

# **REPORT OF THE SUPERVISORY BOARD CHAIRMAN ON THE PREPARATION AND ORGANIZATION OF THE BOARD'S ACTIVITIES AND INTERNAL CONTROL PROCEDURES 2005**

## **1. Introduction and regulatory framework**

Under the provisions of Article 225-68 of the French Commercial Code, amended by the Financial Security Law of August 1, 2003, and the Law of July 26, 2005 on the modernization of the economy and the confidence in companies raising funds from the public "the Chairman of the Supervisory Board reports to the General Meeting of Shareholders, in a report attached to the report provided in accordance with Articles L. 225-100, L. 225-102, L. 225-102-1 and L. 233-26, on the preparation and organization of the activities of the Board and on internal control procedures established by the Company".

The Executive Board has made the resources of the corporate departments available to the Chairman of the Supervisory Board, with coordination by the audit department, to perform the work necessary to prepare his mission. This work was submitted to the Audit Committee for an opinion and to the college of Statutory Auditors before it was presented to the Supervisory Board.

## **2. Preparation and organization of the Supervisory Board's activities**

### **2.1. Supervisory Board's missions**

The Supervisory Board exercises ongoing control of AREVA's management by the Executive Board. The Executive Board regularly informs the Supervisory Board of the business and operations of the Company through quarterly reports. The Supervisory Board performs such verifications and procedures as it deems necessary in connection with its supervisory responsibilities.

The Supervisory Board appoints certain members and the Chairman of the Executive Board. The Supervisory Board may recommend the dismissal of Executive Board members to the General Meeting of Shareholders. The Supervisory Board may call meetings of the General Meeting of Shareholders.

The Supervisory Board meets at least once quarterly at the corporate office or any other place indicated in the notice of meeting issued by the Chairman, or by the Vice-Chairman in the absence of the former, to review the Executive Board's report.

For decisions of the Executive Board to be valid, at least half of the members must be present. Decisions are made on a majority vote of the members present or represented. In the event of a tie vote, the Chairman of the meeting casts the deciding vote.

The Supervisory Board submits its remarks on the report of the Executive Board and on the financial statements to the Annual General Meeting of Shareholders.

Since the entry into force of French Law No. 2003-706 known as the Financial Security Law, enacted on August 1, 2003, and, amended by Law No. 2005-842 dated 26 July 2005 on the modernization of the economy, the Supervisory Board performs an annual review of its Chairman's report on the preparation and organization of the Board's undertakings and on the Group's internal control procedures.

The Supervisory Board delegates authority to the Executive Board to conduct transactions that the Executive Board cannot accomplish without such authorization. It reviews the overall strategy for AREVA and for the Group. Annual budgets and multi-year plans for AREVA, its direct subsidiaries and the Group are subject to Supervisory Board approval, as well as any transaction at the subsidiary level contemplated by Article 23-2 of the bylaws.

Pursuant to Article 23-2 of the bylaws, the following Executive Board decisions are subject to prior approval by the Supervisory Board when they involve an amount exceeding €80 million:

- issues of marketable securities, regardless of type, that may have an impact on share capital,
- significant decisions on opening establishments in France and abroad, either directly, through creation of a branch, or by establishing a direct or indirect subsidiary, or by acquiring an equity stake; a similar approval is required for decisions to close such establishments,
- significant operations that may affect the Group's strategy and modify its financial structure or scope of business,
- acquisitions, extensions or sales of equity in any company, existing or to be established,
- exchanges of goods, securities or assets, excluding cash operations, with or without payment of cash,

- acquisitions of real estate,
- settlements, compromises or transactions relating to disputes,
- decisions pertaining to loans, borrowings, credit and advances, and
- acquisitions and disposals of any receivables by any means.

In addition, proposals for appropriations of earnings presented by the Executive Board are subject to the prior approval of the Supervisory Board.

On July 3, 2001, the Supervisory Board authorized the Executive Board to carry out certain transactions, up to the following amounts:

- disposals of real property up to €30 million,
- provision of collateral to secure corporate commitments, up to €80 million per year in the aggregate, provided that no single commitment exceeds €30 million.

At that same meeting, the Supervisory Board established its rules of procedure, mainly for:

- the establishment and functioning of the four Committees described below,
- rules for preparing Supervisory Board deliberations,
- conditions for establishing the schedule of Supervisory Board meetings,
- resources at the disposal of Supervisory Board members elected by the employees.

## 2.2. Composition of the Supervisory Board

The members of the Supervisory Board are appointed by the shareholders and by holders of voting right certificates, except for employee-elected members of the Board and representatives of the French government.

The Supervisory Board consists of at least ten and no more than eighteen members, including three members elected by Company personnel, as described below, and representatives of the French State appointed pursuant to Article 51 of law no. 96-314 dated April 12, 1996, as applicable. The three members representing Company personnel are chosen by an electoral college consisting of engineers and managers (one member) and by an electoral college consisting of the other employees (two members).

The members of the Supervisory Board serve for a term of five years. The duties of a member of the Supervisory Board not elected by Company personnel expire at the end of the Annual General Meeting of Shareholders held during the year of expiration of his or her term and convened to approve the financial statements of the previous year.

The General Meeting of Shareholders may dismiss members of the Supervisory Board, other than members representing the French State and members elected by Company personnel. The duties of a member elected by Company personnel expire upon announcement of the results of elections, which AREVA must organize according to the bylaws, or upon the end of said member's employment contract or his or her dismissal, as provided by laws or regulations in effect at the time of the dismissal.

Only natural persons may be elected by Company employees to serve as members of the Supervisory Board. Members of the Supervisory Board not elected by Company employees may be natural or moral persons.

Except as provided by law, each member of the Supervisory Board must own at least one share of the Company.

The Supervisory Board elects a Chairman and a Vice-Chairman from among its members who are charged with convening the Board and conducting meetings, with the Vice-Chairman fulfilling these functions in the event of the Chairman's absence or inability to do so. Only natural persons may be designated as Chairman and Vice-Chairman.

On March 8, 2005, Frédéric Lemoine replaced Philippe Pontet as Chairman of AREVA's Supervisory Board. This appointment was confirmed by AREVA's Annual General Meeting of Shareholders on May 12, 2005. Mr Luc Rousseau, Director General of Enterprises at the Ministry of Economy, Finance and Industry, was appointed on March 11, 2005, to replace Mr Jean-Pierre Falque-Pierrotin.

