



## **REPORT OF THE SUPERVISORY BOARD CHAIRMAN ON THE PREPARATION AND ORGANIZATION OF THE BOARD'S ACTIVITIES AND INTERNAL CONTROL PROCEDURES 2006**

### **1. INTRODUCTION AND REGULATORY FRAMEWORK**

Under the provisions of Article L. 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 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".

With respect to this second item, this report was established based on information provided to the Chairman of the Executive Board by the Executive Board and the functional department under its authority, as part of a status report on internal control systems and during meetings of the Supervisory Board and its committees.

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 BOARD'S FUNCTIONS**

#### **2.1. SUPERVISORY BOARD 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 AREVA and the AREVA group 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 the 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 Supervisory 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.

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:

- issuing 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, increases or sales of equity interests in any company, existing or to be established;
- exchanges of goods, securities or assets with or without cash payment, excluding cash management operations;
- acquisitions of real estate;
- settlements, agreements 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 allocation 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.

On December 20, 2006, the Board 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 26, 2005 on the modernization of the economy.

On May 2, 2006, the Supervisory Board changed the name of the Cleanup and Decommissioning Fund Monitoring Committee to the End-of-Life-Cycle Obligations Monitoring Committee. Article 1.1.D of the rule of procedure was modified accordingly.

On June 29, 2006, the Supervisory Board renewed the authority granted to the Executive Board to:

- conduct miscellaneous transactions subject to the limits indicated above, as per the authority granted initially at the Supervisory Board meeting held on July 3, 2001;
- on behalf of AREVA, as provided in article L. 225-68 of the Commercial Code, for an amount not to exceed €550 million, under the terms and conditions agreed initially by the Supervisory Board during a meeting held on December 20, 2005.

## **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. 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 by-laws, 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. The chairman and the vice chairman are natural persons.

In 2006, the Annual General Meeting of Shareholders held on May 2, 2006 acknowledged that the terms of Messrs. Euan Baird, Gaishi Hiraia, Daniel Lebègue and Olivier Pagezy had expired and were not renewed. The same Annual General Meeting of Shareholders, upon a motion for a resolution by the French State, elected Messrs. Patrick Buffet, Alain Bugat, Thierry Desmarest, Oscar Fanjul, Frédéric Lemoine and Philippe Pradel, Mrs. Guylaine Saucier, and the Commissariat à l'Énergie Atomique (CEA) as members of the Supervisory Board for five-year terms expiring at the end of the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010. Since May 2, 2006, Mr. Olivier Pagezy rather than Mr. Jacques Bouchard has represented the CEA.

The Supervisory Board held on May 2, 2006, immediately after the Annual General Meeting of Shareholders, elected Mr. Frederic Lemoine as Chairman of the Supervisory Board and Mr. Alain Bugat as Vice Chairman, for the duration of their respective terms as members of the Supervisory Board.

During the same meeting, as provided in article 1 of the rules of procedure, the Supervisory Board elected the Chairman and the members of each of the four committees, upon recommendation of the Chairman of the Supervisory Board.

**At December 31, 2006**, the Supervisory Board is comprised of 15 members including 5 independent members: Mrs. Guylaine Saucier and Messrs. Patrick Buffet, Thierry Desmarest, Oscar Fanjul and Frédéric Lemoine. Following commonly accepted rules of good governance, particularly those of 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 to be independent.

### **Members appointed by the shareholders**

#### **Frédéric Lemoine** (age 41)

Mr. Frédéric Lemoine was appointed to the Supervisory Board on March 8, 2005, 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 on March 8, 2005. His term expired after the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005, and his duties were renewed by the Annual General Meeting of Shareholders on May 2, 2006. He was elected **Chairman of the Supervisory Board** on May 2, 2006. His term shall expire at the end of the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

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 General to the President of the French Republic from 2002 to 2004 and Deputy CEO-Finance of Capgemini until 2002.

Other offices held:

- Administrator of LCE SARL,
- Director and Chairman of the Audit Committee of Groupama SA,
- Director and Chairman of the Audit Committee of Flamel Technologies,
- Member of the Supervisory Board of Générale de Santé.

Other offices held during the past five years:

- Until 2002: member of the Boards of Directors of Cap Gemini France, Cap Gemini Netherlands, Cap Gemini UK, Cap Gemini Poland and Cap Gemini Korea.

