CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2003

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Consolidated Income Statements

(in millions of euros)	Notes	30.06.03	31.12.02 Pro forma (2)	31.12.02 (1)
Sales	**4**	**23 189**	**41 817**	**48 359**
Purchases		(11 272)	(19 582)	(25 588)
Personnel expenses		(4 848)	(9 218)	(9 187)
Taxes other than incomes taxes		(1 282)	(3 716)	(3 716)
Other operating income and expenses	**5**	471	1 284	1 157
Operating profit before depreciation and provisions (EBITDA)		**6 258**	**10 585**	**11 025**
Depreciation allowances and recoveries		(2 163)	(5 399)	(5 403)
Provisions	**6**	1 564	(39)	(118)
Operating profit (EBIT)		**5 659**	**5 147**	**5 504**
Interest expenses	**7**	(768)	(1 651)	(1 550)
Foreign exchange result	**8**	111	(90)	(96)
Other financial income and expenses	**9**	(1 586)	(1 726)	(1 769)
Income before taxes from consolidated companies		**3 416**	**1 680**	**2 089**
Income taxes	**10**	(1 878)	(825)	(986)
Depreciation and amortisation of goodwill		(732)	(714)	(713)
Share in income of companies accounted for under the equity method		(29)	25	25
Net income of the Group		**777**	**166**	**415**
Minority interests		(49)	65	66
Net income of EDF		**728**	**231**	**481**

(1) "Published in the 2003 format": 2002 actuals based on the 2003 format.
(2) "31.12.2002 pro forma": 2002 actuals with application of new accounting principles and methods for 2003.

Consolidated Balance Sheets

ASSETS *(in millions of euros)*	Notes	30.06.2003	31.12.02 pro forma (2)	31.12.02 (1)
Goodwill	**11**	5 808	6 748	6 749
Intangible assets		994	1 022	1 022
Property, plant and equipment	**12**	101 063	102 184	95 422
Investments	**13**	7 411	7 436	8 569
Investments in companies accounted for under the equity method		2 195	2 300	2 305
Fixed assets		**117 471**	**119 690**	**114 067**
Deferred tax assets		169	380	353
Inventories, including work-in-process		7 380	7 661	8 102
Trade receivables		11 583	12 368	12 368
Other receivables		5 279	6 105	6 107
Short-term financial assets	**14**	2 577	2 443	1 540
Cash and cash equivalents	**15**	3 697	2 238	2 238
Current assets		**30 685**	**31 195**	**30 708**
TOTAL ASSETS		**148 156**	**150 885**	**144 775**

LIABILITIES *(in millions of euros)*	Notes	30.06.2003	31.12.02 pro forma (2)	31.12.02 (1)
Capital		8 129	8 129	8 129
Consolidated reserves and income		11 515	11 157	5 754
Equity		**19 644**	**19 286**	**13 883**
Minority interests		**963**	**943**	**986**
Interest in concessionary plant facilities		20 767	20 822	20 822
Provisions for end of nuclear fuel cycle	**16**	14 424	14 182	14 182
Decommissioning and last core provisions	**17**	11 926	14 537	14 537
Provisions for employee benefits	**18**	2 218	2 150	2 150
Provisions for renewal of plants under concession		13 001	12 451	12 451
Other provisions for risks and expenses	**19**	4 219	3 867	6 670
Deferred tax liabilities		5 936	6 199	4 129
Loans and other financial liabilities	**20**	30 814	31 544	29 542
Trade creditors and other current liabilities payable		5 968	6 353	6 353
Other liabilities		18 276	18 551	19 070
TOTAL LIABILITIES		**148 156**	**150 885**	**144 775**

(1) "Published in the 2003 format": 2002 actuals based on the 2003 format.
(2) "31.12.2002 pro forma": 2002 actuals with application of new accounting principles and methods for 2003.

Consolidated Cash flows statements

(in millions of euros)	30.06.2003	31.12.2002 Pro forma (2)	31.12.2002 (1)
Operating activities			
Income before tax from consolidated companies	3 416	1 680	2 089
Accumulated depreciation and provision	2 310	7 496	7 574
Financial income and expenses	5	1 692	1 592
Dividends received from companies accounted for under the equity method	58	73	73
Capital gains/losses	(65)	(194)	(194)
Operating profit before change of working capital	5 724	10 747	11 134
Change in working capital	1 276	1 715	1 175
Operating profit	7 000	12 462	12 309
Net financial expenses disbursed	(645)	(1 315)	(1 213)
Income taxes paid	(2 060)	(1 849)	(1 849)
Net cash flows from operating activities	**4 295**	**9 298**	**9 247**
Investing activities			
Change in scope of consolidation	(290)	(4 068)	(4 068)
Purchases of property, plant and equipment or intangible assets	(2 040)	(5 960)	(5 914)
Purchases of investments	(644)	(1 464)	(1 464)
Net proceeds from sale of fixed assets	507	1 422	1 422
Variation in financial assets	27	95	95
Net cash flow used in investing activities	**(2 440)**	**(9 975)**	**(9 929)**
Financing activities			
Issuance of borrowings	5 464	5 742	5 742
Repayment of borrowings	(5 682)	(3 899)	(3 894)
Dividends paid by parent company	(208)	(315)	(315)
Dividends paid to minority interests	(40)	(63)	(63)
Capital increase in cash	26	81	81
Increase in interest in concessionary plant facilities	57	52	52
Investment subsidies	13	67	67
Net cash flow from financing activities	**(370)**	**1 665**	**1 670**
Net increase in cash and cash equivalents	**1 485**	**988**	**988**
Cash and cash equivalents - opening balance	2 238	1 804	1 804
Effect of currency fluctuations	(26)	(185)	(185)
Effect of other reclassification	-	(369)	(369)
Cash and cash equivalents -closing balance	**3 697**	**2 238**	**2 238**

(1) "Published in the 2003 format": 2002 actuals based on the 2003 format.
(2) "31.12.2002 pro forma": 2002 actuals with application of new accounting principles and methods for 2003.

Variation in Consolidated Equity and Minority Interests

(in millions of euros)	Notes	Capital	Consolidated reserves and results	Translation adjustment	Total equity	Minority interests
Situation at 31 December 2001		**8 129**	**6 000**	**(418)**	**13 711**	**1 502**
Change in accounting methods			1 235		1 235	
Situation at 31 December 2001 (pro forma)		**8 129**	**7 235**	**(418)**	**14 946**	**1 502**
Allocation of income						
Net income for the year			481		481	(66)
Dividends paid			(315)		(315)	(62)
Translation adjustment				(1 156)	(1 156)	(146)
Other changes			(73)		(73)	(242)
Situation at 31 December 2002		**8 129**	**7 328**	**(1 574)**	**13 883**	**986**
Change in accounting methods	**1.2**		5 486	(83)	5 403	(43)
Situation at 31 December 2002 (pro forma)		**8 129**	**12 815**	**(1 657)**	**19 286**	**943**
Net income for the year			728		728	49
Dividends paid			(208)		(208)	(49)
Translation adjustment				(162)	(162)	(58)
Other changes						78
Situation at 30 June 2003		**8 129**	**13 335**	**(1 819) (1)**	**19 644**	**963**

(1) Of which € (1 790) million for Latin America.