As of the date of this report, the Supervisory Board was comprised of 16 members including six independent members: Messrs Frédéric Lemoine, Euan Baird, Patrick Buffet, Thierry Desmarest, Gaishi Hiraiwa and Daniel Lebègue. Based on the principles of good governance accepted by all, particularly the Bouton report, individuals who hold less than 10% of the Company's share capital and who have no financial or commercial relationship with the Company (as customer or supplier) are considered independent.

## Members appointed by the shareholders

### Frédéric Lemoine (age 40)

On March 8, 2005, Mr Frédéric Lemoine was appointed to AREVA's Supervisory Board to replace Mr Philippe Pontet, who had resigned. The Annual General Meeting of Shareholders confirmed his appointment on May 12, 2005. He was elected **Chairman of the Supervisory Board** and Chairman of the Strategic Committee on March 8, 2005. His term shall expire at the end of the General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2005.

Frédéric Lemoine is Inspector of Finance and a graduate of École des Hautes Études Commerciales, of the Institut d'Études Politiques de Paris and of École Nationale d'Administration.

During his professional career, Mr Lemoine was also Deputy Secretary to the President of the French Republic from 2002 to 2004.

#### Other offices held:

- General Manager of LCE Sarl,
- Member of the Board of Directors and Chairman of the Audit Committee of Groupama SA,
- Member of the Board of Directors of Flamel Technologies.

#### Offices held having expired over the past five years:

- Member of the Board of Directors of Cap Gemini France, Cap Gemini Holland, Cap Gemini UK, Cap Gemini Poland and Cap Gemini Korea until 2002.

### Alain Bugat (age 57)

Mr Bugat became a member of the Supervisory Board on January 23, 2003. The General Meeting of Shareholders confirmed his appointment on May 12, 2003. He was appointed **Vice-Chairman of the Supervisory Board** on June 12, 2003. His term expires at the General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2005.

Mr Bugat is a graduate of École Polytechnique and of École Nationale des Techniques Avancées. He holds the rank of Ingénieur général de l'Armement.

#### Other offices held:

- Administrator General and Chairman of the Board of Directors of the CEA,
- Member of the Board of Directors of DCN SA,
- Representative of the French State to the Board of Directors of AREVA NC,
- Member of the Supervisory Board of CDC Entreprises,
- Member of the Board of Directors of Agence Nationale de la Recherche Technologique (ANRT) – Association.

#### Offices held having expired over the past five years:

- Member of the Board of Directors of EDF until 2004,
- Chairman of the Board of Directors of AREVA TA until 2002,
- Chairman of the Supervisory Board of MVI Technologies until 2003.

### Euan Baird (age 68)

Euan Baird was appointed to the Supervisory Board by the General Meeting of Shareholders on June 18, 2001. His term will expire at the General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2005.

Euan Baird is a graduate of Cambridge University.

#### Other offices held:

- Member of the Boards of Directors of ScottishPower and Société Générale,
- Member of the Advisory Board of Banque de France.

**Offices held having expired over the past five years:**

- Chairman and CEO of Schlumberger until 2002,
- Member of the Board of Directors of The Haven Trust Management until 2003,
- Member of the Board of Directors of Rolls Royce until 2004.

**Patrick Buffet (age 52)**

Mr Buffet was appointed to the Supervisory Board by the General Meeting of Shareholders on June 18, 2001. His term will expire at the General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2005.

Mr Buffet holds the rank of Ingénieur in the Corps des Mines.

He is Executive Director of Suez.

**Other offices held:**

- Member of the Boards of Directors of Electrabel, Fabricom, Suez Tractebel, Fluxys and Suez Energie Services (SES),
- Member of the Supervisory Boards of Astorg Partners and Ixis-CIB,
- Censor of S.I. Finance, Caravelle and Neuf Telecom.

**Offices held having expired over the past five years:**

- Member of the Boards of Directors of Société Générale de Belgique, Tractebel, Degrémont, Suez Lyonnaise Telecom and CEA until 2003,
- Member of the Supervisory Board of Elyo until 2002,
- Member of the Board of Directors of Caravelle Finances until 2001,
- Member of the Supervisory Board of Panoramet,
- Permanent representative of Suez to the Board of Directors of Compagnie Parisienne de Chauffage Urbain until 2001.

**Thierry Desmarest (age 60)**

Mr Desmarest was appointed to the Supervisory Board by the General Meeting of Shareholders on June 18, 2001. His term will expire at the General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2005.

Thierry Desmarest is a graduate of École Polytechnique and holds the rank of Ingénieur en Chef in the Corps des Mines.

He is Chairman and CEO of Total SA.

**Other offices held:**

- Chairman and CEO of Elf Aquitaine,
- Member of the Supervisory Board of Air Liquide,
- Member of the Board of Directors of Sanofi-Aventis.

**Offices held having expired over the past five years:**

None.

**Gaishi Hiraiwa (age 91)**

Mr Hiraiwa was appointed to the Supervisory Board by the General Meeting of Shareholders on September 3, 2001. His term will expire at the General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2005.

Gaishi Hiraiwa is counsellor to the Emperor of Japan and former President of Tepco.

**Other offices held:**

- Member of the Boards of Directors of Kokyo Tatemono Co, Ltd, Three Hundred Club, World Trade Center Building, Inc., and Nippon Television Network Corporation.

**Offices held having expired over the past five years:**

- Member of the Board of Directors of Tôkô Tatemono Co. Ltd until 2004,
- Member of the Boards of Directors of Japan Oil Development Co. Ltd Dai-Ichi Mutual Life Insurance Company, Japan Securities Finance Co. Ltd, Arabian Oil Co. Ltd and Sumitomo Mitsui banking Corporation until 2002,
- Member of the Boards of Directors of Indonesia LNG Co. Ltd, The International Oil Trading Co. Ltd and Japan Indonesia LNG Co. until 2001,
- Member of the Supervisory Boards of Sunshine City Corporation and Tokyo Gas Co. Ltd until 2001.

**Daniel Lebègue (age 62)**

Mr Lebègue was appointed to the Supervisory Board by the General Meeting of Shareholders on September 18, 2001. His term will expire at the General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2005.