#### **Alain Bugat** (age 58)

Mr. Bugat became a member of the Supervisory Board on January 23, 2003. The Annual General Meeting of Shareholders confirmed his appointment on May 12, 2003. He was elected Vice Chairman of the Supervisory Board on June 12, 2003. His term expired after the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and was renewed by the Annual General Meeting of Shareholders on May 2, 2006. He was re-elected **Vice Chairman of the Supervisory Board** on May 2, 2006. His term shall expire at the end of the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending on December 31, 2010.

Mr. Bugat is a graduate of *École Polytechnique* and of *École Nationale des Techniques Avancées*.

Other offices held:

- Administrator General and Chairman of the Board of Directors of the CEA,
- Director 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 Agence Nationale de la Recherche Technologique (ANRT) - Association.

Other offices held during the past five years:

- Director 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.

**Patrick Buffet** (age 53)

The Annual General Meeting of Shareholders appointed Mr. Buffet to the Supervisory Board on June 18, 2001. His term expired after the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and was renewed by the Annual General Meeting of Shareholders on May 2, 2006. His term shall expire at the end of the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

Mr. Buffet holds the rank of *Ingénieur* in the *Corps des Mines*. He is Executive Director of Suez (through June 30, 2007).

Other offices held:

- Director of Electabel, Suez Tractebel, Fluxys and Suez Énergie Services (SES).

Other offices held during the past five years:

- Director of Société Générale de Belgique, Tractebel, Degremont, Suez Lyonnaise Télécom and the CEA until 2003,
- Member of the Supervisory Board of Ixis-CIB until 2006,
- Member of the Supervisory Board of Elyo until 2002,
- Director 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 61)

The Annual General Meeting of Shareholders appointed Mr. Desmarest to the Supervisory Board on June 18, 2001. His term expired after the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and was renewed by the Annual General Meeting of Shareholders on May 2, 2006. His term shall expire at the end of the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending on December 31, 2010.

Thierry Desmarest is a graduate of *École Polytechnique* and holds the rank of *Ingénieur en Chef* in the *Corps des Mines*. He became Chairman of the Board of Total SA on February 14, 2007, after serving as CEO of that company for a period of ten years.

Other offices held:

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

Other offices held during the past five years:

None.

**Oscar Fanjul** (age 57)

Mr. Fanjul was appointed to the Supervisory Board by the Annual General Meeting of Shareholders on May 2, 2006. His term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

Mr. Oscar Fanjul holds a PhD in economics of the *Universidad Autónoma de Madrid* and is a visiting scholar to *Harvard University* and the *Massachusetts Institute of Technology*. He is Vice Chairman and CEO of Omega Capital.

Other offices held:

Member of the Boards of Directors of the London Stock Exchange, Marsh & McLennan Companies, Lafarge, Acerinox and Inmobiliaria Colonial. Trustee of the International Accounting Standards Committee Foundation (IASC). International Adviser to Goldman Sachs.

Other offices held during the past five years:

- Director of Unilever plc until 2006,
- Member of the Board of Directors of Técnicas Reunidas until 2005,
- Director of Banco Bilbao Vizcaya Argentaria until April 17, 2002,
- CEO of Hidroeléctrica del Cantábrico until May 17, 2001.

**Philippe Pradel** (age 50)

Mr. Pradel was appointed to the Supervisory Board by the Annual General Meeting of Shareholders on May 2, 2006. His term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

Mr. Pradel is a graduate of *École Polytechnique* and *École Nationale Supérieure des Techniques Avancées* (ENSTA). He is Director of Nuclear Energy at the CEA.

Other offices held:

- Permanent representative of the CEA to the Board of Directors of AREVA TA.

Other offices held during the past five years:

- Director of AREVA NC Inc. until 2005,
- Member of the Board of Directors of Comurhex until 2005,
- Member of the Board of Directors of Melox SA until 2003, then permanent representative of AREVA NC to the Board of Directors of Melox SA until 2005,
- Permanent representative of AREVA NC to the Board of Directors of Socodei until 2005,
- Member of the Board of Directors of EMA until 2005,
- Director of AREVA NC Deutschland until 2005,
- Member of the Board of Directors of SGN until 2005,
- Permanent representative of AREVA NC to the Board of Directors of TN International until 2005,
- Chairman of the Management Board and CEO of Commax GIE until 2005..

