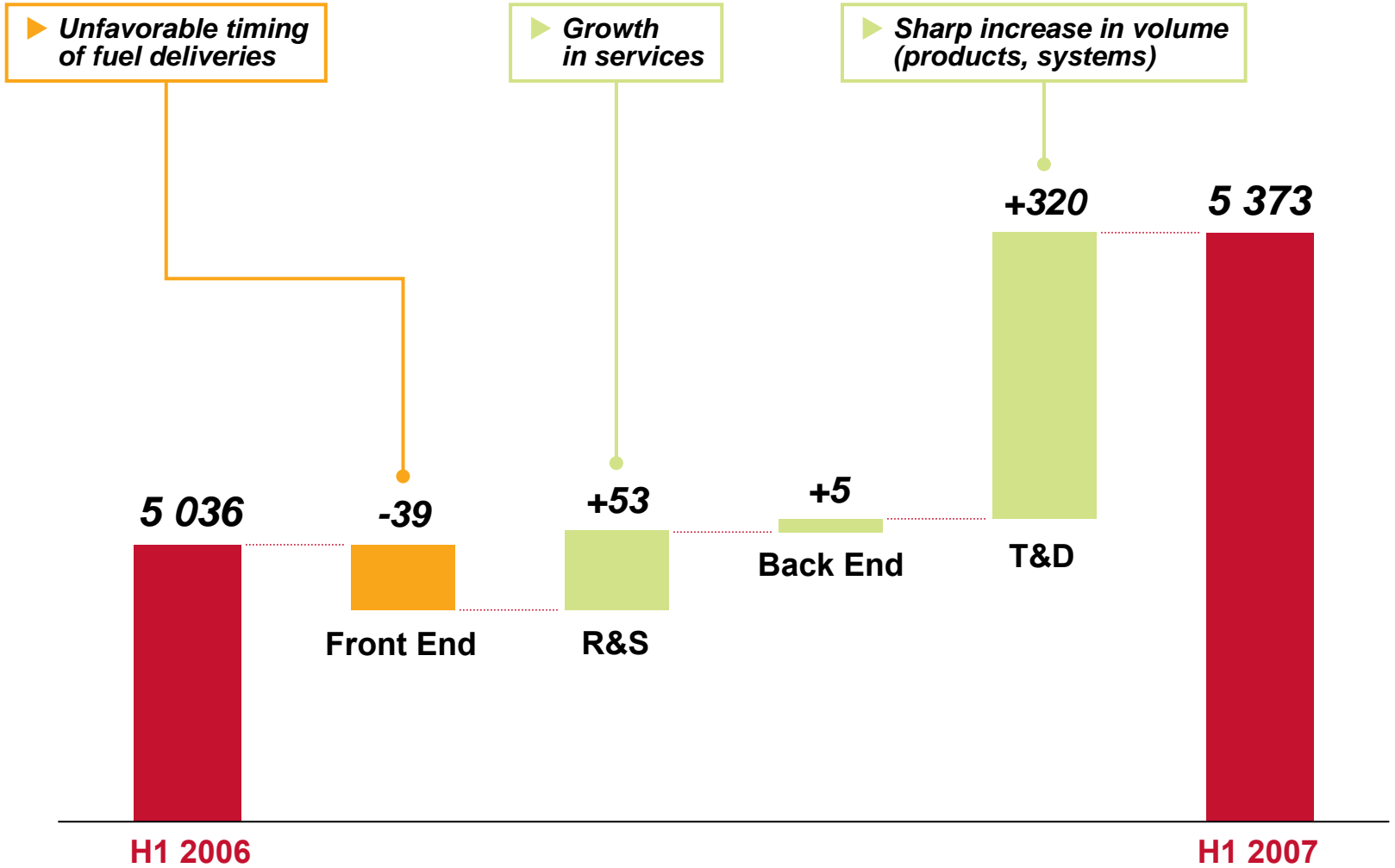
- ◆ **Canada:** turnkey supply of electric power supply system to Alcan's AP 50 plant
- ◆ **Saudi Arabia:** HV substation and refurbishing of 15 substations
- ◆ **UK:** design and installation of HV substation for offshore wind farm