Mr Lebègue is a graduate of Institut d'Études Politiques de Paris and of École Nationale d'Administration.

**Other offices held:**

- Member of the Boards of Directors of Alcatel, Scor, Crédit Agricole SA and Technip,
- Chairman of the Institut Français des Administrateurs and Transparence Internationale France, both associations, of the Institut de Développement Durable et des Relations Internationales, and of Eurofi.

**Offices held having expired over the past five years:**

- Chairman of the Board of Directors of Compagnie Financière Eulia,
- Member of the boards of directors of Gaz de France and Thalès until 2003,
- Member of the Board of Directors of C3D until 2002,
- Member of the Board of Directors of Dexia until 2001,
- COO of Caisse des Dépôts et Consignations until 2001,
- Chairman of the Supervisory Board of CDC Ixis,
- Member of the Supervisory Boards of Caisse Nationale des Caisses d'Épargne and CNP until 2002,
- Member of the Supervisory Boards of Club Méditerranée and CDC IXIS Capital Market until 2001.

**Olivier Pagezy (age 38)**

Mr Pagezy became a member of the Supervisory Board on June 12, 2003. His appointment was confirmed by the General Meeting of Shareholders on May 4, 2004. His term will expire at the General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2005.

Mr Pagezy is a graduate of Institut d'Études Politiques de Paris and of École Nationale d'Administration.

He is Financial Director of the CEA.

**Other offices held:**

- Member of the Boards of Directors of CEA Valorisation and Co-Courtage Nucléaire.

**Offices held having expired over the past five years:**

None.

**Commissariat à l'Énergie Atomique (CEA), represented by Mr Jacques Bouchard**

The CEA became a member of the Supervisory Board on July 18, 2001. This appointment was confirmed by the General Meeting of Shareholders on September 3, 2001. CEA's term will expire at the General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2005.

The CEA is represented by Mr Jacques Bouchard (age 66). Mr Bouchard is a graduate of École Centrale des arts et manufactures.

**Other offices held:**

- Permanent representative of the CEA to the Board of Directors of AREVA TA,
- Member of the Boards of Directors of AREVA NC and SFEN (association).

**Other offices held by the CEA:**

- Member of the Boards of Directors of Brevatome, a French company in charge of managing nuclear patent applications, of CEA Valorisation and of AREVA TA.

**Offices held having expired over the past five years:**

- Member of the Board of Directors of Sofratome until 2003.

**Persons recommended for a seat on the Supervisory Board during the Annual General Meeting of Shareholders of May 2, 2006**

The resolutions presented by the State shareholder to the Annual General Meeting of Shareholders of AREVA of May 2, 2006 (see section 6.5.2) recommend the appointment of the persons listed hereunder to the Supervisory Board for a term of five years ending at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending 2010: Patrick Buffet, Alain Bugat, the French Atomic Energy Commission (CEA), Thierry Desmarest, Oscar Fanjul, Frédéric Lemoine, Philippe Pradel and Guylaine Saucier, to replace the members of the Supervisory Board appointed by the Shareholders whose terms expire after the Annual General Meeting of May 2, 2006.

**Members representing the French State, appointed by ministerial order**

**Luc Rousseau (age 49)**

Mr Rousseau was appointed by ministerial order of March 11, 2005, published in the Official Journal on March 25, 2005. He replaced Mr Jean-Pierre Falque-Pierrotin. His term shall expire at the end of the General Meeting of Shareholders convened to approve the financial statement for the year ending December 31, 2005.

Mr Rousseau is a graduate of École Polytechnique and holds the rank of Ingénieur in the Corps des Mines.

He is Director General of Enterprises at the Ministry of the Economy, Finance and Industry.

**Other offices held:**

- Member of the French Atomic Energy Board (Comité de l'Énergie Atomique),
- Government Commissioner for the Boards of Directors of the French postal service and Oseo Anvar,
- Government Commissioner to the Supervisory Board of All,
- Member of the Board of Directors of ANR (French National Research Agency).

**Offices held having expired over the past five years:**

None

**Dominique Maillard (age 56)**

Mr Maillard was appointed by ministerial order dated June 28, 2001, published in the Official Journal on June 30, 2001. His term will expire at the General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2005.

Mr Maillard is a graduate of École Polytechnique and holds the rank of Ingénieur in the Corps des Mines. He is Director General of Energy and Raw Materials at the Ministry of the Economy, Finance and Industry.

**Other offices held:**

- Representative of the French State to the Board of Directors of the French postal service, ERAP and the Institut Français du Pétrole,
- Government Commissioner to AREVA NC, Andra and the French Electrical Power Regulatory Commission,

- Member of the Steering Committee of the International Energy Agency and the French Atomic Energy Board (Comité de l'Énergie Atomique).

**Offices held expiring over the past five years:**

- Director General of Energy and Raw Materials until 2001,
- Representative of the French State to the Board of Directors of ADEM.

**Jean-Pierre Lafon (age 65)**

Mr Lafon was appointed by ministerial order of December 15, 2004, published in the Official Journal on December 24, 2004. He replaced Mr Hubert Colin de Verdière. His term shall expire at the end of the General Meeting of Shareholders convened to approve the financial statement for the year ending December 31, 2005.

Mr Lafon holds a doctorate in mathematics. He was Secretary General of the French Ministry of Foreign Affairs until March 31, 2006.

**Other offices held:**

- Representative of the French State to the Board of Directors of ENA,
- Member of the Boards of Directors of GIP/France Coopération Internationale (public interest group), EDF, and the Association Française d'Action Artistique (AFAA),
- Member of the French Atomic Energy Board (Comité de l'Énergie Atomique).

**Offices held having expired over the past five years:**

None

**Bruno Bézard (age 42)**

Mr Bézard was appointed by ministerial order of July 22, 2002, published in the Official Journal of July 26, 2002. He replaced Mr Nicolas Jachiet. His term shall expire at the end of the General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2005.

Mr Bézard is a graduate of École Polytechnique and École Nationale d'Administration. He is Head of the Equity Holdings department and Deputy Director General of the agency that manages the French government's participating interests at the Department of the Treasury and Economic Policy, Ministry of Economy, Finance and Industry.

**Other offices held:**

- Member of the Boards of Directors of SNCF (French railways), EDF, France Télévisions and the French postal service.

**Offices held having expired over the past five years:**

- Member of the Board of Directors of Renault until 2003.

