OBSERVATIONS BY THE SUPERVISORY BOARD ON THE EXECUTIVE BOARD'S MANAGEMENT REPORT AND ON THE 2005 FINANCIAL STATEMENTS

In 2005, the Supervisory Board convened eight times at the corporate office on notice duly given by its Chairman (The attendance rate was 78 %).

Before each meeting, the Supervisory Board's specialized Committees conducted in-depth reviews of the topics on the agenda. These committees include the Strategy Committee, the Audit Committee, the Compensation and Nominating Committee, and the Nuclear Cleanup and Decommissioning Fund Monitoring Committee.

The Supervisory Board and its specialized committees have monitored the conduct of business and operations of the Group, its major subsidiaries and its participating interests, including quarterly reports submitted by the Executive Board.

As part of its supervisory role, the board also conducted the audits and controls it deemed necessary on the corporate and consolidated financial statements, relying on the opinion of the Audit Committee and working closely with the Statutory Auditors.

A new Chairman of the Supervisory Board was appointed in 2005. On March 8, 2005, the Supervisory Board acknowledged the resignation of Mr Philippe Pontet as a member and Chairman of the Supervisory Board and appointed Mr Frédéric Lemoine to replace him in both positions. His designation was confirmed by the Annual General Meeting of Shareholders on May 12, 2005. The Supervisory Board also appointed Frédéric Lemoine Chairman of the Strategy Committee.

In addition to its review of recurring topics, particularly the financial statements, budgets, renewals of collaterals and guarantees, significant capital spending projects, the Group's business strategy and operations, governance issues and labor-management relations, the Supervisory Board was called upon on several occasions to review several major deals that are important to the Group's future and require its prior authorization, and which appear in the Executive Board's management report. This concerns the following transactions:

- Sale of all of the Connectors Division (FCI) to Bain Capital for a market value of €1,067 million. This transaction allows AREVA to focus all its resources on its core business, energy. • Disposal of various non-strategic minority interests, including:
  - a block of shares of French engineering firm Assystem-Brime (€94.6 million gross) and subscription warrants issued by that same company (€7.6 million gross), and
  - a minority interest in Australian mining company ERA (AU$140.6 million gross), the proceeds of which will be allocated to future development of the Group's mining portfolio.
- Subscription by Cogema[1] to the capital increase of Suez for the full allotment of its subscription rights (€52.1 million gross) and acquisition on the market of a sufficient number of shares to maintain AREVA NC's percentage of interest in Suez to the level before the capital increase (€54.3 million gross). Suez intends to use the funds to acquire the shares of minority holders in its Belgian subsidiary Electrabel.
- Transfer of the participating interest in Suez within the Group (from Cogema[1] to AREVA), after consultation of the Audit Committee on the accounting treatment of this transaction and verification of the absence of impact on AREVA's corporate and consolidated financial statements.

The Supervisory Board, having heard the opinion of the Strategy Committee, approved the business plan submitted by the Executive Board for the 2005-2007 period, updating the 2005-2009 Strategic Action Plan.

The Supervisory Board examined various projects submitted by the Executive Board in 2005, including:

- The Group's mining policy and AREVA's ambitious objective to become world leader in terms of uranium production and sales. It will be necessary to identify and develop new deposits while reactivating exploration efforts.
- The T&D Division's medium-term strategy. After returning to profitability and becoming competitive after completion of its 2004-2006 three-year plan, the division's objective is to resume its growth on strategic international markets and business segments, particularly in India, China and the Middle East.

The Supervisory Board expressed its satisfaction regarding various projects submitted by the Executive Board in 2005, including:

- An agreement to establish an exclusive partnership with U.S. utility Constellation Energy for the promotion and sale of at least four EPR reactors in the United States, through a joint company called "UnistarNuclear".

---

[1] *Whose trade names is AREVA NC.*

- Acquisition of 21.1% of the share capital of REpower, a German wind turbine manufacturing company. With this acquisition, the Group confirms its focus on wind energy as a complement to its nuclear strategy, in the context of renewed interest for a balanced energy mix.
- AREVA’s participation in the public debate on radioactive waste management, which foreshadows the preparation of a draft bill on this topic.
- The project to change the trade names of first-tier subsidiaries, which will be implemented in the first half of 2006 to allow AREVA to implement a strong and consistent brand strategy, particularly abroad.

Finally, the Supervisory Board acknowledged the Prime Minister’s declaration at the end of October 2005 that the privatization of part of AREVA's share capital was not on the agenda of its government.

After review and audit of the corporate and consolidated financial statements for fiscal year 2005, and pursuant to Article L. 225-68 (6) of the French Commercial Code, the Supervisory Board has no observations to make on these accounts nor on the Executive Board’s management report, as presented during its meeting of March 8, 2006.