Overall performance

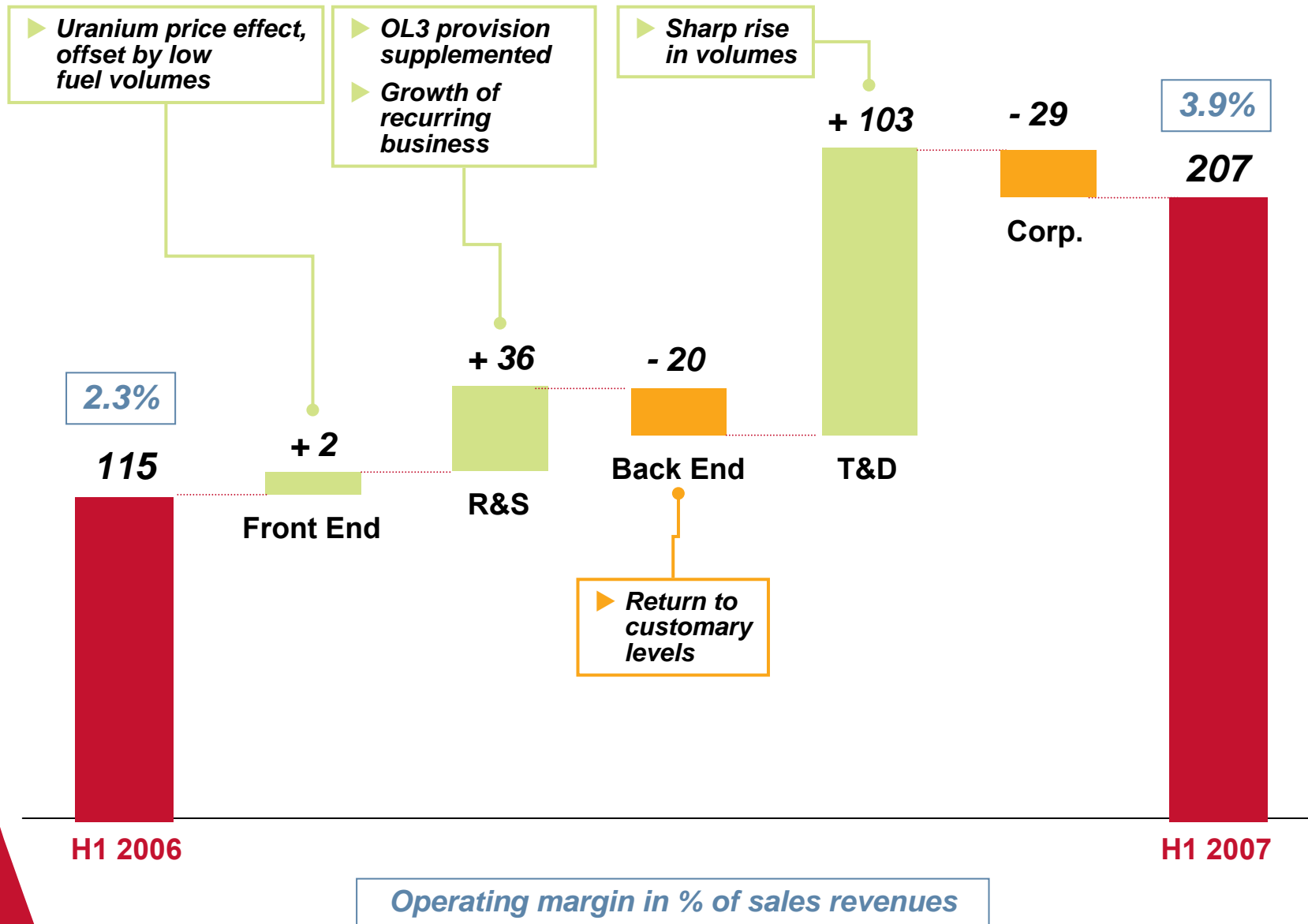
<i>In millions of euros</i>	H1 2006	H1 2007	Δ 07/06
Sales revenue	5 036	5 373	+ 6.7%
Operating income <i>% of sales revenue</i>	115 2.3%	207 3.9%	+ 80 % + 1.6 pt
Consolidated net income <i>% of sales revenue</i>	245 4.9%	295 5.5%	+ 20 % + 0.6 pt
Free OCF before tax*	(40)	(513)	
	12/31/06	6/30/07	Δ 07/06
Backlog	25 627	33 553	+ 31%
Net Cash / (Debt)*	251	(448)	

* Excluding put option held by Siemens - see definition in appendix 7

6.7% growth of sales revenue (6.4% like-for-like)



Operating income up sharply



H1 2006

H1 2007

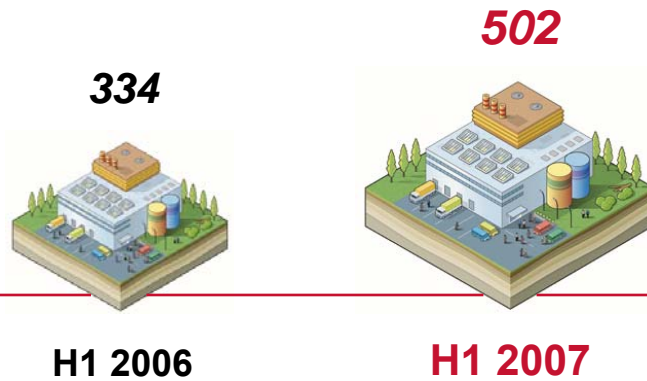
<i>In millions of euros</i>	EBITDA		Δ Op. WCR		Net op. Capex		Free op. cash flow before tax	
	H1 06	H1 07	H1 06	H1 07	H1 06	H1 07	H1 06	H1 07
Group	534	451	(243)	(459)	(334)	(501)	(40)	(513)

- ▶ **EBITDA: negative impact from the OL3 project partially offset by strong growth in the T&D division**
- ▶ **Change in WCR**
 - ◆ Reconstitution of uranium inventories in the Front End
 - ◆ Consumption of customer advances in the Back End
 - ◆ Strong growth in T&D
- ▶ **Continuation of capital spending program:**
 - ◆ Front end projects – mines, GB II
 - ◆ EPR certification in several countries
 - ◆ Increased capacity in the T&D division, especially in China

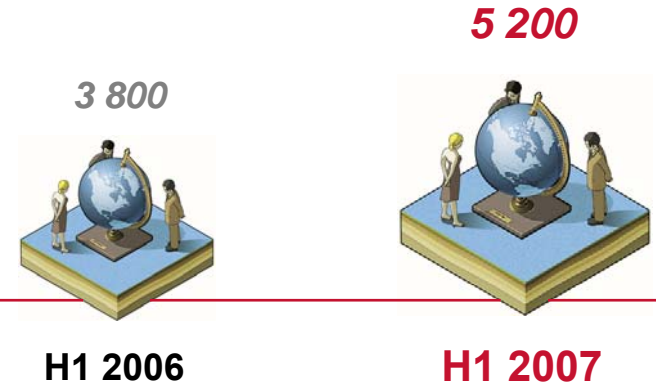
The Group continues to invest in its plants and in human capital

Investment in operations In millions of euros

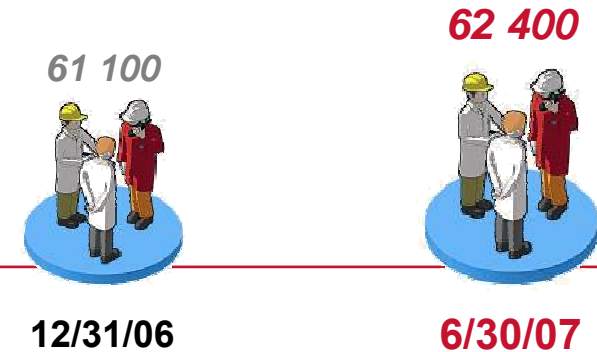
- ▶ Ramp-up of mining projects
- ▶ Ramp-up of the GB II program
- ▶ EPR certifications
- ▶ T&D production capacity