**Guylaine Saucier** (age 60)

Mrs. Saucier was appointed to the Supervisory Board by the Annual General Meeting of Shareholders on May 2, 2006. Her term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

Mrs. Saucier is a Chartered Accountant and a graduate of HEC Montreal.

Other offices held:

- Member of the Board of Directors of Axa Canada,
- Member of the Board of Directors of Petro-Canada,
- Member of the Board of Directors of Bank of Montreal,
- Member of the Board of Directors of Altran Technologies, until her resignation on February 15, 2007,
- Member of the Board of Directors of CHC Helicopter Corp.

Other offices held during the past five years:

- Chairman of the Joint Committee on Corporate Governance (ICCACDNX-TSX) until 2001,
- Member of the Board of Directors of Nortel Networks until 2005,
- Member of the Board of Directors of Tembec Inc. until 2005.

#### **Commissariat à l'Énergie Atomique (CEA), represented by Mr. Olivier Pagezy**

The CEA became a member of the Supervisory Board on July 18, 2001. The Annual General Meeting of Shareholders confirmed this appointment on September 3, 2001. The CEA's term expired at the end of the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and was renewed by the Annual General Meeting of Shareholders held on May 2, 2006. CEA's term shall expire at the end of the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending on December 31, 2010.

The CEA is represented by Mr. Olivier Pagezy (age 39). Mr. Pagezy is a graduate of *Institut d'Études Politiques de Paris* and of *École Nationale d'Administration*. He is CFO of CEA and Inspector of Finance.

Other offices held:

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

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.

Other offices held during the past five years:

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

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

**Luc Rousseau** (age 49).

Mr. Rousseau was appointed as representative of the French State at the Supervisory Board by ministerial order of March 11, 2005 published in the *Journal Officiel* on March 25, 2005. He replaced Mr. Jean-Pierre Falque-Piérrotin. His term expired after the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and his duties were renewed by ministerial order of April 26, 2006 published in the *Journal Officiel* on May 11, 2006. His term shall expire at the end of the Annual General Meeting of Shareholders convened to approve the financial statements for the year ending on December 31, 2010.

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 Innovation,
- Government Commissioner to the Supervisory Board of All,
- Member of the Board of Directors of ANR (French National Research Agency),

- Representative of the French State to the Board of Directors of Cité des Sciences et de l'Industrie,
- Representative of the French State to the Board of Directors of AFII,

Other offices held during the last five years:  
None.

**Dominique Maillard** (age 56)

Mr. Maillard was appointed as representative of the French State at the Supervisory Board by ministerial order of June 28, 2001 published in the *Journal Officiel* on June 30, 2001 His term expired after the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and his duties were renewed by ministerial order of April 26, 2006 published in the *Journal Officiel* on May 11, 2006. He was replaced by Mr. Pierre-Franck Chevet by ministerial order of March 1, 2007 published in the *Journal Officiel* on March 3, 2007. Mr. Chevet's term will expire at the Annual General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2010.

Mr. Maillard is a graduate of *École Polytechnique* and holds the rank of Ingénieur in the *Corps des Mines*. He was Director General of Energy and Commodities at the Ministry of the Economy, Finance and Industry until he was replaced by Mr. Pierre-Franck Chevet, who was appointed by ministerial order of February 22, 2007, published in the *Journal Officiel* on February 23, 2007. Mr. Chevet is Ingénieur Général in the *Corps des Mines*.

Other offices held:

- Representative of the French State to the Board of Directors of the French postal service 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).

Other offices held during the past five years:

- Member of the Board of Directors of Erap until 2006,
- Representative of the French State to the Board of Directors of ADEME until 2001.

**Philippe Faure** (age 56)

Philippe Faure was appointed to the Supervisory Board as the representative of the French State by ministerial order of April 26, 2006 published in the *Journal Officiel* on May 11, 2006. He replaced Mr. Jean-Pierre Lafon, appointed to the Supervisory Board as the representative of the French State by ministerial order of December 15, 2004 published in the *Journal Officiel* on December 24, 2004. Mr. Lafon's term expired at the end of the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005. Mr. Faure's term shall expire at the end of the Annual General Meeting of Shareholders convened to approve the financial statements for the year ending on December 31, 2010.