1 Accounting principles and methods

1.1 Group's accounting policies

EDF's consolidated financial statements are prepared in accordance with generally accepted French accounting principles.

The Group Interim (six months period ended June) consolidated financial statements are published for the first time on June 30, 2003. They are prepared in compliance with the CNC recommendation (March 99) related to the interim financial statements and according to the accounting principles and methods described below (paragraphs 1.3 to 1.25), except for the publication of the 2002 income statement as of June 30, which is not available.

EDF currently prepares its financial statements in view of the compulsory introduction in 2005 of IASB international accounting standards by listed European companies.

In this context, the Group has made several changes to its accounting methods, as described in note 1.3. After the implementation of these accounting changes, the Group applies all of the preferential methods stipulated by French accounting principles to its consolidated financial statements, except for the employee benefits recognition (see paragraph 1.23).

According to the ongoing reform related to the electricity and gas pension schemes financing, the pre-reform commitment does not represent the valuation of the future financing costs, which will to be supported by EDF. Consequently, these commitments are not accrued in the interim financial statement.

The main differences between the Group principles and current international accounting standards are related to the employees benefits (IAS 19) and financial instruments (IAS 32 and 39) accounting methods. The IASB is currently examining the accounting treatment for concession rights regime.

Comparative pro forma financial statements for the year 2002 have been prepared in accordance with the accounting methods applied in 2003, under conditions described here after (note 1.3).

1.2 Impact of 2003 changes in accounting methods on equity and net income

The following tables illustrate the impact of changes in accounting methods during the 2003 financial year on equity and net income.

- **Impact on equity**

			(in millions of euros)
Equity as at 31.12.2002 (published)			**13 883**
	Gross	Tax	Net
Transition from declining-balance to straight-line depreciation	8 848	(3 135)	5 713
Ten-year reviews and major components amortised over their useful lives	1 425	(505)	920
Write-back of the provision for maintaining hydraulic potential	1 503	(511)	992
TOTAL APPLICATION CRC 2002.10	11 776	(4 151)	7 625
Cancellation of capitalized interests and other adjustments	(3 357)	1 135	(2 222)
TOTAL ADJUSTMENTS	8 419	(3 016)	5 403
Equity as at 31.12.2002 (pro forma)			**19 286**

- **Impact on EDF's net result**

			In millions of euros
Net income of EDF as at 31.12.2002 (published)			**481**
	Gross	Tax	Net
Transition from declining-balance to straight-line depreciation	(59)	21	(38)
Ten-year reviews and major components amortised over their useful lives	(88)	31	(57)
Write-back of the provision for maintaining hydraulic potential	(409)	145	(264)
TOTAL APPLICATION CRC 2002.10	(556)	197	(359)
Cancellation of capitalised interests and other adjustments	145	(36)	109
TOTAL ADJUSTMENTS	(411)	161	(250)
Net income of EDF as at 31.12.2002 (proforma result)			**231**

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1.3 Accounting changes

1.3.1 Changes in accounting methods during the 2003 financial year

As of 1 January 2003, the Group adopted regulation CRC 2002-10 related to amortisation and depreciation of assets. This has resulted in changes in the way in which nuclear power stations in particular are amortised, changes in the amortisation schedule of certain components of nuclear power stations identified as needing to be replaced, recognition of the cost of visits of nuclear power stations as a component of their construction cost and reversal of the provision for maintaining hydraulic potential.
As of 1 January 2003, the Group also decided to charge and to apply the preferential method of borrowing financial interest as expenses instead of capitalised.

<u>Changes in amortisation method for the nuclear power stations and fixed assets</u>

In accordance with standard industry practice and with market deregulation, the Group is now amortising all of its fixed assets using the straight-line method. This has had an effect on accumulated amortisation of nuclear power stations in France and some transmission and distribution network assets previously amortised according to the declining-balance method. This change was recognised retrospectively, as required by regulation CRC 2002-10.

Major components

The Group now uses a method that consists of reviewing the amortisation schedule of major components of nuclear power stations prospectively once a system default has been identified and the replacement of the component scheduled. This new method has been applied retrospectively. Accordingly, former provisions booked to cover component replacements have been written off.

Ten-year visit of nuclear and non-nuclear power stations

The Group has introduced a component-based method to account for the cost of ten-year visits of nuclear and non-nuclear thermal power stations (these costs were covered by provisions in the 2002 financial statements). This new method has been applied retrospectively.

Cost of maintaining hydraulic potential

In accordance with French regulations CRC 2000-06 and CRC 2002-10, the provisions for maintaining hydraulic potential is fully written off.

Financial interest related to power stations and network constructions

As of 1 January 2003, in accordance with the option allowed by French and international principles, accrued interest on borrowings related to generators and networks under construction is no longer capitalised but is charged as an expense when incurred. The application of this method involves reversing capitalised interest on property, plant and equipment (gross value €6.8 billion, accumulated amortisation €3.4 billion) before 31 December 2002.

Finance lease contracts

Since 1 January 2003, the Group has applied the preferential method described in French regulation CRC 99-02, whereby finance lease contracts are recognised in the balance sheet as property, plant and equipment financed through borrowing. This method applies to all contracts in force as of 1 January 2003.

1.3.2 Changes in accounting methods during the 2002 financial year

The accounting changes applied to the financial statements for the year ended 31 December 2002 were related to:

- Mainly as a result of the adoption of French regulation CRC 2000-06 on liabilities, all obligations related to power station decommissioning and "last core" expenses were booked as the present value of future disbursements, and a tangible asset was recorded corresponding to decommissioning and last core expenses as extension of power station construction costs. Provisions for ten-year visits of nuclear and non-nuclear power stations were also booked, as was provision for losses on power purchase and sale contracts;
- The preferential method of including unrealised gains and losses resulting from translation of monetary items stated in foreign currencies and unrealised gains and losses on swaps stated in foreign currencies and not designated as asset hedges in the income statement;

- adoption of the preferential method of regulation CRC 99-02 on recording currency exchange differentials on borrowings and swaps in the income statement and thus discontinuing the spread of these over the remaining term of the loans.

1.3.3 Change in estimate

As of 1 January 2003, the Group also decided to increase the amortisation period of its nuclear installations in France from 30 years to 40, prompted by operating experience, research, the renewal in the United States of operating licences for nuclear installations using the same technology and the application filed by the Group with the Nuclear Safety Authority to define the operating conditions of installations after a 30-year term. This change is recognised prospectively and therefore has no impact on equity at 31 December 2002.

In the first half of 2003, depreciation expenses for nuclear installations amounted to €379 million based on an amortisation period of 40 years and using straight-line depreciation. It would have amounted to €556 million if the 30-year amortisation period and declining-balance depreciation method had been retained.

The extended useful life of nuclear power stations introduced with effect from 1 January 2003 has deferred decommissioning and last core disbursements by ten years. Discounting has meant that decommissioning and last core provisions are automatically revised downwards, as explained in note 17.