Investment in human capital New hires



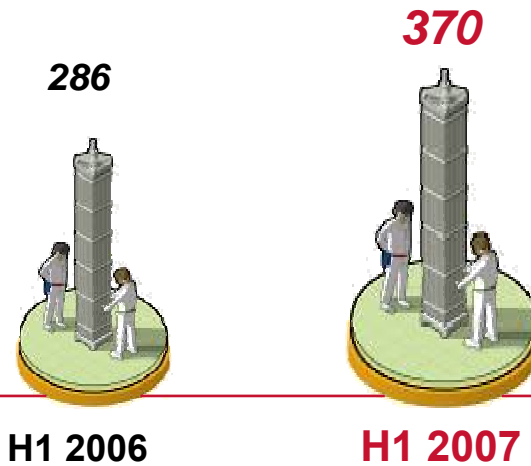
Headcount



Investment in R&D is accelerating and now represents close to 7% of sales revenue

Investment in technology

Total R&D spending, in millions of euros



- ▶ Intensification of uranium exploration spending
- ▶ Work related to EPR certification
- ▶ Development of new used fuel treatment processes (Gen III plant)
- ▶ Ultra High Voltage technology (T&D)

Performance by division

Front End division: contract extensions and increase of medium/long-term prices

<i>In millions of euros</i>	12/31/06	6/30/07	Δ 07/06 (%)
Backlog	11 335	17 223	52%
	H1 2006	H1 2007	
Sales revenue	1 381	1 342	- 2.8%
Operating income	221	223	0.9%
<i>% of sales revenue</i>	16.0%	16.6%	+ 0.6 pt
Free OCF before tax*	229	(122)	immaterial

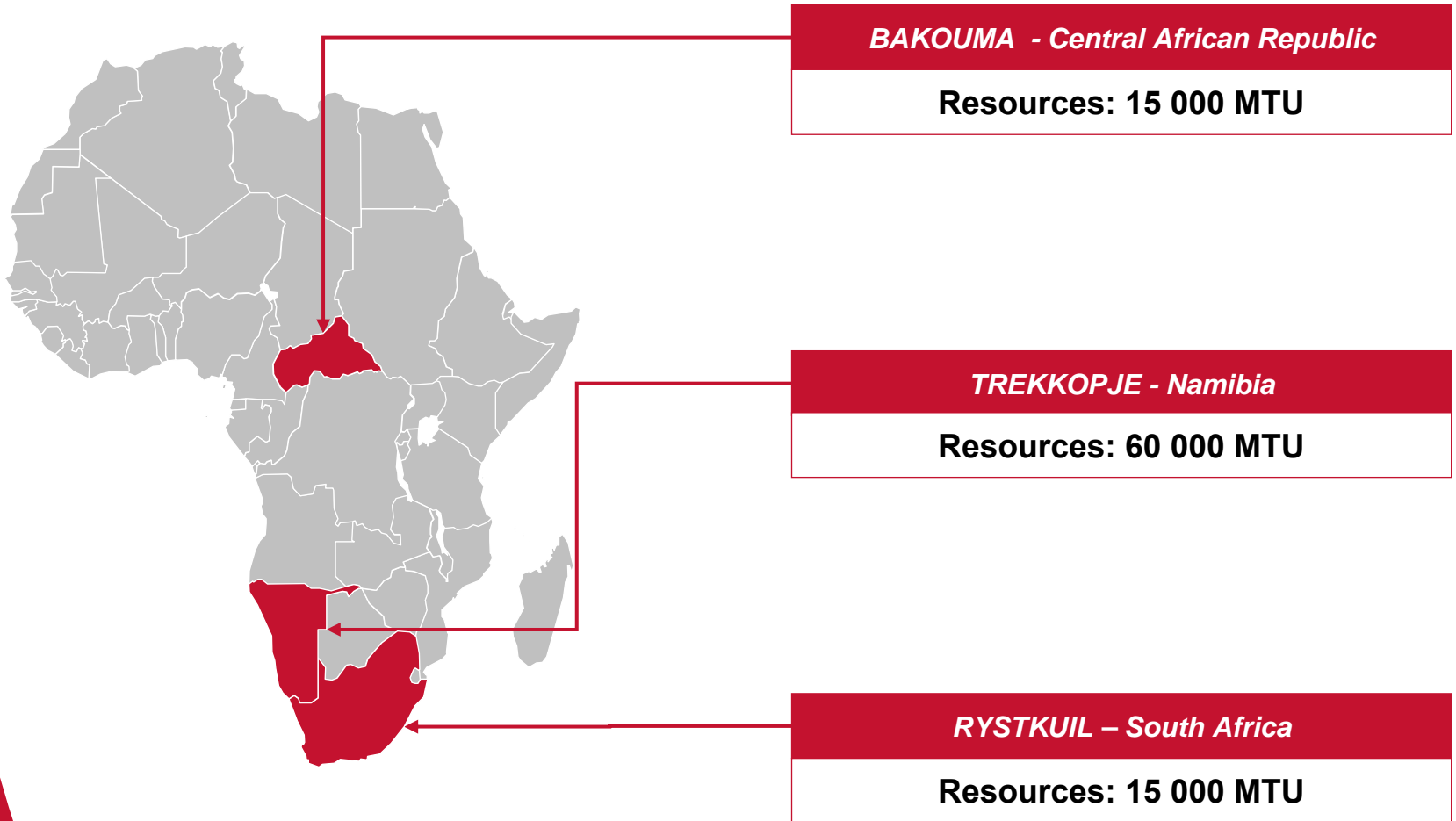
* EBITDA +/- gains on disposals +/- change in WCR – net CAPEX

- ▶ **The backlog is up very sharply**
 - ◆ Long-term enrichment contract with Kepco of South Korea
 - ◆ Fuel reloads to EDF for 2008-2012

- ▶ **Sales revenue, EBITDA and operating income affected by unfavorable timing of fuel deliveries**

- ▶ **Free operating cash flow impacted by:**
 - ◆ Reconstitution of uranium inventories
 - ◆ Less favorable customer payment terms
 - ◆ Ongoing capital spending program

UraMin: production expected to start in 2010



R&S – growth of recurring business

<i>In millions of euros</i>	12/31/06	6/30/07	Δ 07/06 (%)
Backlog	4 413	5 597	26.8%
	H1 2006	H1 2007	
Sales revenue	1 102	1 154	4.7%
Operating income	(266)	(230)	n.s
<i>% of sales revenue</i>	<i>- 24.1%</i>	<i>- 19.9%</i>	<i>+ 4.2 pts</i>
Free OCF before tax*	(190)	(236)	24.2%