Mr. Faure is a graduate of *Institut d'Études Politiques de Paris* and of *École Nationale d'Administration*. He is Secretary General of the French Ministry of Foreign Affairs.

Other offices held:

- Member of the Board of Directors of EDF,
- Representative of the Ministry of Foreign Affairs to the Board of Directors of Ecole Nationale d'Administration,
- Member of the Board of Directors of GIP/France-Coopération Internationale,

- Member of the Board of Directors of Cultures France.

Other offices held during the past five years:  
None.

**Bruno Bézard** (age 43)

Mr. Bézard was appointed as representative of the French State at the Supervisory Board by ministerial order of July 22, 2007 published in the *Journal Officiel* on July 26, 2007. He replaced Mr. Nicolas Jachiet. His term expired after the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and his duties were renewed by ministerial order of April 26, 2006 published in the *Journal Officiel* on May 11, 2006. His term shall expire at the end of the Annual General Meeting of Shareholders convened to approve the financial statements for the year ending on December 31, 2010.

Mr. Bézard is Inspector General of Finance, a graduate of *École Polytechnique* and *École Nationale d'Administration*. On February 26, 2007, he was appointed Director General of the agency in charge of the French government's equity interests at the Department of the Treasury and Economic Policy, Ministry of Economy, Finance and Industry, by ministerial order published in the *Journal Officiel* on February 27, 2007. Until his appointment, he was Deputy Director of that same agency.

Other offices held:

- Member of the Boards of Directors of SNCF, EDF, France Télévisions and the French Postal Service.

Other offices held during the past five years:

- Member of the Boards of Directors of France Télécom (07/23/02-10/01/02).
- Member of the Board of Directors of Renault until 2003.

**Members elected by and representing the employees**

**Jean-Claude Bertrand** (age 55)

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 12, 2002. He took office at the Supervisory Board Meeting held on July 25, 2002. His term will end following elections held in May/June 2007.

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

Other offices held:

- Member of the Board of Director of Alexis Senior High School in Montélimar.

Other offices held during the past five years:  
None.

**Gérard Melet** (age 49)

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 May/June 2007

Mr. Melet is Chief Buyer at the Department of Procurements of AREVA NC / La Hague.

Other offices held:

None.

Other offices held during the past five years:  
None.

**Alain Vivier-Merle (age 58)**

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 May/June 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 AREVA balanced mutual fund.

Other offices held during the past five years:

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

Patrick Germain replaced Christophe Xerri as representative of the AREVA Work Council in 2006. He participated 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 by-laws 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 designated as of filing of this reference document.

**Secretary of the Board**

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

The members of AREVA's Executive Board may be contacted at the Company's corporate office at 33, rue La Fayette, 75009 Paris, France.

**2.3. ACTIVITIES OF THE SUPERVISORY BOARD**

**Supervisory Board meetings in 2006**

In 2006, the Board met eight times at the corporate headquarters (attendance rate: 89%).

The Supervisory Board voted on the matters described below:

- March 8, 2006: the Supervisory Board reviewed the financial statements submitted by the Executive Board for 2005 and approved the proposed dividend (€9.87 per share); 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 of August 1, 2003, and the law on the modernization of the economy of July 26, 2005.
- May 2, 2006: The Supervisory Board appointed Mr. Frederic Lemoine Chairman of the Supervisory Board and Mr. Alain Bugat Vice Chairman for the remainder of their terms as members of the Supervisory Board, i.e. until the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010. As provided in article 1 of the rules of procedure, the Supervisory Board elected the Chairman and the members of each of the four committees, upon recommendation of the Chairman of the Supervisory Board (see the list of committee members hereunder).

The Executive Board presented AREVA's current operations and projects concerning the Front End division, the Reactors and Services division, the Back End division and the Transmission & Distribution division. The Supervisory Board authorized AREVA NC to implement a gold mining business transaction involving an agreement with La Mancha Resources, Inc. ("La Mancha"), a Canadian company publicly traded on the Toronto stock exchange.