This extension has also had an impact on other assets and liabilities:
- provisions for onerous sales contracts (see note 19),
- prepaid income and accrued revenues for jointly owned installations,
- provision for depreciation of strategic nuclear safety spare parts.

The application of regulation CRC 2000-06 on liabilities with effect from 1 January 2002 resulted in a decommissioning and last core asset being recorded retroactively as a counterpart to provisions, estimated on the commissioning date of the installations concerned.

French standards do not stipulate the accounting treatment for recording variations of provisions due to changes in estimates, for which the entry was originally recorded as an asset in the balance sheet.

International standards expressly state that the effects of discounting reversal must be recorded in the income statement. However, they do not currently stipulate accounting methods for variations in provisions linked with changes in accounting estimate (change in calendar, estimated expenses, discount rate, etc.).

In the absence of any provision in French accounting rules, and in view of the harmonisation of the Group’s accounting principles with international standards, EDF has opted for the method recommended by the International Financial Reporting Interpretations Committee (IFRIC) in its Exposure Draft D2 on “Changes in Decommissioning Liabilities”, published on 4 September 2003. Although still under discussion, this states that the effect of changes in accounting estimate of the provision will adjust assets and income respectively on a permanent basis, so that the effects of the depreciated portion of the asset are recorded in the income statement.

The method thus consists of:

- restating the gross value of the counterpart asset on the commissioning date based on the new disbursement schedules of the provision,

- restating its net book value (amortised over 30 years) as at 1 January 2003,

- allocating the reduction in provision to the counterpart assets based on adjusted net book value, or €457 million in respect of decommissioning and €110 million in respect of the last core,

- allocating the balance of the variation in provision to the income statement (€2,243 million).

The accounting treatment adopted by the Group will be applied on a permanent basis until 1 January 2005, unless there are changes in applicable French accounting rules.

1.3.4 Changes in financial statements presentation

The changes in presentation retained to improve comparability of the accounts with international accounting practices or standard industry practice mainly concern:

- changes relating to the energy sector (trading sales),
- changes in format relating to harmonisation with IFRS standards (cash flow statement, income statement, balance sheet),
- changes in purpose of some assets and liabilities (investments, securitized receivables, safety spare parts, etc.).

Change in presentation of the income statement:

The income statement was reformatted with effect from 1 January 2003 and the 2002 published financial statements were restated as a result to facilitate comparison ("2002 financial statements published in the new format").

The result of harmonisation between the 2002 income statement as published and the 2002 income statement based on the new format is as follows:

(in millions of euros)	**Operating profit before depreciation and provisions**	**Operating profit**
Published on 31 décembre 2002	11 216	5 179
- Reclassification of non-recurring items	234	325
- Reclassification of other operating income and expenses	(425)	
31 décembre 2002 (reformatted)	11 025	5 504

Items recognised as exceptional profit and loss in the income statement for the year ended 31 December 2002 will now be broken down as follows under operating profit:

- the proceeds of sales of intangible assets and property, plant and equipment, as well as non-recurring income and expenses, are booked under "Other operating income and expenses". This reclassification will increase operating income by €234 million.
- Investment subsidies are included under "Depreciation allowances and recoveries". This reclassification increases operating income by €53 million.

The following changes have also been made, without impacting on the income statement format described above :

- operating subsidies (€1.3 billion at 31 December 2002), previously reported in a separate line, have been reclassified under "Other operating income and expenses";

- The financial result published on 31 December 2002 is now divided into three sections:
  - Interest expenses,
  - Foreign exchange result,
  - Other financial income and expenses. Income and expenses relating to the long-term discounting reversal of provisions are included under this heading (negative impact of €722 million).

    In addition, proceeds from the disposal of financial assets, consolidated investments and consolidated entities – formerly reported as "extraordinary items" – are now recorded as "Other financial income and expenses". This reclassification increases the financial result by €96 million.

<u>Change in presentation of the balance sheet:</u>

The balance sheet was reformatted with effect from 1 January 2003 and the comparative financial statements for 2002 restated as a result to facilitate comparison.
The following changes were made:

- bond redemption premiums and the related amortisation are reclassified under the heading "Loans and other financial liabilities". They were formerly reported as "Other accounts receivable";
- debit financial current accounts, marketable securities and cash, provisions for depreciation of short-term marketable securities and cash (maturing in less than three months) and provisions for depreciation of other short-term financial assets are reclassified under the heading "Cash and cash equivalents". They were formerly reported as "debit financial current accounts".
- other short-term financial assets, short-term investment securities and provisions for depreciation of short-term investment securities are reclassified under the heading "Cash and cash equivalents". They were formerly reported as "Investment securities".
- Provisions for risks and expenses are now divided up as follows:
  - provisions for end-of-cycle expenses for nuclear fuels,
  - decommissioning and last core provisions,
  - provisions for employee benefits,
  - provisions for renewal of plants under concession,
  - and other provisions for risks and expenses;
- investments considered as available for sale are reclassified as short-term financial assets;
- credit financial current accounts are now recognised as "Loans and other financial liabilities". They were formerly reported in "other credit accounts";

- the cross-entry for cash and cash equivalents in consideration of the transfer of future trade receivables to a special purpose entity (FCC) as a result of a securitisation programme is now booked to financial liabilities. These were formerly recognised as operating liabilities (see note 20.1).

1.4 Management estimates

The preparation of its financial statements requires EDF to make estimates and rely on assumptions that affect the book value of assets and liabilities, information on contingent assets and liabilities and the book value of income and expenses recorded for the period. Future actuals are liable to differ from these estimates.

1.5 Consolidation methods

Companies in which the Group holds more than 50% of the voting rights or has exclusive control are fully consolidated, provided the Group holds at least one share in these companies. Exclusive control means the power to govern the enterprise's financial and operating policies either directly or indirectly so as to obtain benefits from its activities. Exclusive control is presumed when a company directly or indirectly holds more than 40% of the voting rights, provided that no third party holds more of the voting rights either directly or indirectly.

Companies that the Group controls jointly with another shareholder are proportionally consolidated. Joint control means sharing control over a company jointly operated by a limited number of partners or shareholders, such that the operating and financial policies result from their agreement.

Companies over which EDF exercises significant influence are accounted for under the equity method. EDF is considered to exercise significant influence when it holds, at least 20% of the voting rights of the consolidated company. Significant influence is demonstrated by participation in the financial and operating policies of the company without controlling it.

The results of companies acquired (disposed of) during the year are not recognised in the Group’s consolidated income statement from (until) the date on which control is transferred.

Any significant transactions between consolidated companies and unrealised internal profit are eliminated.

The Group essentially controls the Oxygen and Electra receivables funds, in which it has no shares, as well as some unit trusts. As a result, these entities are not consolidated.

1.6 Translation of foreign companies’ financial statements

The financial statements of foreign companies are converted into euros based on the closing rate. Income statements and cash flows statement are translated at the average rate for the period. The effects of conversion adjustments are directly recorded as equity under the heading “Currency translation adjustment”.