**Members elected by and representing the employees:**

**Jean-Claude Bertrand (age 54)**

Mr Bertrand was elected by the employee electoral body on May 28, 2002 in elections validated by the works council (Comité d'Entreprise) on July 25, 2002. He took office at the Supervisory Board Meeting held on July 25, 2002. His term will end following elections held in 2007.

Mr Bertrand is a manager for local economic development at AREVA NC/Pierrelatte.

**Offices held having expired over the past five years:**

None

**Gérard Melet (age 48)**

Mr Melet was elected by the employee electoral body on May 28, 2002, in elections validated by the works council (Comité d'Entreprise) on July 12, 2002. He took office at the Supervisory Board Meeting held on July 25, 2002. His term will end following elections held in 2007.

Mr Melet is a buyer in the AREVA NC – La Hague purchasing department.

**Offices held having expired over the past five years:**

None

**Alain Vivier-Merle (age 57)**

Mr Vivier-Merle was elected by the electoral body consisting of engineers and managers on June 20, 2002, in elections validated by the works council (Comité d'Entreprise) on July 12, 2002. He took office at the Supervisory Board Meeting held on July 25, 2002. His term will end following elections held in 2007.

Mr Vivier-Merle is a manager of strategy and marketing programs for AREVA NP in Lyon.

**Other offices held:**

- Chairman of the Supervisory Board of the Framépargne employee savings plan,
- Member of the Supervisory Board of the Framépargne balanced mutual fund.

**Offices held having expired over the past five years:**

- Chairman of the Supervisory Board of Sogepan A until 2004,
- Member of the Supervisory Boards of the AREVA employee savings's plan money market fund until 2004.

Mr Christophe Xerri, representing the unified delegation of AREVA personnel, participates in the meetings of the Supervisory Board in an advisory capacity.

**Comptroller General**

On February 15, Ms Anne-Dominique Fauvet was appointed as Comptroller General to the CEA by ministerial order of the Minister of the Economy, Finance and Industry. In this capacity, she is also Comptroller General to AREVA and attends the meetings of the Supervisory Board.

**Censors**

AREVA's bylaws authorize the Supervisory Board to appoint one or several censors, whose mission is to assist the Supervisory Board in its oversight functions. They attend the meetings without the right to vote.

No censor had been appointed as of the date this report was filed.

**Secretary of the Board**

Bernard de Gouttes, Chief Legal Counsel of the Group, is the Secretary of the Board.

Supervisory Board members may be contacted at the company's corporate office at 27-29, rue Le Peletier, 75009 Paris, France.

**2.3. Activities of the Supervisory Board**

**Supervisory Board meetings in 2005**

In 2005, the Board met eight times at the corporate headquarters (attendance rate: 78%).

The Supervisory Board voted on the matters described below:

- March 8, 2005: the Supervisory Board unanimously approved the business plan, acknowledged the net profit for the year 2004 of €301,555 million, and approved the proposal to distribute a net dividend of €9.59 per share and per investment certificate. The Board finalized its report and heard the Chairman's report in accordance with the law of August 1, 2003, on financial security. During the same meeting, the Supervisory Board authorized the Executive Board to give sureties, endorsements and guarantees with regard to obligations of AREVA T&D UK, a subsidiary, to local landlords of facilities leased on Glover Street, St. Leonard Street and Speke Approach. Finally, the Supervisory Board acknowledged the resignation of Mr Philip Pontet as a member and Chairman of the Supervisory Board and appointed Mr Frédéric Lemoine to replace him as a member. The Board then appointed Mr Lemoine as Chairman of

the Supervisory Board for the remainder of Mr Philippe Pontet's term, which expires at the General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2005, subject to approval by the next General Meeting of Shareholders. The Annual General Meeting of Shareholders confirmed this appointment on May 12, 2005. On March 8, 2005, the Supervisory Board also appointed Frédéric Lemoine Chairman of the Strategy Committee.

- May 12, 2005: the Supervisory Board reviewed the Bought deal proposed by Banque Lazard and the Accelerated book building strategy proposed by Banque Calyon to dispose of the Group's 28.8% participating interest in Assystem-Brime. Furthermore, the Supervisory Board authorized the Executive Board to conclude a transaction under the best possible terms.
- June 28, 2005: the Supervisory Board approved the recommendations of the Compensation and Nominating Committee regarding executive bonuses for 2004, compensation of the members of the Executive Board for 2005 and the flat allowance paid to the Chairman of the Supervisory Board. The Board also reviewed the T&D Division's three-year restructuring plan, whose objective is to reach a level of profitability similar to its competitors and to improve the division's operating income by 2007, by giving priority to actions regarding product lines and the deployment on fast growing Asian markets (China, India, etc.). During the same meeting, the Supervisory Board acknowledged the previously authorized sale of the Group's participating interest in Assystem-Brime to Banque Lazard. The sale closed on May 13, 2005. A €66.7 million gain was recorded on the sale of the shares and a €6.9 million gain on the sale of share subscription warrants. The Supervisory Board authorized the Executive Board to give sureties, endorsements and guarantees with regard to obligations of AREVA T&D UK, a subsidiary, to local landlords of facilities leased on Frederick Road and Lichfield Road.
- September 6, 2005: the Supervisory Board authorized AREVA's subsidiary Cogema<sup>(1)</sup> to subscribe to the capital increase of Suez, for the full allotment of its subscription rights, i.e. approximately €50 million, and to acquire on the market a sufficient number of shares to maintain its percentage of interest in Suez to the level before the capital increase, i.e. approximately €110 million for both transactions. Suez intends to use the funds to acquire its Belgian subsidiary Electrabel.
- September 19, 2005: the Executive Board presented to the Supervisory Board 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". The Board also approved the proposed sale of FCI to Bain Capital as presented by the Executive Board and gave management authority to finalize the share purchase agreement. The sales price for FCI shares sets the company's value at €1.067 billion. The Supervisory Board authorized the Executive Board to acquire, in one or several transactions, all Suez shares held by AREVA's subsidiary AREVA NC. These shares were obtained in connection with the capital increase or held previously, at a price equal to the average price per share on the stock market during the previous 20 days, subject to AREVA having sufficient cash to proceed with the transactions after collecting the proceeds from the disposal of FCI. The Board also reviewed the Group's uranium mining policy. AREVA's ambitious objective is to become world leader in terms of uranium production and sales. The Board emphasized the need to speed up the development of known deposits and identify new ones while reactivating exploration efforts.
- September 28, 2005: the Supervisory Board authorized its subsidiary Cogema<sup>1</sup> to sell the 7.76% participating interest held indirectly, through a subsidiary, in the Australian company ERA, for a price of no less than A\$10.00 per share, provided that such sale would be subject to a favorable recommendation by the Audit Committee if the price were between A\$10.00 and A\$12.00 per share. ERA shares are traded on the Sydney Stock Exchange.
- On December 2, 2005, the Supervisory Board authorized Cogema<sup>1</sup> to sell all or part of the shares held indirectly in ERA at a price at least equal to AU\$9.00 per share.
- December 20, 2005: the Supervisory Board acknowledged the Prime Minister's decision that no sale of AREVA shares would be included in the government's program. The Board approved the proposed budget for 2006 for AREVA, its direct subsidiaries and the Group, including the Front End Division, the Reactors and Services Division, the Back End Division and the T&D Division. The Supervisory Board examined the T&D Division's medium term strategy, including the decision to develop key international markets and segments, particularly in India, China and the Middle East. In addition, the Supervisory Board once again authorized the Executive Board to provide an AREVA guarantee to release Alstom Holdings and any other Alstom holding company of surety or guarantee obligations undertaken previously for the T&D business, which were transferred or are to be transferred to AREVA pursuant to agreements between AREVA and Alstom, in particular the Share Purchase Agreement of September 25, 2003. At that same meeting, the Supervisory Board authorized the Executive Board to provide surety, endorsement and/or guarantees in the name of AREVA to third parties in an amount not to exceed €550 million in 2006. Further, the Supervisory Board authorized the renewal, through January 1, 2007, of the liquidity agreement between Framépargne and Calyon and the agreement guaranteeing the value of AREVA shares sold by Framépargne to Calyon, given by AREVA to Calyon in an amount of up to €100 million. The Board also decided to amend its internal rules to allow Supervisory Board Committee meetings to be held by videoconference or telecommunications, as provided by the law of July 2005 on the modernization of the economy.