- June 29, 2006: As provided in AREVA's by-laws, the Supervisory Board deliberated on the strategy of the company for the next five years based on a plan submitted by the Strategy Committee, including objectives given to the Executive Board by the Supervisory Board for the period 2006-2011. As provided by article 23-1 of the by-laws, the Supervisory Board, acting on the recommendation of the Compensation and Nominating Committee, appointed the members of the Executive Board for a five-year term: Mrs. Anne Lauvergeon, Chairman of the Executive Board, Mr. Gérald Arbola, Deputy CEO, and Messrs. Didier Bénédicti and Vincent Maurel. The Supervisory Board authorized AREVA NC to acquire 50% of the ETC joint venture on the favorable recommendation of the Strategy Committee concerning the Georges Besse II project. This acquisition gives the group access to the centrifuge enrichment technology. The Supervisory Board also approved the "Forges du Creusot" project submitted by the Executive Board, on the favorable recommendation of the Strategy Committee, and allowed the Executive Board to proceed with the acquisition.
- September 27, 2006: The Supervisory Board reviewed the consolidated financial statements for the half year ended June 30, 2006, including highlights regarding performance of OL3 EPR contract in Finland and the success of the Transmission & Distribution division recovery plan. The Supervisory Board authorized the Executive Board to issue a CAD350 million guarantee (principal amount) to a syndicate of banks in consideration for medium-term loans. The Supervisory Board also reviewed and discussed the main objectives of the group's nuclear research and innovation programs, in particular for reactors, used fuel treatment, fuel fabrication and other phases of the nuclear fuel cycle, as well as for the transmission and distribution business
- November 21, 2006: The Supervisory Board, based on the work of the Audit Committee, examined the report prepared by the Department of Internal Audit regarding delays in the performance of the OL3 contract in Finland, the project's impact in terms of provisions as of the end of 2006, and corrective measures to be implemented to mitigate the identified risks and resolve the difficulties being experienced. The Supervisory Board approved the main objectives of the 2007-2011 Strategic Action Plan of the AREVA group, including the development strategy for the renewable energies business. As provided in Article 23.3 of the by-laws, the Supervisory Board authorized the Executive Board to negotiate and subscribe on behalf of AREVA a syndicated line of credit for a maximum principal amount of €2 billion and a maximum maturity of 7 years to finance the group's general operations.

- December 20, 2006: the Supervisory Board reviewed the work of the Audit Committee and approved the company's proposed budget for 2007, including operations of the group and its subsidiaries in the Front End of the fuel cycle, Reactors and Services, the Back End and Transmission & Distribution. The Supervisory Board also approved the Executive Board's objectives for 2007, as proposed by the Compensation and Nominating Committee, and appointed Mr. Luc Oursel President of AREVA NP SAS effective January 2, 2007 to replace Mr. Vincent Maurel.

#### **2.4. ACTIVITIES OF THE FOUR COMMITTEES OF THE SUPERVISORY BOARD**

The Supervisory Board may establish committees comprised of Board members, which functions 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. On May 2, 2006, the Supervisory Board decided to change the name of the Cleanup and Decommissioning Fund Monitoring Committee to the End-of-Life-Cycle Obligations Monitoring Committee. During the same meeting, as provided in article 1 of the rules of procedure, the Supervisory Board elected the Chairman and the members of each of the four committees, upon recommendation of the Chairman of the Supervisory Board.

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 (1), Chairman, Bruno Bézard, Alain Bugat, Oscar Fanjul (1) and Luc Rousseau. Bernard de Gouttes serves as committee secretary.

(1) Independent members of the Supervisory Board.

The committee meets at least once per six-month period and as often as necessary to fulfill its duties. It 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 three times in 2006 with an attendance rate of 73%:

- June 26, 2006: The committee examined the Georges Besse II plant project and issued a favorable recommendation for its implementation. The project's purpose is to allow AREVA to acquire new uranium enrichment capacities. The committee analyzed the strategic interest of the Forges du Creusot project, which aims to secure the group's supply of large forgings, in particular for use in the EPR reactor. The committee issued a favorable recommendation on the proposed acquisition, subject to confirmation of its economic justification during due diligence. The committee also decided to recommend to the Supervisory Board that a number of objectives be assigned to the Executive Board in order to establish a "road map" for the 2006-2011 period.