Currency translation differences affecting a monetary item that is an integral part of the Group's net investment in the consolidated foreign company are recognised as consolidated shareholders' equity until the disposal or liquidation of the net investment, on which date they are recognised as income or expenses in the income statement, along with other conversion rate adjustments concerning the company.

After reviewing the operating conditions, the Group has modified the reporting currency for plants located in Mexico with effect from 1 January 2003. The change, which translates the substance of these entities more accurately, was applied retrospectively, the Mexican peso being replaced by the USD.

1.7 Seasonal nature of the business

Sales and operating income are affected by seasonal variations due to high demand in the first half of the year for companies in the northern hemisphere. This phenomenon, dependent upon climatic conditions, varies from one year to the next. In accordance with the CNC recommendation of March 1999 and IAS/IFRS standards, sales are recognised in the same way as at year-end.

1.8 Sales

Sales are essentially comprised of income from the sale of energy and services. The latter mainly include energy transmission and distribution services.

The Group accounts for sales when a formal contract has been signed, delivery has taken place (or the service provided), a quantifiable price has been established and payment is likely. Delivery takes place when the risks and benefits associated with ownership are transferred to the buyer. Energy delivered but not yet measured nor billed is calculated based on consumption statistics.

Sales of goods and the provision of services not completed on the balance sheet date are recognised by referring to the percentage-of-completion method.

Energy market transactions are now recognised net of purchases in accordance with standard industry practice.

1.9 Income tax

For interim accounts, the income tax (current and deferred) is calculated by applying the estimated average annual tax rate for the prevailing fiscal year for each entity or tax group to the result of the interim period.

1.10 Goodwill

Goodwill corresponds to the difference between the acquisition cost and the Group's share in the fair value of the identifiable assets and liabilities of the subsidiary, company accounted for under the equity method or jointly controlled company on the acquisition date. Goodwill is recognised as an asset and amortised using the straight-line method based on its estimated useful life, which is usually no more than 20 years. However, a longer amortisation period may be used if justified by a concession or operating contract. Amortisation schedules for consolidated goodwill are reviewed each year.

Fair values of assets and liabilities and the goodwill calculation are definitive at the closing of the financial year subsequent to the year of acquisition.

Goodwill of wholly or jointly controlled entities is disclosed separately in the balance sheet. Similarly, depreciation, amortisation, and depreciation of goodwill are entered on a separate line in the income statement.

Goodwill of entities accounted for under the equity method are recorded in the balance sheet under the heading “Investments in companies accounted for under the equity method”. Amortisation and depreciation of goodwill is recorded in the income statement under the heading “Share in income from companies accounted for under the equity method”.

When a subsidiary, a company accounted for under the equity method or a jointly controlled company is disposed of, the amount of consolidated goodwill not amortised and attributed to that company is included in the net gains on disposal.

Goodwill is recorded and monitored in the foreign currency of the company acquired.

At each closing, the Group assesses whether there is any indication that goodwill could have been impaired according to the principles described in note 1.13.

1.11 Intangible assets

Intangible assets mainly consist of software, concession rights, licences, trademarks and similar rights, operating rights and development costs.

Research costs are recognised as an expense in the financial period in which they are incurred.

An intangible asset created by project development is recognised as a fixed asset if the Group can show:

- the technical feasibility of making the intangible asset ready for commissioning or sale;
- its intention to complete the intangible asset and to use or sell it;
- its ability to use or sell the intangible asset;
- the way in which the intangible asset will generate likely future economic benefits;
- the availability of the appropriate resources (technical, financial or other) to complete development and to use or sell the intangible asset;
- its ability to provide a reliable estimate of expenses attributed to the intangible asset during its development.

When no fixed assets developed in-house can be recognised, development costs are recognised as an expense when they are incurred.

Intangible assets are depreciated on a straight-line basis over their useful lives, whether developed in-house or purchased.

1.12 Property, plant and equipment

Property, plant and equipment in the consolidated balance sheet are recorded at acquisition or production cost less accumulated amortisation and provisions for depreciation.

The cost of installations developed in-house includes all direct costs in respect of labour, parts and other direct production costs that can be incorporated into the construction cost of the asset.

Fixed assets are depreciated on a straight-line basis (see § 1.3 – accounting changes).

The borrowing costs incurred in connection with the borrowing of funds to finance installations as well as pre-operating expenses are recognised as expenses.

The Group's tangible assets comprise property owned by the group and property operated under concession.

1.12.1 Property owned by the Group

In the case of nuclear power stations, the following are included in the asset value:

- the discounted cost of decommissioning the installation,
- the discounted cost of last core fuel, including depreciation of residual reactor fuel that will not be fully irradiated when production will stop, the cost of fuel reprocessing and the cost of removing and storing radioactive waste.

Strategic safety spare parts of nuclear installations are recognised as property, plant and equipment. These are depreciated prorata with the useful life of the facility or the duration of use of the groups of stations to which they are assigned.

A provision for depreciation of assets is booked relating to certain non-nuclear thermal plants either temporarily or permanently closed down. This provision is justified by the fact that it is unlikely that these plants will ever be brought back into service.

The costs of the statutory ten-year review of nuclear and non-nuclear thermal power stations are a component of the value of these installations, which is amortised over 10 years based on the time between two reviews.

1.12.2 Property operated under concession

In France, EDF parent company is subject to three different legal systems:

- hydraulic power stations operated under State concession
- French general transmission systems operated under State concession,
- production and distribution facilities operated under concession rights licensed by local authorities (municipalities or groupings of municipalities).

The resulting assets are recorded as “property operated under concession”, except for national grid assets operated under concession, which are owned by EDF’s parent company and recorded as “property owned by the Group”.

Assets that come under hydraulic and public distribution concession rights are recorded in the balance sheet at their acquisition cost when financed by EDF or at their estimated value on the acquisition date when supplied by the licensor free of charge. The counterpart entry of plants financed by the licensee is recognised as a liability under the heading "special concession accounts".

The equipment operated under hydraulic and national grid concessions are depreciated under the straight-line method and give rise to charges.

Plants operated under public distribution concessions are depreciated under the straight-line method over the useful life of these installations, with no impact on the income statement and with counterpart depreciation recorded in the "special concession accounts".

Medium and low voltage distribution networks operated under concession are also accounted for as follows:

- the amortisation of the amount financed by EDF is calculated over the term of each concession,
- a provision is booked to cover renewal of the installations before and after the concession rights expire. This provision is in addition to the amortisation and is calculated based on the replacement value of these assets.

The amortisation and provisions are recorded in the income statement for the period.

The balance sheet thus reflects the rights of public distribution licensors to the assets at all times.

The heading "Plants operated under concession" also includes plants under concession from the following countries: Argentina, Brazil, Côte d'Ivoire, China, Mexico and Switzerland.

1.12.3 Useful lives

The main useful lives of PPE are the following:

Hydroelectric dams	75 years
Electromechanical equipment used in hydroelectric power stations	50 years
Non-nuclear thermal power stations	40 years
Nuclear power stations	40 years (*)
Transmission and distribution installations (lines, transformation systems)	30 to 45 years.