* EBITDA+/- gains on disposals +/- change in WCR – net Capex

- ▶ **New orders: EPR Flamanville (France), retrofitting of Ringhals and Oskarshamn (Sweden)**
- ▶ **Strong sales revenue growth driven by services**
- ▶ **Operating income**
 - ◆ **Net growth in equipment and services operations**
 - ◆ **Provision for OL3 contract supplemented**
- ▶ **Free operating cash flow impacted by increased Capex**

- ▶ **Construction is proceeding smoothly**
 - ◆ The reactor building has risen from -7-meter level to +12 meters
 - ◆ The number of people on site rose by 60% in the first half of 2007
- ▶ **Heavy component manufacturing is progressing as scheduled**
- ▶ **Costs and contingencies resulting from contract performance environment reflected in financial results**



▶ **Under construction**

- ◆ **TVO (Finland):** turnkey EPR (consortium)
- ◆ **EDF (France):** Flamanville 3 EPR

▶ **Undergoing certification**

- ◆ **Constellation (US):** EDF has joined in the financing of 4 US EPRs
- ◆ **Ameren (US):** procurement of long-lead items has been launched

▶ **Advanced negotiations**

- ◆ **CGNPC (China):** 2 EPRs and long-term procurement of front-end fuel cycle

<i>In millions of euros</i>	12/31/06	6/30/07	Δ 07/06 (%)
Backlog	6 375	6 621	3.9%
	H1 2006	H1 2007	
Sales revenue	851	856	0.6%
Operating income	117	97	- 17.1%
<i>% of sales revenue</i>	<i>13.7%</i>	<i>11.3%</i>	<i>- 2.6 pts</i>
Free OCF before tax*	18	(73)	n.s

* EBITDA+/- gains on disposals +/- change in WCR – net Capex

- ▶ **New orders: Sogin contract (Italy)**
- ▶ **Stable sales revenue**
- ▶ **Operating margin returns to customary levels**
- ▶ **Free operating cash flow affected by net use of customer advances**

T&D – AREVA harvests the fruits of its recovery plan

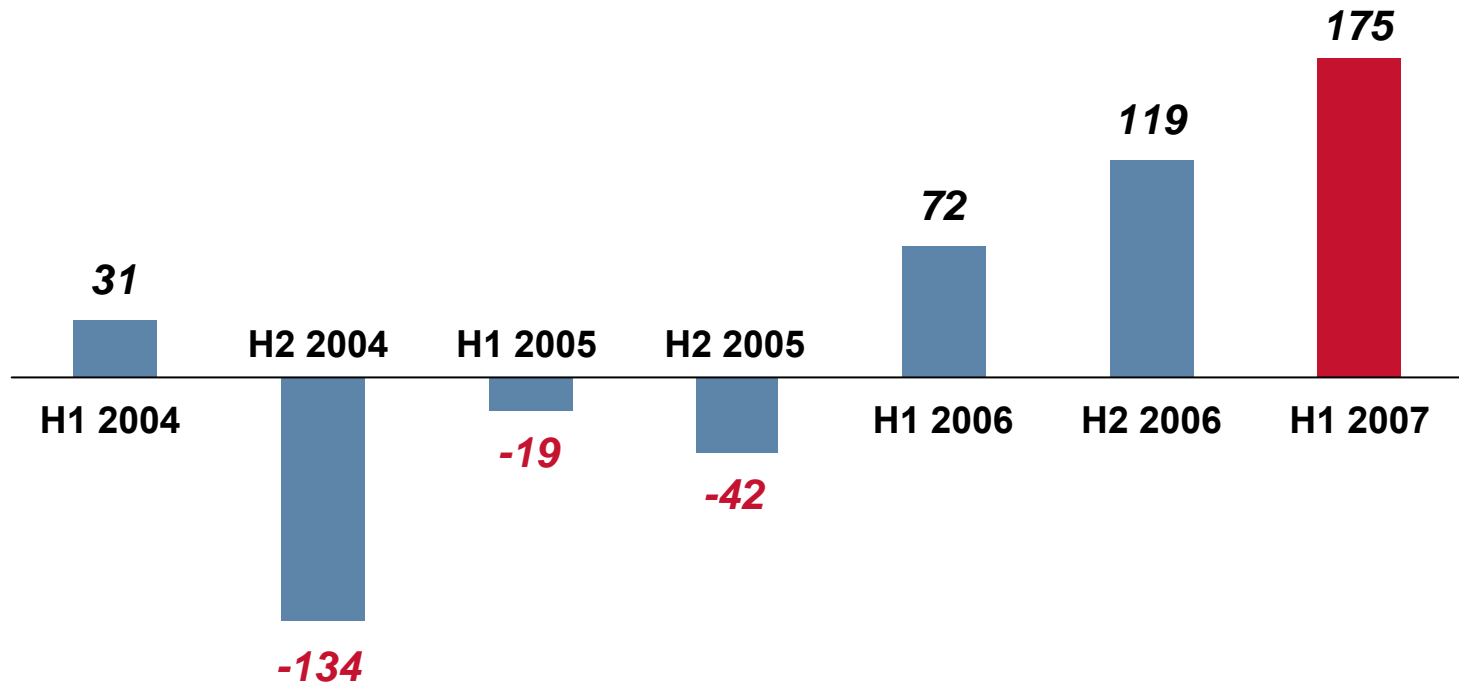
<i>In millions of euros</i>	12/31/06	6/30/07	Δ 07/06 (%)
Backlog	3 503	4 116	17.5%
	H1 2006	H1 2007	
Sales revenue	1 701	2021	18.8%
Operating income	72	175	143%
<i>% of sales revenue</i>	4.2%	8.7%	+ 4.5 pts
Free OCF before tax*	(53)	17	-

* EBITDA +/- gains on disposals +/- change in WCR – net Capex

- ▶ **Rate of growth for new orders still brisk: up 25% for the first half**
- ▶ **Sales revenue up by 19.5% like-for-like**
- ▶ **Operating income up sharply in all business units**
- ▶ **Operating cash flow: strong EBITDA growth is funding increase in WCR and investments in capacity**