- September 12, 2006: The committee examined the main thrusts of the Strategic Action Plan for the period 2007-2011, which implements the “road map” established by the Supervisory Board before Executive Board members were re-appointed on June 29, 2006. The committee requested additional information on investments regarding the renewable energies business and concluded its review with a favorable recommendation on the Strategic Action Plan to be approved by the Supervisory Board. At the same meeting, the committee reviewed the group’s research and innovation policy. It decided to present the review with a favorable recommendation to the Supervisory Board, subject to additional information reconciling the group’s ambitious growth strategy in R&D with the data included in the Strategic Action Plan.
- November 22, 2006: The committee reviewed a number of topics, including implementation of the Georges Besse II enrichment plan project, the priorities regarding new reactor models, the group’s offering in the dismantling and nuclear cleanup business, and the future of wind energy, including AREVA’s outlook in this business.

### **Audit committee**

The four members of the Audit Committee are chosen from among the members of the Supervisory Board. They are: Guylaine Saucier(1) (Chairman), Bruno Bézard, Jean-Claude Bertrand and Olivier Pagézy. Jean-Pierre Kaminski, manager of accounting standards and procedures in AREVA’s Finance Department serves as committee secretary. The Chairman of the Supervisory Board attends the committee meetings.

(1) Independent members of the Supervisory Board.

The committee meets at least once quarterly and as often as necessary to fulfill 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 to be implemented by the group’s companies in France and abroad.

It verifies the appropriateness and effectiveness of these standards and the effectiveness of internal management controls. It draws up reports and conducts reviews on particular topics at the request of the Supervisory Board or on its own initiative. The committee reviews the 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 duties, after soliciting competitive bids.

The committee maps the group’s potential and existing risks and assesses resources available or to be provided to prevent them from materializing.

Seven Audit Committee meetings were held in 2006, with an attendance rate of 96%:

- March 1, 2006: The committee reviewed the financial statements for 2005 and the draft report of the Chairman of the Supervisory Board on internal controls.
- June 21, 2006: The committee examined the difficulties encountered in the performance of the OL3 EPR reactor contract in Finland and the contract’s financial performance. It discussed the internal audit plan with the Department of Internal Audit and asked to be regularly informed of the conclusions and recommendations of its missions and their follow-up. The committee examined the schedule pertaining to the preparation of the financial statements as of June 30, 2007, which must be published on or before August 31, 2007 in accordance with the “Breton” law.

- September 18 and 28, 2006: The committee examined the group's performance of the OL3 EPR reactor contract, the financial statements as of June 30, 2006 and the draft press release.
- October 31, 2006: The committee invited the statutory auditors to participate in the meeting and reviewed the conclusions and recommendations of the internal audit report regarding the OL3 contract, the situation of the project and the action plan required. The committee discussed the renewal of the mission of the Statutory Auditors. It decided that a request for proposals would be sent to all audit firms qualified to submit a bid, without preference, and that all candidates would be interviewed by the Audit Committee.
- December 7 and 18, 2006: The committee dedicated its session to a new examination of the OL3 project status and its budget consequences, taking into account the latest information. The Audit Committee examined the budget for 2007 and revision 2 of the 2006 budget. The committee reviewed the risk map and the internal audit plan in order to establish the priorities guiding risk management, including the safety and security of the group's facilities, the management of major projects, rules of ethics and the management of sales representatives.

### **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 Frédéric Lemoine(1) (Chairman), Bruno Bézard and Patrick Buffet(1). 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.

(1) Independent member of the Supervisory Board.

With respect to compensation, the committee is responsible for recommending to the Supervisory Board AREVA's executive compensation levels, retirement and insurance programs, and in-kind benefits for executives 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 six times in 2006 with an attendance rate of 94%:

- January 30 and February 9, 2006: The committee examined the 2006 objectives for members of the Executive Board, their fixed compensation and incentive compensation and the amount of the directors' fees to be paid to members of the Supervisory Board. The committee issued a favorable recommendation on these proposals. The committee reviewed the situation of Mr. Jean-Lucien Lamy, a former member of the Executive Board who left the group in 2005 after the sale of FCI.
- March 31, 2006: The committee reviewed proposals to modify certain employment agreements. It also decided the 2005 bonuses for members of the Executive Board.
- June 20, 2006: The committee recommended that Anne Lauvergeon, Gérald Arbola, Didier Benedetti and Vincent Maurel be appointed members of the Executive Board at the next meeting of the Supervisory Board, and that their current duties be renewed. The committee made a proposal regarding the compensation of the Chairman and the members of the Executive Board.

