

OBSERVATIONS BY THE SUPERVISORY BOARD ON THE EXECUTIVE BOARD'S MANAGEMENT REPORT AND ON THE 2006 FINANCIAL STATEMENTS

After reviewing and auditing the corporate and consolidated financial statements for fiscal year 2006, and pursuant to Article L. 225-68, paragraph 6, of the French Commercial Code, the Supervisory Board has no observations to make on these accounts or on the Executive Board's management report, as presented during the Supervisory Board meeting of March 22, 2007.

However, it bears repeating that the AREVA Supervisory Board adopted the group's strategic plans for the next five years during its meeting of June 29, 2006.

Confident in the financial position and outlook for the AREVA group, it defined a certain number of objectives for the group for the 2006-2011 period. These objectives constitute the roadmap of the Executive Board, charged with leading the company during that period.

In particular, the Supervisory Board underscored:

- Its commitment to seeing the exemplary operation of its industrial activities remain an absolute priority, whether as regards the safety and security of its facilities or AREVA personnel or the environment around its sites, the regulatory compliance of all its plant sites, or continuous preparations to meet end-of-life-cycle obligations.
- Its decision to focus the group's development on AREVA's current businesses: offering its customers technological solutions for the generation of CO₂-free energy, meaning from nuclear power or renewables, and for the reliable transmission and distribution of electricity. The group's strategy must capitalize on the sustainable expansion of the corresponding markets by taking full advantage of its vertical integration. Conversely, seeking out new businesses is not a priority for AREVA.
- The necessary pursuit of economic and financial performance improvement for the group, whether this be the operational profitability of its various businesses or the group's financial strength. This objective will gain in importance over the coming years as regards the capital expenditure needed for AREVA to maintain its leadership position in all its businesses and as regards major industrial projects, such as construction of the world's first EPR in Finland, which require rigorous operating control.

Guided by these objectives, the Supervisory Board appointed Mrs. Anne Lauvergeon Chairman of the Executive Board for a five-year period and, on the recommendation of Mrs. Lauvergeon, appointed Mr. Gérald Arbola Deputy CEO of the group. These same objectives guided the Supervisory Board in appointing the two other members of the Executive Board, Messrs. Didier Benedetti and Luc Oursel, on the date of your annual meeting. The Supervisory Board also ensured that Mr. Philippe Guillemot, Chairman and CEO of AREVA T&D, is closely involved in the Executive Board's work.

It is again in the light of these objectives that the Supervisory Board and its specialized committees continued their in depth work with the Executive Board and the group's central services.

For example, the Supervisory Board validated the 2007-2011 strategic action plan drawn up by the Executive Board based on these objectives as well as the 2007 budget and individual objectives assigned to each member of the Executive Board for 2007.

To stay the course over the long term, it also examined for the first time the major thrusts of the research and development program for the entire group and decided to repeat this examination every year.

In the nuclear field, the Board decided to launch the construction of the new Georges Besse II enrichment plant, which the Executive Board has been preparing for several years. It also examined the current and future range of reactors and expressed its satisfaction regarding the cooperation agreement with Mitsubishi Heavy Industries (MHI) providing, in particular, for the joint development of a 1000 MWe Generation III reactor. In addition, to secure supply for very large forgings for the nuclear businesses, it approved the acquisition of Sfarsteel, one of the world's leading producers located in Le Creusot, France.

The Board was pleased with the recovery and rapid development of the transmission and distribution operations, supplemented by the group's acquisition of the high voltage transformer business operated by Ritz, a German company. AREVA T&D made a significant contribution to the group's 2006 financial statements.

With regard to renewable energies, the Supervisory Board and the Strategy Committee selected wind power, biomass and fuel cells, based on the Executive Board's recommendation, as three main sectors in which to develop a sustainable and profitable business. The establishment of the Renewable Energies business unit and the strengthening of the group's position in REpower are part of this program.

With regard to the group's economic and financial performance, the Supervisory Board followed very closely, both directly and through its Audit Committee, the performance of the OL3 project involving construction of the world's first EPR. The delay, difficulties and very large cost overruns incurred for this project were analyzed in detail based on information submitted and presented to the Supervisory Board by the Executive Board. The provisions constituted in the 2006 financial statements are significant and have impacted operating income. It is clear that the establishment of an insurance policy to cover the risks associated with this type of project in no way substitutes for the considerable management efforts undertaken by AREVA NP to bring the Finnish project completely under control and by the group to improve the commercial, financial and operational processes that underpin all major industrial projects.

The group's strength is apparent in its financial performance for 2006, both in terms of orders and business and in terms of its ability to absorb the consequences of OL3. Nonetheless, the Supervisory Board supports the Executive Board's commitment to continued integration of the group and to strengthening its operating control over major projects, as the magnitude of investments required and the growth in the number of high-value contracts to be performed in the years to come mandate rigorous management and strong controls.