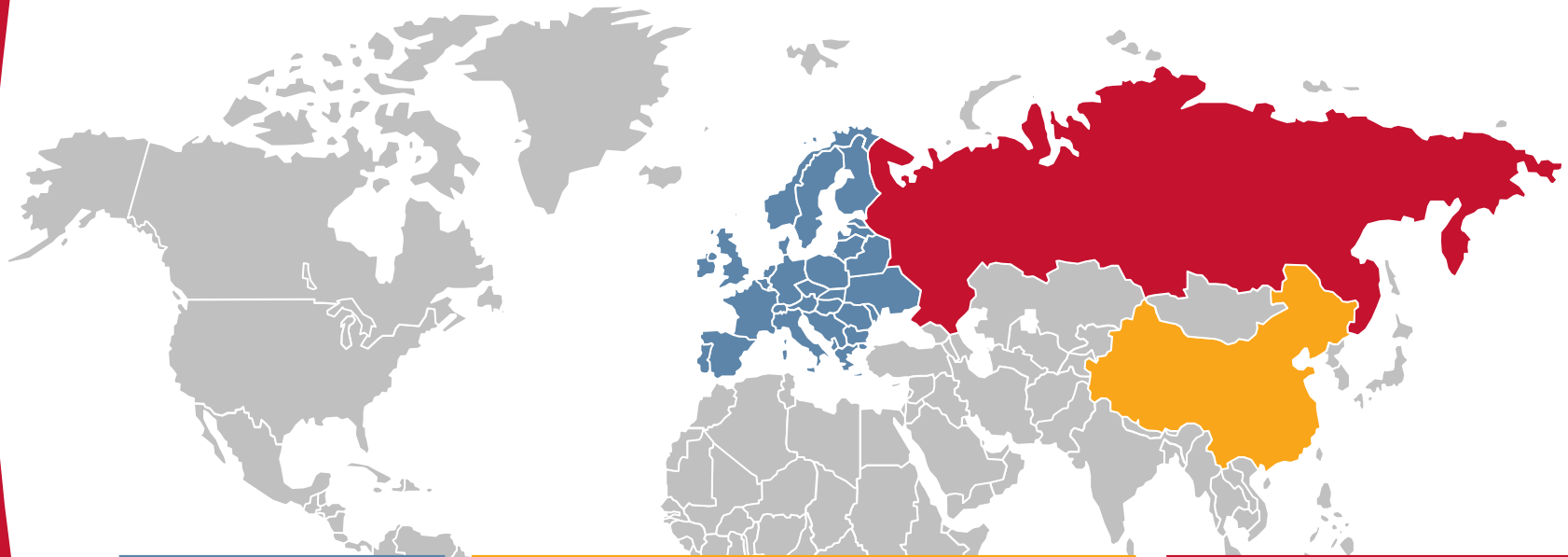
T&D – Operating income up very sharply

In millions of euros



- ▶ The goal of €400 million in cost savings by end-2007 has already been met
- ▶ All business units are contributing significantly to operating income

T&D – The strategy of selective acquisitions and partnerships is maintained



EUROPE

- ▶ Acquisition of Passoni & Villa (Italy)

CHINA

- ▶ Opening of a new plant in Suzhou (gas-insulated switchgear)
- ▶ JV formed with Sunten Electric Co. (MV transformers)
- ▶ Partnership with China Electric Power Research Institute (C-EPRI): access to HVDC market

RUSSIA

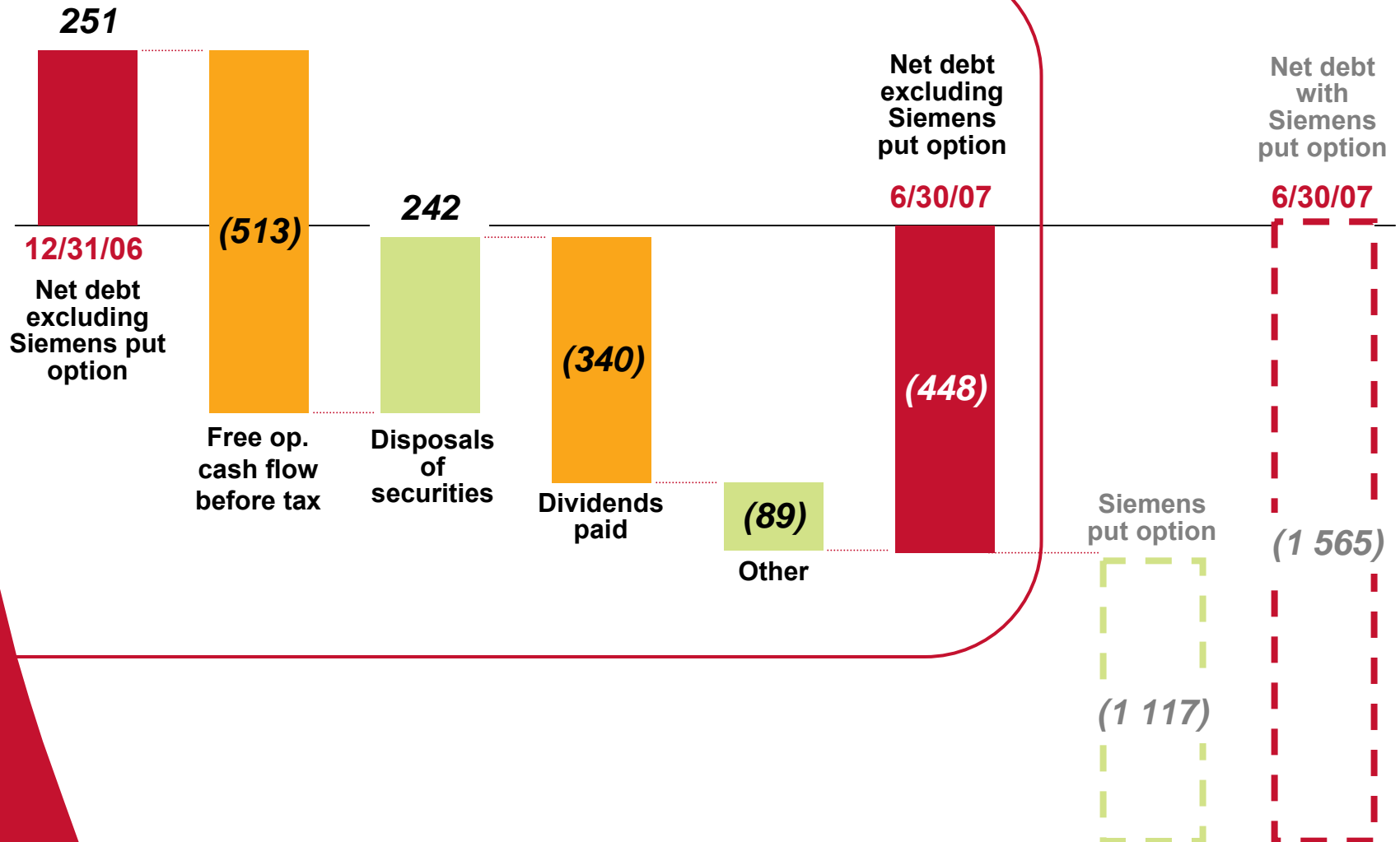
- ▶ Strategic agreement with Rusal: AREVA T&D becomes exclusive supplier