(*) without prejudice to other more restrictive regulations.

1.12.4 Finance leases

Finance leased assets are capitalised when the lease agreements effectively transfer to the Group virtually all the risks and benefits incident to ownership of these assets to the Group. The criteria used to classify these contracts are mainly based on the following:

- the ratio of the leased assets' actual useful life to their accounting useful life
- total future payments as a ratio of the fair value of the financed asset,
- whether ownership is transferred at the end of the lease,
- whether the purchase option is attractive,
- the features specific to the leased asset.

Leased assets are amortised over their useful life or, when shorter, over the term of the corresponding lease agreement.

If the Group performs a sale and leaseback operation resulting in a finance lease agreement, this is recognised in accordance with the principles described earlier. In the event of the transfer price being superior to the book value of the asset, the surplus is deferred and amortised over the term of the lease.

1.12.5 Operating leases

Lease agreements that are not finance leases are recognised as operating leases, and only the lease payments are recorded in the income statement.

1.13 Long-term asset depreciation

On each closing date and interim reporting date, the Group assesses whether there is any indication that an asset could have been significantly impaired. If so, a depreciation test is carried out as follows:

- the Group measures any long-term asset depreciation by comparing the carrying value of these assets, where necessary classed as a group of assets, and their recoverable amount, usually calculated using the discounted cash flow method.
- The discount rates used for this purpose are based on the average expected internal rate of return of each asset or groups of assets concerned.
- Future cash flows are based on medium-term projections.

The impairment test is based on the business plans and assumptions approved by the Group.

In view of the exposure of assessments to macro-economic and segment assumptions, impairment tests are updated regularly.

1.14 Investments

Investments are carried at cost.

When the book value of shares and financial assets is higher than their fair value, as determined by reference to equity adjusted to take into account information known since the previous year-end or to stock exchange rates for listed shares, a provision for depreciation is generally made to cover the difference.

Shares held in deconsolidated companies are carried at their consolidation value, calculated on the date of loss of control or significant influence.

The Group has set up two investment portfolios:

- the first comprises financial assets intended to finance nuclear fuel end-of-cycle processing operations, for which provision has been made under liabilities (see notes 16 and 17),
- the second comprises securities acquired mainly by EDF and EnBW to generate a satisfactory return on investment in the medium to long-term without participating in the management of the companies concerned.

The investment portfolios (shares and bonds) are recorded at acquisition cost. At closing, the carrying amount of these portfolios is assessed individually, mainly by taking account of the growth prospects of the companies and their share prices. If the carrying amount is lower than the book value, an unrealised capital loss is fully provisioned without being offset against potential gains.

1.15 Inventories and work-in-progress

Inventories are recognised at the lesser of their acquisition cost and net realizable value.

Inventories include the direct costs of material and labour and overheads incurred in bringing the inventories to their present location and condition.

1.15.1 Nuclear fuel

Nuclear fuel and work-in-progress are recognised based on direct processing costs such as materials, labour and subcontracted services (e.g. fluoration, etc.).
Nuclear materials, in whichever form these take during the processing cycle, whose lives exceed one year, and nuclear fuel, whether being used in the reactors or stored, are recorded in inventories.
These items are valued using the average weighted cost method, applied to each component (natural uranium, fluoration, enrichment, production) and other conversion services.
The financial expenses incurred by financing nuclear fuels are charged as expenses.
EDF does not value the uranium obtained from reprocessed burnt fuel, due to uncertainty over its future use.

Nuclear fuel consumption is determined for each component based on forecasted quantities used per kWh produced. These quantities are valued at average weighted cost measured at the end of the previous month, including the cost of the most recent supplies.

Forecasted burnt quantities are periodically corrected on the basis of neutronic measurements.

1.15.2 Consumables, materials and spare parts

Inventories are valued at weighted average cost. The costs included under other fuels, other raw materials and other inventories are direct and indirect purchasing costs.

No provision is established for spare parts supplied under a maintenance programme nor for standard parts, as these are held for use during the lifetime of the plant.

1.16 Accounts receivables

Accounts receivables are recognised at face value.
A provision is recorded when their carrying amount, based on the statistical probability of recovery or on a case-by-case basis, depending on the type of receivable, is less than their book value. The risk associated with doubtful receivables is evaluated separately.

Accounts receivable include revenue based on an estimate of power already delivered but not yet measured and not yet billed. A provision is booked to cover the remaining costs to be incurred and the potential risk of subsequent non-recovery.

1.17 Short-term financial assets

Short-term financial assets are recorded as assets at acquisition cost. These are valued at closing at their carrying value. The value of listed securities is estimated at their year-end quotation. A provision is recorded to cover any unrealised losses, without offsetting them against unrealised gains.

1.18 Cash and cash equivalents

Cash and cash equivalents comprise very liquid assets and very short-term investments usually maturing in three months or less after the acquisition date.

1.19 Investment subsidies

Investment subsidies granted to Group companies are recorded as "Other accounts payable" and recorded in the income statement over the same period as the assets they were intended to finance.

1.20 Bond redemption premiums and issuance expenses

Bond redemption premiums and issuance expenses are amortised on a straight-line basis over the duration of the related bond (or each phase of the debenture to maturity in the case of serial debentures).

1.21 Translation of foreign currency transactions

Foreign currency cash balances not covered by hedging agreements are translated at the year-end at the closing rate.
Exchange rate differences on foreign currency cash balances are recognised in the income statement.

1.22 Provisions for risks and expenses

These provisions comprise the following:
- provisions for end of nuclear fuel cycle
- decommissioning and last core provisions,
- provisions for employee benefits,
- provisions for renewal of property, plant & equipment under concession,
- other provisions for risks and expenses.

The Group recognises provisions for risks and expenses if the following three conditions have been met:

- the Group has a current obligation towards a third party (legal or constructive) that results of a past event prior to the closing date;
- it is probable that an outflow of resources will be required to extinguish the obligation;
- the obligation amount can be estimated reliably.

Provisions are valued based on the Group's estimate of the expected cost necessary to extinguish the obligation. Estimates are calculated based on management data from the information system, assumptions adopted by the Group, and if necessary experience of similar transactions, in some cases based on independent expert reports or contractor quotes (decommissioning of nuclear power stations). The various assumptions are revised each year.

EDF Group records changes in accounting estimate of long-term provisions where the cross-entry was originally recognised as an asset, whether linked with a change in timetable, discount rate or cost estimate, as described in paragraph 1.3.3.

The proceeds from scheduled asset disposals are not recognised in the measurement of provisions, even if closely linked with the underlying events that gave rise to the provisions.

If the effect of time value of money is material, the provision is equal to the discounted value of expenses that the Group thinks will be necessary to extinguish the obligation. The discounting effect generated at each closing to reflect the passage of time is recognised under "Other financial income and expenses".