## Supervisory Board meetings in 2006

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<sup>1</sup> Whose trade name is AREVA NC.

On March 8, 2006, the Supervisory Board acknowledged the net profit for the year of €347,950 million and approved the proposal to distribute a net dividend of €9.87 per share and per investment certificate. The Board approved the wording of the Supervisory Board report and reviewed its Chairman's report on the preparation and organization of the Board's undertakings and on the Group's internal control procedures, as provided in the Law known as the Financial Security Law, enacted on August 1, 2003, and the Law on the modernization of the economy, enacted on July 26, 2005.

## 2.4. Activities of the four committees of the Supervisory Board

The Supervisory Board may establish committees comprised of Board members, which function under its responsibility. The Board establishes the composition and duties of each committee and the compensation, if any, of the members. On July 3, 2001, the Supervisory Board set up a Strategy Committee, an Audit Committee, and a Compensation and Nominating Committee. On December 10, 2002, the Supervisory Board created a Cleanup and Decommissioning Fund Monitoring Committee.

Prior to each meeting of the Supervisory Board, as necessary, the specialized Committees carry out detailed analysis and regularly report on their work to the members of the Supervisory Board.

### Strategy Committee

The five members of the Strategy Committee are chosen from among the members of the Supervisory Board. They are: Frédéric Lemoine<sup>2</sup>, appointed on March 8, 2005, to replace Philippe Pontet, Dominique Maillard, Euan Baird<sup>2</sup>, Patrick Buffet<sup>2</sup> and Bruno Bézard. Bernard de Gouttes serves as Committee secretary

The Committee meets at least once per six-month period and as often as necessary to fulfill its duties, and is convened by its Chairman or at least two of its members. It is responsible for advising the Supervisory Board on the strategic objectives of AREVA and of its main subsidiaries and for assessing the risks and merits of major strategic decisions proposed by the Executive Board to the Supervisory Board. It ensures application of AREVA's strategic policy and its implementation at the subsidiary level. It orders studies to be carried out as it deems useful and recommends policies as it deems necessary.

The Strategy Committee met 5 times in 2005 with an attendance rate of 72%:

- On February 7 and February 17, 2005, the Committee reviewed a tentative partnership project with WMC, an Australian metals company that produces uranium in particular, and potential AREVA strategies in the framework of this project.
- On February 23, 2005, the Committee met to review AREVA's 2005-2007 business plan. The Committee gave a favourable opinion on the business plan, which was subsequently submitted to the Supervisory Board for approval.
- On June 20, 2005, the Committee reviewed AREVA's strategy in view of the deferral of the privatization of the Company and the restart of nuclear programs in various countries. Each Committee member presented his point of view on various aspects of the Group's strategy: nuclear power business, Front End, Services and Back End operations, renewable energy strategy, T&D development, FCI, AREVA participating interests, strategic and marketing challenges.
- On December 12, 2005, the Committee examined the T&D Division's strategy beyond the three-year plan for 2004-2006. It reviewed organic growth drivers and the development strategy in India, China and the Middle East. The Committee proceeded with its first examination of the results and outlook of AREVA's Research and Development strategy, which is a determining factor of the Group's development.

At the time of publication of this reference document, no Strategy Committee had been held since 12 December, 2005.

### Audit Committee

The four members of the Audit Committee are chosen from among the members of the Supervisory Board. They are: Daniel Lebègue<sup>2</sup>, Chairman, Bruno Bézard, Jean-Claude Bertrand and Olivier Pagezy (appointed to the Supervisory Board on January 9, 2004, to replace Philippe Rouvillois). Alain Salmon, Director of Participating Interests at CEA, serves as Committee secretary. The Chairman of the Supervisory Board attends the Committee meetings.

The Committee meets at least once quarterly and as often as necessary to fulfil its duties. It is convened by its Chairman or at least two of its members. Its mission is to evaluate and help define accounting, financial and ethical standards, as the case may be, to be implemented by the Group's companies in France and abroad.