Results and outlook

<i>In millions of euros</i>	H1 2006	H1 2007	Δ 07/06 (%)
Sales revenue	5 036	5 373	6.7%
Operating income	115	207	80%
Net financial income	32	118	x 2.7
Income tax	(36)	(53)	47%
Share in net income of associates	104	34	- 67%
Net income from discontinued operations	2	0	-
Minority interests	(29)	12	-
Net income att. to equity holders of parent	245	295	20%

- ▶ **Net financial income: gains on disposals of earmarked portfolio securities and impact of put option (Suzlon/REpower)**
- ▶ **Associates: loss recognized by STMicroelectronics**
- ▶ **Minority interests: improved results of Eurodif and AREVA NP**

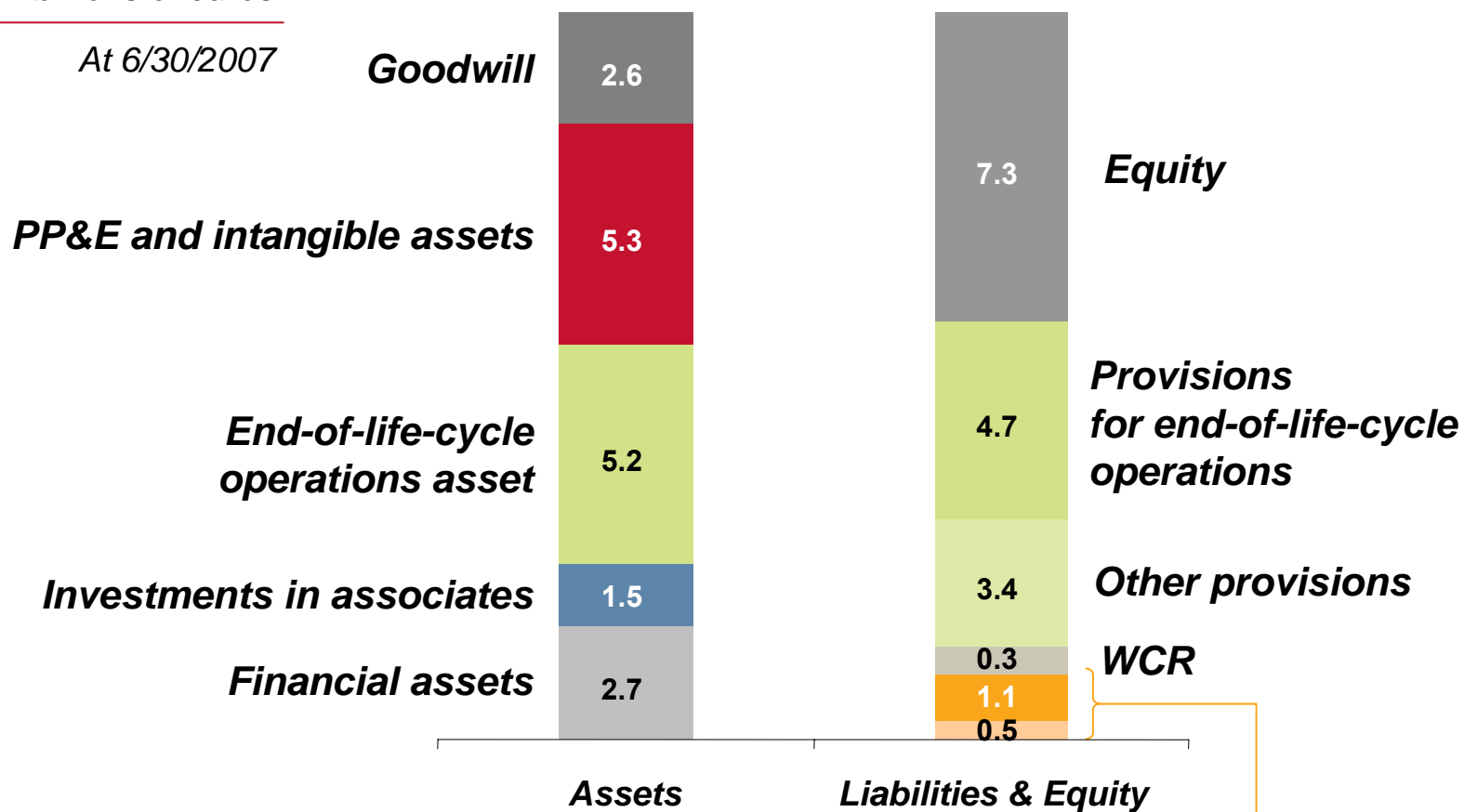
In millions of euros



Simplified balance sheet⁽¹⁾

In billions of euros

At 6/30/2007



Net debt reported*:
€1.6B o/w €1.1B for Siemens put option

(1) Working capital assets and liabilities are reported on a net basis in the simplified balance sheet, as are deferred tax assets / liabilities.