As concerns nuclear provisions, in view of the sensitivity of the provisions to the assumptions used (provisions detailed in paragraphs 16 and 17), particularly in terms of cost (estimated decommissioning costs, ANDRA quotation and COGEMA service charges), inflation rate and long-term discount rate, as well as disbursement schedules, these provisions are re-estimated each year with the aim of minimising differences between the costs eventually borne by EDF and the amounts provisioned. These annual revised estimates could entail changes in the amounts provisioned.

Provisions for future losses relating to multi-annual agreements for the purchase and sale of energy, for expenses related to the ending of nuclear fuel and for the cost of power plant decommissioning are estimated by applying a forecast long-term inflation index of 2% per annum to the projected disbursements, valued in current euros, as well as discounting these. At 1 January 2002 and 30 June 2003, EDF used a discount rate of 5%, reflecting an actual rate of 3%, considered to be the best estimate of a long-term risk-free rate of return.

If it is anticipated that all or part of the expenses necessary to extinguish an obligation covered by a provision will be reimbursed by another party, the reimbursement is recognised if and only if the Group is virtually certain of receiving it once the obligation has been extinguished.

If an entity is jointly and severally liable with the Group for an obligation, only the portion of the obligation to be performed by the Group, if it satisfies the criteria given above, is covered by a provision. If it is probable that the portion of the obligation to be performed by a third party (originally treated as a potential liability) will not be extinguished by the third party and that the Group must dispose of resources in the place and stead of this third party, an additional provision will be booked accordingly.

In rare cases, it is possible that a provision cannot be booked for lack of a reliable estimate. The obligation is then highlighted in the notes as a potential liability, unless there is little likelihood of a disposal of resources. Contingent assets and liabilities are not recognised.

1.23 Provisions for employee benefits

The commitments of major foreign subsidiaries were recognised at their fair value when included within the scope of consolidation. These undergo a periodic actuarial valuation in accordance with international standards.

The characteristics of the special Industries Electriques et Gazières (IEG) scheme concerning EDF's parent company and its French subsidiaries, EDF's current financial obligations and expected reforms are described in note 19 of the consolidated accounts as at 31 December 2002.

1.24 Financial instruments

1.24.1 Short-term derivatives

Short-term instruments (short-term swaps, options and forward exchange contracts) are valued as follows:

- the corresponding off-balance sheet commitments are recorded at the nominal value of the contracts,
- margin payments are immediately recognised in the income statement,
- premiums paid or received are recognised at the end of the contract,
- income generated in these markets is recognised at settlement,
- short-term derivatives negotiated on organised or over-the-counter markets (with high liquidity) and held in portfolios at the closing are valued based on their market value at the year-end. This closing value is compared to the historic value of the premiums. In the absence of a micro-hedging agreement, unrealised gains or losses on exchange are recorded in the financial result.

Initial deposits to secure transactions are included in investments.

1.24.2 Long-term instruments

One of the main objectives pursued in terms of exchange rate and interest rate risks is to minimise their impact on equity and income. In terms of exchange rate risk, entities' debts are realised wherever possible in their own currency. If an acquisition is made in a different currency, an active hedging policy (assets and liabilities) is pursued wherever possible.

Long-term instruments (swaps) are taken into account in computing the overall exchange gain or loss and the interest expense.

Payments required by contract are spread over the term of the contract. Payments made or received in the event of early termination are immediately reported in the income statement.

1.24.3 Energy market

The Group conducts an international trading business on the energy markets, notably via its subsidiary EDF Trading, to capitalise on sales of its installed power capacity in the European market and to optimise its purchases.

Considering the specific characteristics of this business, all Group positions, including physical deliveries and derivatives, are estimated at market value. The unrealised gains and losses are recorded when the operations are made on liquid markets. Should the opposite occur, the unrealised losses would be fully covered by a provision.

From the 2003 financial year, energy-trading sales will be recorded net of purchases.

1.25 Insurance

EDF is covered by public liability insurance through a Group insurance scheme that covers the parent company and all controlled subsidiaries with the exception of Electricité de Strasbourg.
For the special nuclear operators' public liability, EDF is insured for up to €91.45 million, as required under French law.
Finally, in terms of insurance against damage caused to own plants or plants operated under concession, new schemes are in the process of being examined or taken up. However, there is already insurance in place for non-nuclear industrial plant, office buildings, vehicles and equipment in transit.

2 Half-year highlights

Price fluctuations

The Act of 3 January 2003 amended and extended the scheme to compensate French operators for the cost of public services in accordance with the Act of 10 February 2000. It introduced a "Contribution to the Public Electricity Service" (CSPE) to replace the "Public Service Fund for Electricity Generation" (FSPPE), launched on 1 January 2002.
From now on, this contribution will be paid by the end user (whether eligible or not) and is recovered by network operators or electricity suppliers who collect and realise the contribution.
For EDF, the introduction of the CSPE (€3.3 per MWh) represents a commensurate reduction in electricity supply prices as of 1 January 2003.

Edison capital increase subscription

EDF has subscribed €96 million to increase Edison's share capital by €1.1 billion, an operation finalised in May 2003 and which forms part of the Italian company's refinancing plan.

Argentina

Two complaints were filed by EDF in the first half of 2003 with the World Bank and the International Centre for Settlement of Investment Disputes (ICSID) following the unilateral change of the concession contract by the Argentinean authorities.

EDF has also approached banks to begin restructuring the financial liabilities of its subsidiaries.

3 Business segments and geographical areas

Segment reporting corresponds to the Group's internal organisation, reflecting the various risks and rates of return to which EDF is exposed.

Segment reporting tends to be by geographical area according to the location of the assets, with the "country" risk taking priority over the "business" risk in view of the Group's international development strategy and differences in economic, regulatory and technical environments between the various areas.

Segment reporting methods comply with the accounting methods adopted for the preparation and presentation of unbundled accounts.

Segment reporting is determined before inter-segment consolidation restatements and inter-segment adjustments.

Inter-segment transactions are realised at market prices.

3.1 Segment reporting by geographical area

The breakdown used by EDF Group for geographical areas is as follows:

- France, including EDF Trading;
- Rest of Europe, which groups together subsidiaries in continental and western Europe, the Mediterranean and Africa;
- the Americas, which covers American subsidiaries;
- Other, which groups together subsidiaries in Asia-Pacific, Development and Dalkia.

This breakdown is used to identify assets and delivery sites.

- **As at 30 June 2003:**

(in millions of euros)	France	Rest of Europe	Americas	Other	Eliminations	Consolidated
SALES						
External Sales	14 842	6 404	898	1 045		23 189
Inter-segment sales	162	49		50	(261)	-
Total sales	**15 004**	**6 453**	**898**	**1 095**	**(261)**	**23 189**
Operating profit	**5 535**	**468**	**(464)**	**120**		**5 659**
BALANCE SHEET						
Tangible assets	79 530	18 024	2 509	1 994		102 057
Investments accounted for under the equity method	-	1 550	3	642		2 195
Other segment assets (1)	19 213	7 648	1 329	1 726		29 916
Other non-allocated assets						13 988
Total Assets	**98 743**	**27 222**	**3 841**	**4 362**		**148 156**
Segment liabilities (2)	76 328	8 290	1 068	1 611		87 297
Other non-allocated liabilities						60 859
Total Liabilities	**76 328**	**8 290**	**1 068**	**1 611**		**148 156**
OTHER INFORMATION						
Investments in tangible assets	1 038	633	135	172		1 978
Depreciation	(1 505)	(527)	(62)	(69)		(2 163)

(1) Other segment assets include goodwill arising from consolidation, inventories, trade accounts receivable and other receivables excluding income tax receivables.