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<sup>2</sup> Independent members of the Supervisory Board

It verifies the appropriateness and effectiveness of these standards and the effectiveness of internal management controls. It draws up reports and conducts reviews of particular points at the request of the Supervisory Board or on its own initiative. The Committee reviews proposed budgets, preliminary financial statements and proposed multi-year plans for AREVA, its direct subsidiaries and the Group, and submits its comments to the Supervisory Board. For the annual financial statements, it consults with AREVA's Statutory Auditors and those of its subsidiaries in order to assist the Supervisory Board in its mission of audit and control. The Committee has the authority to assess the quality of the financial information provided to the public by AREVA. Upon expiration of the term of a Statutory Auditor, the Committee recommends a new Statutory Auditor or the renewal of the current Auditor's term, after soliciting competitive bids.

The Committee maps the Group's potential and existing risks and assesses resources provided or to be provided to prevent them.

Five Audit Committee meetings were held in 2005, with an attendance rate of 90%:

- On January 14, 2005, the Committee reviewed the results of the internal audit program for 2004, in particular those aspects concerning the T&D business. The Committee noted that the number of internal audit missions increased in 2004. It recalled that the Company would continue to apply the COSO internal auditing standards until market authorities approve a common standard. The Committee noted an improvement in various components of the company's internal controls.
- On March 3, 2005, the Committee reviewed the financial statements for 2004 and the report of the Chairman of the Supervisory Board on internal controls. In this context, the Committee heard the college of AREVA's Statutory Auditors. The Committee recommended that retirement commitments in the Eurozone be calculated based on a 4.5% discount rate, which is closer to the rate selected by other large energy businesses. The Committee suggested changes to the wording of notes 13 and 22 of the Notes to the financial statements. The Statutory Auditors called the Committee's attention to the challenges of the transition to International Accounting Standards IAS 32 and IAS 39, and approved without reservation the financial statements as presented, with comments regarding deep geological disposal costs and the sharing of cleanup and decommissioning costs at the La Hague site. The Committee took note of the Statutory Auditors' positive assessment of the report on internal controls submitted by the Chairman of the Supervisory Board.
- On June 21, 2005, the Committee examined the first updated budget (revision 1) for 2005 and noted that:
  - revision 1 was very similar to the initial budget in the nuclear power business;
  - in the T&D Division, deferral of certain restructuring expenses to 2006 results in an increase in operating income;
  - in the Connectors Division, revision 1 shows a significant deterioration compared with the initial budget. All factors included, the consolidated net income is increasing. The Committee reviewed the two different concepts of net cash: net cash per books and net cash position under IFRS reporting standards. Furthermore, the Committee examined internal audit procedures and their certification by the French Internal Audit Institute (IFACI). The Committee reviewed the methodology used for risk mapping and agreed that AREVA's approach was consistent with the Group's risk management objectives.
- On September 14, 2005, the Committee examined with the Statutory Auditors the financial statements for the half year. For the first time, these financial statements are presented in accordance with IFRS. Following a discussion of the transition to IFRS, the Committee approved the recommendations of the Executive Board regarding changes in the presentation of the Group's cash position, the continued reporting as "available for-sale securities" of shares held by AREVA, the conditions and significant impact of lengthening the period of depreciation for La Hague assets and the 4.50% discount rate used to calculate retirement provisions. These decisions are consistent with the Statutory Auditors' recommendations.
- On December 14, 2005, the Committee reviewed the financial forecast for 2005. Financial income is significantly above budget due to various gains on sales of shares (Assystem-Brime and ERA) and a positive impact on net income from the sale of FCI. The committee reviewed the preliminary budget for 2006 and noted the increase in revenue compared with revision 2 of the 2005 budget. It pointed out the increase in gross margin and the expected return of T&D to profitability. The Committee reviewed in depth the significant increase in capital expenditure, which is expected to increase from €563 million in 2005 to €1,180 million in 2006, mostly due to AREVA's investment in ETC. The Committee reviewed the results from the 2005 audit program, which demonstrates the soundness of the overall situation in all Group entities. It also examined the 2006 audit plan based on the risk map, which is updated on a regular basis.

The Audit Committee met once in the first quarter of 2006:

- On March 1, 2006, the Committee reviewed the financial statements for 2005 and reviewed and approved the draft report of the Chairman of the Supervisory Board on internal controls. The Committee heard AREVA's Statutory Auditors, who pointed out that the financial statements had been prepared in accordance with IFRS for the first time and in a very satisfactory manner. The Committee took note of the Statutory Auditors' positive assessment of the report on internal controls submitted by the Chairman of the Supervisory Board. Finally, the Committee reviewed the method of determination of the discount rate applied to end-of-life-cycle obligations and confirmed the 5% rate used for the preparation of the balance sheet.

## Compensation and Nominating Committee

The three members of the Compensation and Nominating Committee are chosen from among the members of the Supervisory Board. They are: Patrick Buffet<sup>2</sup>, Chairman, Daniel Lebègue<sup>2</sup> and Bruno Bézard. Bernard de Gouttes serves as Committee secretary. The committee meets at least once per six-month period and as often as necessary to fulfil its duties. It is convened by its Chairman or at least two of its members. The Chairman of the Supervisory Board attends the Committee meetings.

With respect to compensation, the Committee is responsible for recommending AREVA's executive compensation levels, retirement and insurance programs, and in-kind benefits for executives to the Supervisory Board based on comparable factors in the market and on individual performance assessments. In this regard, the Committee reviewed the timing and procedures for offering stock ownership plans to corporate officers, management personnel and employees of AREVA and of its direct and indirect subsidiaries. With respect to nominations, the Committee reviews the files of individuals selected to serve as members of the Executive Board and conveys its opinion to the Supervisory Board. The Committee also gives the Supervisory Board its opinion on executive nominations for first-tier companies of the AREVA group.

The Compensation and Nominating Committee met five times in 2005 with an attendance rate of 93%.

- On March 8, 2005, the Committee issued a favorable opinion on the appointment of Frédéric Lemoine as a member of the Supervisory Board, to replace Philippe Pontet, resigning. The Committee also issued a favorable opinion on the designation of Mr Lemoine for the position of Chairman of the Supervisory Board and for his appointment as Chairman of the Strategy Committee.
- On March 24 and June 28, 2005, the Committee recommended adjusting the compensations of the members of the Executive Board, based on information provided by the consulting firm of Towers Perrin. Outside the presence of the individuals involved, the Committee made recommendations for the calculation of 2004 bonuses for the members of the Executive Board, for the determination of their qualitative and strategic objectives for 2005 and for the flat fee paid to the Chairman of the Supervisory Board.
- On November 8 and November 14, 2005, the Committee examined the conditions of resignation of Mr Jean-Lucien Lamy, as member of the Executive Board who left the Group on November 18, 2005, after AREVA sold FCI to Bain Capital on November 3, 2005.