(*) Net debt = financial debt including interest-bearing advances + minority puts – cash – marketable securities – other current financial assets

- ▶ **Strong sales revenue growth**
- ▶ **Sharp increase in operating income**
- ▶ **Continuation of capital spending program**

Appendices

Appendix 1a – Net financial income

<i>In millions of euros</i>	H1 2006	H1 2007
Net borrowing costs	(4)	(12)
End-of-life-cycle obligations	(1)	44
Income from earmarked portfolio	58	107
Discount reversal of the provision	(59)	(63)
Income from disposals and changes in value of securities	5	19
Discount reversal of the retirement provision	(29)	(28)
Dividends received on non-earmarked portfolio	57	52
Foreign exchange gain	6	1
Other financial income (expenses)	(2)	42
Net financial income	32	118

Share in net income of associates: down for the half-year

<i>In millions of euros</i>	H1 2006	H1 2007
ST Microelectronics	48	(46)
Eramet group	52	71
Other	5	9
Total	104	34

<i>In millions of euros</i>	H1 2006	H1 2007
AREVA NP (formerly Framatome ANP)	(60)	(38)
AREVA NC (formerly COGEMA)	21	37
AREVA T&D and Other	10	13
Total	(29)	12

Appendix 2: Change in sales revenue from H1 2006 to H1 2007, like-for-like

<i>In millions of euros</i>	H1 2007	H1 2006				Sales revenue reported
	Sales revenue reported	Sales revenue LFL	Impact of exchange rates	Impact of consolidation scope	Harmonization of accounting methods	
Front End	1 342	1 392	(30)	19	23	1 381
Reactors and Services	1 154	1 121	(18)	37	0	1 102
Back End	856	845	(3)	0	(3)	851
Nuclear	3 352	3 359	(51)	56	20	3 334
T&D	2 021	1 692	(24)	15	0	1 701
Corporate	0	1	0	0	0	1
Total - AREVA group	5 373	5 051	(75)	71	20	5 036

Appendix 3: Income statement

<i>In millions of euros</i>	H1 2007	H1 2006	2006
Sales revenue	5 373	5 036	10 863
Other income from operations	12	7	55
Cost of sales	(4 301)	(4 088)	(8 698)
Gross margin	1 084	955	2 220
Research and development expenses	(197)	(161)	(355)
Marketing and sales expenses	(252)	(244)	(493)
General and administrative expenses	(424)	(375)	(778)
Restructuring and early retirement costs	(17)	(43)	(131)
Other operating income and expenses	14	(17)	(56)
Operating income	207	115	407
Income from cash and cash equivalents	20	31	50
Gross borrowing costs	(32)	(35)	(78)
Net borrowing costs	(12)	(4)	(29)
Other financial income	130	36	126
Net financial income	118	32	97
Income tax	(53)	(36)	(51)
Net income of consolidated businesses	273	110	453
Share in net income of associates	34	104	220
Net income from continuing operations	306	214	672
Net income from discontinued operations	0	2	0
Net income for the period	306	216	672
- minority interests	(12)	29	(24)
Net income attributable to equity holders of the parent	295	245	649

Appendix 4: Balance sheet - Assets

<i>In millions of euros</i>	6/30/2007	12/31/2006
Non-current assets	18 249	1 7350
Goodwill on consolidated companies	2 602	2 515
Other intangible assets	1 275	1 175
Property, plant and equipment	3 989	3 814
<i>Including: End-of-life-cycle asset (AREVA share)</i>	188	198
End-of-life-cycle asset (third party share)	2 132	2 091
Assets earmarked for end-of-life-cycle operations	3 073	2 986
Investments in associates	1 474	1 521
Other non-current financial assets	2 685	2 376
Pension fund assets	0	0
Deferred tax assets	1 017	873
Current assets	8 282	8 543
Inventories and work-in-process	2 650	2 306
Trade accounts receivable and related accounts	3 450	3 604
Other operating receivables	1 223	1 121
Current tax assets	95	116
Other non-operating receivables	147	142
Cash and cash equivalents	506	962
Other current financial assets	211	292
Total assets	26 530	25 893

Appendix 4: Balance sheet – Liabilities and equity

<i>In millions of euros</i>	6/30/2007	12/31/2006
Equity and minority interests	7 286	7 016
Share capital	1 347	1 347
Consolidated premiums and reserves	3 921	3 619
Deferred unrealized gains and losses on financial instruments	1 448	1 131
Currency translation reserves	(26)	(25)
Net income attributable to equity holders of the parent	295	649
Minority interests	303	294
Non-current liabilities	8 729	8 352
Employee benefits	1 144	1 122
Provisions for end-of-life-cycle operations	4 680	4 585
Other non-current provisions	114	113
Long-term borrowings	1 441	1 407
Deferred tax liabilities	1 350	1 124
Current liabilities	10 515	10 526
Current provisions	1 810	1 788
Short-term borrowings	841	712
Advances and prepayments received	3 786	4 185
Trade accounts payable and related accounts	2 262	2 093
Other operating liabilities	1 711	1 650
Current tax liabilities	60	74
Other non-operating liabilities	44	23
Total liabilities and equity	26 530	25 893

Appendix 5: Cash flow statement (1/2)

<i>In millions of euros</i>	06/30/2007	06/30/2006	12/31/2006
Net income before minority interests	306	216	672
Less: income from discontinued operations	-	(2)	-
Net income from continuing operations	306	214	672
Share in net income of associates	(34)	(104)	(220)
Net amortization, depreciation and impairment of PP&E and intangible assets and marketable securities maturing in more than 3 months	233	221	500
Goodwill impairment losses	-	-	-
Net share to provisions	(19)	159	314
Net effect of reverse discounting of assets and provisions	98	89	178
Income tax expense (current and deferred)	53	36	50
Net interest included in borrowing costs	6	(5)	7
Loss (gain) on disposals of fixed assets and marketable securities maturing in more than 3 months; change in fair value	(104)	(44)	(259)
Other non-cash items	(75)	(3)	(15)
Cash flow from operations before interest and taxes	466	564	1 231
Net interest received (paid)	5	3	0
Income tax paid	(71)	(29)	(90)
Cash flow from operations after interest and taxes	400	538	1 141
Change in working capital requirement	(454)	(214)	(344)
Net cash from operating activities	(54)	324	797