(2) Segment liabilities include interest in concessionary plant installations, provisions for the end of nuclear fuel cycle, decommissioning and last core provisions, provisions for employee benefits, provisions for renewal of plants under concession, other provisions for risks and expenses (excluding provisions for risks associated with shareholdings and provisions for tax liabilities), trade creditors and other accounts payable (excluding current tax liabilities and prepaid income).

- **As at 31 December 2002 (pro forma figures):**

(in millions of euros)	France	Rest of Europe	Americas	Other	Eliminations	Consolidated
SALES						
External sales	28 479	9 480	1 874	1 984		41 817
Inter-segment sales	380	109		35	(524)	-
Total Sales	**28 859**	**9 589**	**1 874**	**2 019**	**(524)**	**41 817**
Operating profit	**4 047**	**723**	**141**	**236**		**5 147**
BALANCE SHEET						
Property, plant and equipment and intangible assets	80 480	18 084	2 801	1 841		103 206
Equity accounted investments	-	1 639	3	658		2 300
Other segment assets (1)	20 928	8 573	1 502	1 763		32 766
Other non-allocated assets						12 613
Total Assets	**101 408**	**28 296**	**4 306**	**4 262**		**150 885**
Segment liabilities (2)	79 574	8 213	912	1 584		90 283
Other non-allocated liabilities						60 602
Total Liabilities	**79 574**	**8 213**	**912**	**1 584**		**150 885**
OTHER INFORMATION						
Investments in property, plant, equipment and intangible assets	3 091	1 790	646	353		5 880
Depreciation	(4 255)	(822)	(200)	(122)		(5 399)

(1) Other segment assets include goodwill arising on consolidation, inventories, trade accounts receivable and other receivables excluding income tax receivables.

(2) Segment liabilities include interest in concessionary plant installations, provisions for the end of the nuclear fuel processing cycle, decommissioning and last core provisions, provisions for employee benefits, provisions for renewal of plants under concession, other provisions for risks and expenses (excluding provisions for risks associated with shareholdings and provisions for tax liabilities), trade creditors and other accounts payable (excluding current tax liabilities and prepaid income).

3.2 Other reporting by geographical area

- Income from external sales by geographical area based on client location:

(in millions of euros)	France	Rest of Europe	Americas	Other	Consolidated
As at 31 December 2002 (published)	27 270	18 837	1 933	319	**48 359**
As at 31 December 2002 (pro forma)	26 555	13 083	1 933	246	**41 817**
As at 30 June 2003	14 277	7 850	928	134	**23 189**

3.3 Reporting by business segment

The Group's business can be divided into the following segments:

- **Production/sale:** this segment covers all expertise and assets required to generate energy and sell it to industry, local authorities, businesses and home consumers;
- **Transmission:** this involves operating, maintaining and expanding the high-voltage and very-high-voltage electricity distribution network;
- **Distribution:** this consists of managing the low and medium-voltage public distribution network;
- **Other:** this category consists of energy services (district heating, thermal services, etc.) for industry and local authorities, as well as new segments mainly aimed at boosting electricity generation from renewable energy sources (e.g. cogeneration, wind turbines, solar panels, etc.).

(in millions of euros)	Production / sale	Distribution	Transmission	Other	Eliminations	Consolidated
As at 31 December 2002 (pro forma)						
External sales	35 849	1 513	644	3 811		41 817
- France	*27 049*	*582*	*554*	*294*		*28 479*
- Rest of World	*8 800*	*931*	*90*	*3 517*		*13 338*
Inter-segment sales	1 035	9 429	3 186		(13 650)	0
TOTAL sales	**36 884**	**10 942**	**3 830**	**3 811**	**(13 650)**	**41 817**
Segment assets	61 189	48 208	12 501	14 132	(538)	135 492
Non-allocated assets						*15 393*
Investments for the period (tangible and intangible)	1 389	2 943	631	917		5 880
As at 30 June 2003						
External sales	19 172	1 150	387	2 480		23 189
- France	*14 006*	*388*	*315*	*133*		*14 842*
- Rest of World	*5 166*	*762*	*72*	*2 347*		*8 347*
Inter-segment sales	*694*	*5 705*	*1 778*		*(8 177)*	0
TOTAL sales	**19 866**	**6 855**	**2 165**	**2 480**	**(8 177)**	**23 189**
Segment assets	59 281	47 326	12 623	13 610	(561)	132 279
Non-allocated assets						*15 877*
Investments for the period (tangible and intangible)	477	1 044	183	274		1 978

4 Sales

Sales are comprised of:

(in millions of euros)	**30.06.2003**	**31.12.2002 pro forma**	**31.12.2002**
- Sales of energy and energy-related services	20 367	37 841	37 359
- Other sales of goods	1 015	937	937
- Other sales of services	1 633	2 825	2 825
- Trading	174	214	7 238
Sales	**23 189**	**41 817**	**48 359**

5 Other operating income and expenses

Other operating income and expenses mainly include compensation for public service charges.

6 Provisions

Provisions are comprised of:

(in millions of euros)	**30.06.2003**	**31.12.2002 Pro forma**	**31.12.2002 Published in 2003 format**
(Increase) decrease in provisions for risks and expenses	2 156	164	141
(Increase) decrease in provisions for depreciation of fixed assets	(528)	15	9
(Increase) decrease in provisions for depreciation of current assets	(64)	(218)	(268)
Provisions	**1 564**	**(39)**	**(118)**

The reversal of provisions includes an adjustment to decommissioning and last core provisions and other provisions for risks of €2,465 million following changes in the amortisation schedule of nuclear power stations.
Provisions for depreciation of fixed assets include those relating to Light, accounted for following the impairment test for €534 million (see notes 11 and 12.2).

7 Interest and financial expenses

Interest and financial expenses are comprised of:

(in millions of euros)	**30.06.2003**	**31.12.2002 pro forma**	**31.12.2002 published in 2003 format**
Income on long-term financial liabilities and assets (1)	(763)	(1 581)	(1 561)
Income from leased asset receivables	(19)	(12)	(2)
Income from short-term financial assets and liabilities	4	(67)	(67)
Income on disposal of short-term financial assets	10	9	9
Interest expense capitalized	0	0	71
Interest and financial expenses	**(768)**	**(1 651)**	**(1 550)**

(1) Of which: EDF's parent company, €(362) million; EDF Energy, €(117) million; Light, €(96) million; EnBW, €(81) million, (as at 30 June 2003).