The Compensation and Nominating Committee met three times during the first quarter of 2006.

- On January 30 and February 9, 2006, the Committee reviewed the 2006 objectives for the members of the Executive Board, their fixed annual compensation, the amount of the Directors' fees for members of the Supervisory Board and its committees and the situation regarding Mr Jean-Lucien Lamy, a former member of the Executive Board who resigned on October 20, 2005.
- On March 31, 2006, the Committee examined proposed certain changes to the employment contracts of Messrs Bénédicti and Maurel. It also approved the 2005 bonuses for the members of the Executive Board

## Cleanup and Decommissioning Fund Monitoring Committee

The Committee has a maximum of five members, chosen from among the members of the Supervisory Board. They are: Alain Bugat (Chairman), Dominique Maillard, Gérard Melet, Olivier Pagezy and Bruno Bézard, who was appointed to the Supervisory Board on March 16, 2004, to replace Philippe Rouvillois. Alain Salmon serves as Committee secretary. The Chairman of the Supervisory Board attends the Committee meetings.

The committee meets at least once per six-month period and as often as necessary to fulfil its duties. It is convened by its Chairman or at least two of its members. The Committee is charged with helping to monitor the asset portfolio set up by AREVA subsidiaries to cover future nuclear cleanup and decommissioning expenses. In this capacity, and based on pertinent documentation submitted by AREVA, including a management charter, the Committee reviews the multiyear schedule of estimated future cleanup and decommissioning expenses for affected companies of the AREVA group; the criteria for establishing, managing and controlling the dedicated funds earmarked to cover expenses by these companies; and the investment management strategy for the related assets. The Committee provides the Supervisory Board with opinions and recommendations on these various topics.

The Committee may interview the financial advisors chosen by the fund management companies.

The Cleanup and Decommissioning Fund Monitoring Committee met three times in 2005 with a 93% attendance rate:

- On June 13, 2005, the Committee analyzed the funding of end-of-life-cycle obligations as of December 31, 2004, and the budgeted provision at December 31, 2005, based on the revised budget. The Committee noted that the liabilities were consistent with information provided previously and that the discrepancy between forecasted and actual spending was minimal. The Committee examined the management of the portfolio of assets earmarked to fund end-of-life-cycle expenses and compared performances to the corresponding benchmarks. It noted the solid

performance of French equities and the stable but less impressive performance of mutual funds invested in European equities. The Committee, having heard strategic asset allocation recommendations made by AXA-I.M., raised questions regarding the method used and the sufficiency of the initial contribution to the fund. It concluded that an acceptable level of risk would have to be defined in accordance with market practices. Consequently, the Committee asked AXA-I.M. to provide additional information as soon as possible.

- September 1, 2005: the Committee reassessed the choice of allocating assets belonging to the decommissioning fund in light of complementary research carried out on its behalf by AXA-I.M.: the latter particularly maintained its initial recommendation of 55% of diversified assets that seem to offer a maximum potential gain for a reasonable level of safety. This recommendation was not shared by certain members of the Committee, which then agreed to consider that the question of an additional contribution could only be settled after completion of a study that would determine the contribution necessary to offset a possible shortfall of the Fund, based on an allocation including 40% to 45% diversified products and a confidence level of 90%, i.e. less than 10% risk that the net asset in 2060 might be less than the liability. The Committee asked the Supervisory Board to devise a strategy for the transition from the current situation to the target allocation. The transfer of the Suez shares out of the portfolio earmarked to fund end-of-life-cycle obligations is a first step in this direction.
- December 2, 2005: the Committee reviewed the Supervisory Board's proposals to allow the Committee to make regular recommendations on asset allocations and the funding of the portfolio. In particular, the Committee focused on the ratio of coverage of the liabilities based on a set of recommended indicators, the methods to take into consideration EDF's obligation, which is included in the fund's assets and is still under negotiation, the minimum ratio of coverage in 25 years and the optimum allocation. Considering the diverging points of view expressed by Committee members and the lack of response to certain questions asked on September 1, it was agreed that additional analyses would be performed as soon as possible with the assistance of AXA-I.M. The Committee agreed to revisit this issue during a Supervisory Board meeting in 2006.

The Cleanup and Decommissioning Fund Monitoring Committee met twice during the first quarter of 2006:

- On January 31, 2005, the Committee examined estimated end-of-lifecycle obligations and the portfolio of assets earmarked to fund these obligations, as of December 31, 2005. It also reviewed the Executive Board's recommendation regarding the level of contribution to the Fund and the strategic asset allocation, based on additional analyses by AXA-I.M.
- On March 22, 2006, the Committee examined new recommendations made by the Executive Board regarding management of the Fund's assets and the consequence in terms of the advisory role of AXA-I.M. After reviewing management's presentations regarding accounting and tax considerations, which suggest a centralized asset management system, the Committee recognized the validity of this position and decided that requests for proposals would be prepared in order to select several fund managers.

### **3. Internal control procedures**

#### **3.1. Corporate values and action principles**

Sustainable development is at the centre of the AREVA group's industrial strategy, which rests on three pillars: profitable growth, social responsibility, and respect for the environment.

This approach translates into ten commitments:

- Governance.
- Continuous improvement.
- Respect for the environment.
- Financial performance.
- Risk management and prevention.
- Innovation.
- Commitment to employees.
- Community involvement.
- Dialogue and consensus-building.
- Customer satisfaction.

Underpinning this process, AREVA established a Values Charter approved by the Supervisory Board, and promoted the strengthening of internal control systems in all of its entities.

### 3.2. Internal control objectives

AREVA's internal control system enables the Group to meet its objectives and manage risk.

The Group's internal control procedures, based on the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), consist of rules, instructions and practices in effect throughout the organization, with the following objectives:

- ensure that its operations and employees,
  - comply with applicable laws and regulations as well as internal rules and standards;
  - support the values, guidelines and objectives defined by the labor-management bodies and their representatives, notably with respect to risk management policy.
- verify that internal and external communications accurately reflect the business and position of the Group and of its subsidiaries.