- December 6 and 13, 2006: The committee examined the situation of Vincent Maurel and the terms and conditions for the non- renewal of his duties as Chairman of AREVA NP SAS, which are set to expire. The committee issued a favorable recommendation for the appointment of Luc Oursel effective, January 2, 2007. The committee also established the 2007 quantitative and qualitative objectives for the members of the Executive Board.

### **End-of-Life-Cycle Obligations Monitoring Committee**

The committee is comprised of a maximum of five members, chosen from among the members of the Supervisory Board. They are: Patrick Buffet (1) (Chairman), Bruno Bézard, Dominique Maillard, Gérard Melet and Philippe Pradel. Christian Petit, Chief Financial Officer of AREVA NC 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 fulfill its duties, and 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 give audience to financial consulting firms chosen by the fund management companies.

The End-of-Life-Cycle Obligations Monitoring Committee met five times in 2006, with an attendance rate of 86%:

- January 31, 2006: The committee examined the decommissioning liability estimate and the corresponding assets at the end of 2005, recommendations to the Executive Board regarding the contribution to be made to the portfolio of assets earmarked to fund decommissioning expenses, and proposed decisions concerning allocation of assets.
- March 22, 2006: The committee examined new recommendations made by the Executive Board regarding management of the fund's assets and the consequences in terms of the advisory role of AXA-I.M. The committee recommended that a request for proposals be issued to select several managers.
- June 15, 2006: The committee accepted the resignation of AXA-I.M. and selected Mercer as advisor. The committee recommended that Mercer initiate the preparation of a scope of work for the request for proposals to be issued in order to retain several fund and diversified asset managers and to retain a custodian/actuary. The committee examined the management and governance principles proposed by the Executive Board for financial assets, in particular the choice of securities, tracking variance and the maximum exposure ratios.
- July 19, 2006: The committee reviewed the portfolio management's criteria and performance. The committee asked Mercer to summarize the risk and performance benefits and drawbacks of hiring several rather than just one manager to manage the portfolio of equities managed directly. The committee recommended that investments outside the euro zone be limited to 10% of the portfolio of equities managed directly. The committee confirmed the schedule applicable to requests for proposals issued in order to choose the managers responsible for equities and other types of assets.

- December 5, 2006: The committee, acting with Mercer's assistance, analyzed the impact on portfolio management rules of the proposed decree implementing the law of June 28, 2006 pertaining to waste management, and the impact of the 2007 Budget Law modifying the capital gain tax on sales of securities. After reviewing bids received in response to the requests for proposals regarding the mandate to manage the portfolio of equities, on the one hand, and the mandate of the custodian, on the other hand, the committee recommended AGF AM as preferred bidder for the equity portfolio and BNP Paribas 2S as custodian.

### 3. INTERNAL CONTROL PROCEDURES

#### 3.1. CORPORATE VALUES AND ACTION PRINCIPLES

Sustainable development is at the center of AREVA'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.

To underpin this process, AREVA

- established a Values Charter approved by the Supervisory Board, which was distributed to all employees
- 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 in 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 ;*
  - *adhere to the values, guidelines and objectives defined by the labor-management bodies and their representatives, notably with respect to risk management policy.*
- ensure that internal processes are implemented effectively, in particular those contributing to the preservation of assets,
- verify that internal and external communications accurately reflect the business and position of the group and of its subsidiaries.

Internal control procedures contribute to risk management, the efficiency of operations and the optimal use of resources in all consolidated entities.

However, internal control procedures, no matter how well designed and implemented, can only provide reasonable assurances rather than an absolute guarantee that the group's objectives can be achieved.

### **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 group's entities analyze and measure the risks in their respective operations and prepare risk mitigation plans. In 2006, a series of actions were undertaken to identify the risk of fraud and establish preventive measures.

The main risk factors and management procedures are identified and described in the reference document in the section regarding "Risk management and Insurance". The risk map addresses nuclear safety and industrial safety issues, which are an absolute priority at all levels of the group. These matters are not addressed in detail in this reference document.