Appendix 5: Cash flow statement (2/2)

<i>In millions of euros</i>	06/30/2007	06/30/2006	12/31/2006
Investment in PP&E and intangible assets	(506)	(332)	(1 134)
Loans granted and acquisitions of non-current financial assets	(649)	(1 162)	(2 318)
Acquisitions of shares of consolidated companies, net of acquired cash	(54)	(5)	(240)
Disposals of PP&E and tangible assets	23	4	42
Loan repayments and disposals of non-current financial assets	757	1 211	2 650
Disposals of shares of consolidated companies, net of disposed cash	-	-	21
Dividends from equity associates	50	27	27
NET CASH FROM INVESTING ACTIVITIES	(379)	(256)	(953)
Share issues subscribed by minority shareholders in consolidated subsidiaries	3	-	-
Dividends paid to shareholders of the parent company	(300)	(350)	(350)
Dividends paid to minority shareholders of consolidated companies	(40)	(77)	(79)
Increase (decrease) in borrowings	137	(16)	64
NET CASH USED IN FINANCING ACTIVITIES	(200)	(444)	(364)
Decrease (increase) in marketable securities maturing in more than 3 months	179	(85)	(1)
Impact of foreign exchange movements	5	4	2
NET CASH FLOW FROM DISCONTINUED OPERATIONS	-	-	-
INCREASE (DECREASE) IN THE NET CASH	(450)	(457)	(518)
Net cash at the beginning of the period	901	1 419	1 419
Cash at the end of the period	506	1 003	962
Less: short-term bank facilities and non-trade current accounts (credit balances)	(55)	(41)	(61)
Net cash at the end of the period	451	962	901

H1 2007

In millions of euros	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate & other eliminations	Total
Contribution to consolidated sales revenue	1 342	1 154	856	2 021	(0)	5 373
EBITDA	292	(122)	172	156	(48)	451
% of contribution to consolidated sales revenue	21,8%	-10.6%	20.1%	7.7%	-	8.4%
Operating income	223	(230)	97	175	(59)	207
% of contribution to consolidated sales revenue	16,6%	-19,9%	11,3%	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)

H1 2006

In millions of euros	Front End	Reactors and Services	Back End	Transmission & Distribution	Corporate & other eliminations	Total
Contribution to consolidated sales revenue	1 381	1 102	851	1 701	0	5 036
EBITDA	286	(9)	166	107	(16)	534
% of contribution to consolidated sales revenue	20.7%	-0.8%	19.4%	6.3%	-	10.6%
Operating income	221	(266)	117	72	(29)	115
% of contribution to consolidated sales revenue	16.0%	-24.1%	13.8%	4.2%	-	2.3%
Change in operating WCR	119	(101)	(110)	(124)	(27)	(243)
Net operating Capex	(175)	(81)	(38)	(39)	(0)	(334)
Free operating cash flow before tax	229	(190)	18	(53)	(44)	(40)

Appendix 7: Definition of performance indicators used by AREVA (1/2)

- ▶ **EBITDA:** EBITDA is equal to operating income plus net amortization, depreciation and operating provisions included in operating income (except for provisions for impairment of working capital items).
- ▶ Beginning in 2004, EBITDA is adjusted to exclude costs associated with nuclear facility end-of-life cycle operations (dismantling, retrieval and packaging of waste) performed during the year, including, for 2004, amounts paid or to be paid to third parties in this regard.
- ▶ **Cash flow 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 assets earmarked to cover end-of-life-cycle expenses,
 - ◆ Cash from the sale of earmarked assets,
 - ◆ Minus acquisitions of earmarked assets,
 - ◆ Minus cash spent during the year on end-of-life-cycle operations,
 - ◆ Plus full and final payments received for facility dismantling,
 - ◆ Minus full and final payments made for facility dismantling.
- ▶ **Free operating cash flow:** This represents the cash flow generated by operating activities. It is equal to the sum of the following items:
 - ◆ EBITDA before end-of-life-cycle obligations;
 - ◆ Plus losses or minus gains on disposals of property, plant and equipment and intangible assets included in operating income;
 - ◆ Plus the decrease or minus the increase in operating working capital requirement between the beginning and the end of the period (before reclassifications, currency translation adjustments and changes in consolidation scope);
 - ◆ Minus acquisitions of property, plant and equipment and intangible assets, net of changes in trade accounts payable related to fixed assets;
 - ◆ Plus sales of property, plant and equipment and intangible assets included in operating income, net of changes in receivables on the sale of fixed assets;
 - ◆ Plus customer prepayments on fixed assets, received during the period;
 - ◆ Plus acquisitions (or disposals) of consolidated companies (excluding equity associates).

Appendix 7: Definition of performance indicators used by AREVA (2/2)

- ▶ **Net cash (debt):** Net cash is defined as the sum of “cash and cash equivalents” and “other current financial assets”, minus “borrowings”. “Borrowings” include the current value of minority put options
- ▶ **Operating working capital requirements (OWCR).** The OWCR represents all of the current assets and liabilities related directly to operations, i.e.:
 - ◆ Inventories and work-in-process
 - ◆ Trade accounts receivable and related accounts
 - ◆ Prepayments made
 - ◆ Other accounts receivable, accrued income and prepaid expenses
 - ◆ Less: Trade accounts payable and related accounts, Prepayments received (excluding interest-bearing advances), Other operating liabilities, Accrued expenses, and Deferred income.

Note: It does not include non-operating receivables and liabilities such as corporate tax debt, receivables on the disposal of non-current assets, or debt on acquisitions of non-current assets.

- ▶ **Backlog:** The backlog is valued based on economic conditions at the end of the period. It includes firm orders and excludes unconfirmed options. Orders in hedged foreign currencies are valued at the rate hedged. Non-hedged orders are valued at the rate in effect on the last day of the period.

The backlog reported for long-term contracts recorded under the percentage of completion method and partially performed as of the reporting date is equal to the difference between (a) the projected sales revenue from the contract at completion and (b) the sales revenue already booked for this particular contract. Accordingly, the backlog takes into account escalation and price revision assumptions used by the Group to determine the projected revenue at completion.