However, internal control procedures, no matter how well designed and implemented, can only provide reasonable assurances, not absolute guarantees

### 3.3. Main risk factors

The Group implemented a risk mapping process as soon as AREVA was established. AREVA's Insurance and Risk Management department updates the risk map on an annual basis. The Audit department submits the risk map to the Supervisory Board's Audit Committee. The main risk factors are identified and described in this annual report in paragraph 4.15.

### 3.4. Managers and departments with control responsibilities

In matters of corporate governance, AREVA has opted for an organization based on the separation and balance of powers. Executive and management authority is vested in the Executive Board, while approval and control authority is vested in the Supervisory Board and the General Meeting of Shareholders.

The Executive Board and Executive Committee of AREVA, both comprised of officers from first-tier subsidiaries, define the Group's objectives and contribute to the establishment of internal control systems, with support from the corporate departments.

The corporate departments implement specific controls in their respective areas of responsibility. These departments include the Audit Department, the Finance Department, the Human Resources Department, the Legal Department, the Strategy Department, the Organization and Information Systems Department, the Safety, Health and Security department, etc.

Financial information is analyzed and validated by a number of managers in the financial controls department, including managers in charge of operations and financial controls, financial controllers in the business units and subsidiaries, AREVA's consolidation department, business analysts, etc. The most important issues concerning financial reporting are submitted to the Supervisory Board's Audit Committee.

In addition, a Nuclear Executive Committee was established, with its members consisting primarily of key managers in the nuclear sector in France, Germany and the United States. This Committee is consulted on all matters representing a significant financial commitment or having significant strategic or marketing consequences.

### 3.5. General internal control procedures

Since it was established, AREVA has worked continuously to strengthen its organization and its internal control procedures.

The Group adopted a Values Charter that establishes rules of conduct to which all of the Group's executives must subscribe by signing a letter agreement. These rules incorporate AREVA's policy of ethical behavior, with particular emphasis on human rights, sustainable development, compliance with treaties, laws and regulations, performance, sincerity of communications, protection of individuals and property and continuous improvement. The Charter provides that any individual may report a blatant dysfunction or a breach of laws or regulations to his or her management. The Charter also establishes precise rules in matters such as insider trading, conflicts of interest and the traceability of payments.

AREVA has also established "organizational" and "standards and procedures" units to prepare organizational procedures for the Company and to centralize procedures management for the entire Group. Contact persons designated in first-tier subsidiaries provide assistance for the implementation of these procedures, which are now distributed with a web-based application launched in 2005. The subsidiaries use them as a basis for developing their own procedures and management processes, including ISO certification, delegation of authority, approval processes for proposals and capital expenditures, continuous improvement initiatives, etc.

### **3.6. Accounting and financial reporting procedures**

AREVA prepared an accounting and financial manual, which includes a glossary that defines the notions used in the financial statements and the performance indicators, and standards and procedures applicable to long-term contracts, provisions, end-of-life-cycle obligations, management of environmental liabilities, etc. Every year, the Group updates its key financial policies, which cover areas such as investments, interest rate risk, foreign exchange risk, etc.

In addition, the Group has deployed a shared reporting and consolidation system to harmonize, accelerate and ensure secure processing of accounting and financial data. Group entities record their data in the system according to a schedule and rules established at the corporate level. The reliability of this system is ensured through an automatic interface with local accounting systems. The consolidation process and system administration are centralized at the AREVA level.

In 2005, the Group prepared financial statements restated for IFRS. During the first half of 2005, AREVA deployed an accounting assistance and hedge monitoring system to prepare for implementation of International Accounting Standards (IAS) 32 and 39 regarding the handling of financial instruments. AREVA has decided to adopt these particular standards beginning January 1, 2005.

### **3.7. Assessment of internal controls**

AREVA optimizes its internal control systems on a continuous basis.

This effort is supported by the Audit department, which monitors the effectiveness of internal control procedures within the Group and reports to the Executive Board and to the Supervisory Board's Audit Committee. The department's missions, which reflect the Group's risk map, are carried out in accordance with an audit charter and with standards of the profession defined by the Institute of Internal Auditors (Institut français de l'audit et du contrôle interne, IIA-Ifaci). The resulting recommendations give rise to action plans, which are monitored in liaison with the managers involved.

In 2005, AREVA sold the Connectors Division and integrated the T&D Division of Indian and Pakistani operations.

To reflect the growing importance of the Group's operations in the Asia-Pacific region, the Audit department will open an office in China and an audit team will be established in India.

Two synergistic self-assessment initiatives were also set up and are being implemented in all of the Group's entities: the AREVA Way questionnaire, which supports implementation of the continuous improvement initiative, and a self-audit questionnaire specifically designed to help the units improve their internal control processes.

The self-audit questionnaire was previously used in 2003. It was updated in 2005 to reflect changes in the Group's standards, and in particular to take into account the transition to the IFRS. The new questionnaire, which includes 600 questions, was reviewed by AREVA's Statutory Auditors. The questionnaire was distributed to 264 entities in 2005, compared with only 65 entities in 2003 and 188 in 2004. FCI was not included in this effort. Conversely, all AREVA T&D entities in India performed a self-assessment. A software application facilitating data collection is available on the intranet.

The Audit department and the college of Statutory Auditors verified the reliability of some of the responses to the questionnaire in 51 entities and 10 countries, representing more than 70% of AREVA's consolidated sales revenue. In liaison with the Statutory Auditors in France, Statutory Auditors in foreign countries were informed of the responses and verified the adequacy of the supporting documentation and the consistency of the responses with their general knowledge of the audited entity and its environment, including its internal control systems, acquired while performing their regular auditing duties.

This initiative, which should lead to a continuous, in-depth assessment of internal controls throughout the Group, contributes to the continuous improvement of the internal control systems in the Group's entities, whether or not they are subject to the French Law on Financial Security. The verifications have not revealed any dysfunctions that might have a major impact on the business or financial statements of the Group.

In 2005, AREVA T&D strengthened its internal control system, including deployment of procedures in effect in the Group. The Audit department considers that internal controls in the Group's entities are generally efficient. However, progress is still required in 2006, particularly in certain T&D subsidiaries and in the area of information systems.