### **3.4. MANAGERS AND DEPARTMENTS WITH CONTROL RESPONSIBILITIES**

Internal control procedures are implemented throughout the group. Each employee is responsible in his or her own area, under the overall supervision of management.

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.

AREVA's Executive Board and its Executive Committee, both comprised of corporate officers of first-tier subsidiaries, supervise internal control systems.

Operational management is based on delegations of authority ensuring that decisions are consistent with corporate governance principles.

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 of having significant strategic or marketing consequences.

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 Protection of Persons and Corporate Assets 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

### **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 which 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.

Organizational memoranda and standards and procedures are distributed throughout the group using a specialized software system. 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**

#### General principles

The group's organization and integrated management of the various legal and operational cycles governing the reporting and consolidation schedule ensure that all of the group's legal and management obligations are met using consistent financial information.

Information is collected and processed at two operational levels: the operating entity (level 1 of information production) and the business unit (base unit for management and performance analysis throughout the group).

Consolidation rules are issued by the group's financial controls department for all half-year and annual financial statements.

These rules establish:

- The schedule to prepare accounting and financial information for publication purposes;
- The process to validate this information;
- Items requiring particular attention, such as complex issues, changes in legal environment and new internal procedures;
- Each person responsible for consolidation at the corporate level, in charge of validating consolidation operations for his or her portfolio of entities, including the preparation of cross-cutting analyses for the entire group (corresponding to the Notes to the consolidated financial statements).

The financial communications matrix matches the four divisions (Front End, Reactors and Services, Back End, Transmission & Distribution). It draws on corporate financial data, thus ensuring consistency.

### Information Systems

AREVA relies on a single, secure reporting and consolidation system to ensure that all accounting and financial information is computed expeditiously, reliably and in a consistent manner.

Data is recorded by employees authorized at the entity level, in accordance with the schedule and the directives established by the financial controls department, which is also responsible for the system's administration. The global system is integrated with local accounting systems and verified at various stages of the process to ensure that all data recorded is accurate.

### Implementation of accounting standards and verification

The group's accounting and financial standards govern all main headings of the financial statements. With few exceptions, these rules apply to all entities included in the group's consolidation scope. Accounting standards were reviewed in depth when the group migrated to IFRS (in 2005). Accounting principles include:

- A glossary, which defines the main headings of the financial statements and the group's performance indicators,
- An annotated chart of accounts,
- Accounting procedures issued by the financial controls department.

These principles are supplemented by procedures and instructions issued and reviewed on a regular basis by other entities of the Finance Department (Department of Financial Operations and Cash Management, Tax Department) and by the subsidiaries, including procedures and instructions dealing with internal controls and fraud.

The standards and procedures Function of the financial controls department prepares and distributes all necessary information relating to standards, procedures and rules regarding accounting and financial management. It also monitors regulatory changes.

Controls are implemented at all stages of the consolidation process:

- Automatically by the consolidation software (control of debit/credit balances, traceability of data, reliability of data, access control), or
- Manually by the consolidation department, financial controllers and business analysts.

## **3.7. ASSESSMENT OF INTERNAL CONTROLS**

AREVA optimizes its internal control systems on a continuous basis under the supervision of the Executive Board, subject to monitoring by the Audit Committee of the Supervisory Board.

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. Monitoring was strengthened in 2006.

Two self-assessment initiatives are also 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 update by the Statutory Auditors in 2006. It was distributed to 256 entities in 45 countries. The 2006 questionnaire includes new group procedures and was the project management component was strengthened.

The Audit department and the college of Statutory Auditors verified the reliability of some of the responses to the questionnaire in 44 countries, representing more than 65% of AREVA's consolidated sales revenue.

The verifications have not revealed any dysfunctions that might have a major impact on the business or financial statements of the group.

In 2006, the group improved its systems in areas where the previous year's report indicated that progress was required, and in the control of serious operating difficulties experienced in 2006 in the construction of the first EPR in the world in Finland.

It was agreed that lessons had to be learned from this project for the various processes concerning the groundwork for contract proposals and the management and financial monitoring of major projects. These control processes will be submitted to the Audit Committee on a regular basis and included in internal control systems presented by the Chairman of the Supervisory Board in his next reference document.

Chairman of the Supervisory Board  
Frédéric LEMOINE