8 Foreign exchange result

The foreign exchange result is comprised of:

(in millions of euros)	30.06.2003	31.12.2002 pro forma	31.12.2002 published in 2003 format
Realised foreign exchange result	(31)	(55)	(55)
Unrealised foreign exchange result	142	(35)	(41)
Foreign exchange result (1)	**111**	**(90)**	**(96)**

(1) Of which: Argentina, €117 million; Mexico, €59 million; Light Group, € (21) million; Norte Fluminense, € (19) million, (as at 30 June 2003).

9 Other financial income and expenses

Other financial income and expenses are comprised of:

(in millions of euros)	30.06.2003	31.12.2002 pro forma	31.12.2002 published in 2003 format
Revenue from investments	134	135	135
Net income on disposal of financial investments and consolidated entities	11	96	96
Income and expenses from discounting long-term provisions (1)	(722)	(1 465)	(1 498)
Provisions for fixed investments	(217)	(493)	(223)
Provisions for other investments	(24)	(45)	(44)
Provisions for short-term financial assets	21	(42)	(312)
Provisions for financial risks and expenses (2)	(872)	(203)	(214)
Other financial income and expenses	83	291	291
Other financial income and expenses	**(1 586)**	**(1 726)**	**(1 769)**

(1) Of which: EDF's parent company, € (619) million; EnBW, € (92) million (as at 30 June 2003).
(2) mainly comprised of a provision for risks on IEB share purchase commitments. See note 19.

10 Income taxes

The Group's total tax charge is €1,878 million, representing a rate of taxation on the profits of consolidated companies before amortisation and depreciation of goodwill of 55%.

Differences between the prevailing official rate and the actual rate are explained by the non-deductible nature of provisions for financial commitments and the non-recognition of deferred tax assets relating to deficits that can be carried forward and fixed asset depreciation of the South America Division.

11 Goodwill

Goodwill comprises the following:

(in millions of euros)	**30.06.2003**	**31.12.2002 pro forma**	**31.12.2002 published in 2003 format**
Gross value – opening balance	7 691	6 046	6 050
Accumulated depreciation, amortisation and provisions – opening balance	(943)	(440)	(440)
Net book value – opening balance	**6 748**	**5 606**	**5 610**
Acquisitions	101	2 525	2 525
Disposals	(1)	28	28
Amortisation	(742)	(718)	(717)
Conversion rate adjustments	(155)	(822)	(822)
Other movements	(143)	129	125
Net book value – closing balance	**5 808**	**6 748**	**6 749**
Accumulated depreciation, amortization and provisions – closing balance	(1 720)	(943)	(942)
Gross value – closing balance	7 528	7 691	7 691

Acquisitions were predominantly made by:
- EnBW on ED and NWS (repurchase of minority interests),
- Dalkia International.

Impairment tests on consolidated goodwill were updated for key subsidiaries whose revised medium-term plans were approved during the first half. For other subsidiaries (primarily EnBW), the impairment tests will be updated in time for the 31 December 2003 closing.
The tests carried out resulted in the following impairment being recognised:
- total depreciation of €830 million was recorded for Brazilian subsidiary Light, allocated to residual consolidated goodwill (€296 million) and property, plant and equipment (€534 million). Given the difficult economic climate, macro-economic assumptions and less favourable outlook, impairment was effectively recognised, but without any going-concern issues for the subsidiary;
- for Italian subsidiary Fenice, depreciation of €175 million was recorded, caused by the pessimistic forecasts of the company's medium-term plan.

Other movements mainly derive from goodwill allocations of € (112) million for EnBW holdings.

Net consolidated goodwill is distributed between the European subsidiaries (€4,827 million), French subsidiaries (€778 million) and South American subsidiaries (€203 million).

12 Tangible assets

The net value of tangible assets is allocated as follows:

(in millions of euros)	**30.06.2003**	**31.12.2002 pro forma**	**31.12.2002 published**
Tangible assets owned by the Group	62 317	63 499	56 751
Tangible assets operated under concession	37 966	37 943	38 074
Leased tangible assets (1)	780	742	597
Total tangible assets	**101 063**	**102 184**	**95 422**

(1) Effect of the capitalisation of all leasing contracts as from 1 January 2003: net value, debt.

On 17 September 2001, EDF's parent company decided to implement a physical inventory for fixed assets. The work will be completed in the second half of 2003 and the results reported at year-end.

12.1 Variation in plants owned by the Group

(in millions of euros)	Land	Buildings	Nuclear power stations	Thermal power stations	Hydraulic power stations	Networks	Other installations, plant, machinery & equipment	Other	Fixed assets in progress	Total
Gross values (published) at 31.12.2002	**1 454**	**12 856**	**48 081**	**6 909**	**1 541**	**34 668**	**8 437**	**2 554**	**3 663**	**120 163**
Changes in accounting method	0	0	(3 289)	(42)	0	(1 068)	(13)	0	(62)	**(4 474)**
Gross values (pro forma) at 31.12.2002	**1 454**	**12 856**	**44 792**	**6 867**	**1 541**	**33 600**	**8 424**	**2 554**	**3 601**	**115 689**
Extended useful lives of power stations (30-40)			(1 212)							**(1 212)**
Other movements	(99)	(4)	(131)	264	313	524	(435)	355	(161)	**626**
Gross values at 30.06.2003	**1 355**	**12 852**	**43 449**	**7 131**	**1 854**	**34 124**	**7 989**	**2 909**	**3 440**	**115 103**
Amortisation (published) at 31.12.2002	**(71)**	**(5 909)**	**(32 691)**	**(4 918)**	**(1 066)**	**(12 299)**	**(4 663)**	**(1 791)**	**(4)**	**(63 412)**
Changes in accounting method	0	0	9 073	417	181	1 339	210	2	0	11 222
Amortisation (pro forma) at 31.12.2002	**(71)**	**(5 909)**	**(23 618)**	**(4 501)**	**(885)**	**(10 960)**	**(4 453)**	**(1 789)**	**(4)**	**(52 190)**
Extended useful lives of power stations (30-40)			667							**667**
Other movements	(12)	(168)	(68)	(68)	(99)	(684)	(12)	(132)	(20)	**(1 263)**
Amortisation at 30.06.2003	**(83)**	**(6 077)**	**(23 019)**	**(4 569)**	**(984)**	**(11 644)**	**(4 465)**	**(1 921)**	**(24)**	**(52 786)**
Net values (published) at 31.12.2002	**1 383**	**6 947**	**15 390**	**1 991**	**475**	**22 369**	**3 774**	**763**	**3 659**	**56 751**
Net values (pro forma) at 31.12.2002	**1 383**	**6 947**	**21 174**	**2 366**	**656**	**22 640**	**3 971**	**765**	**3 597**	**63 499**
Net values at 30.06.2003	**1 272**	**6 775**	**20 430**	**2 562**	**870**	**22 480**	**3 524**	**988**	**3 416**	**62 317**

12.2 Variation in plants operated under concession

(in millions of euros)	Land	Buildings	Thermal power stations	Hydraulic power stations	Networks	Other installations, plant, machinery & equipment	Other fixed assets in progress	Total
Gross values (published) at 31.12.2002	**88**	**9 601**	**26**	**1 072**	**46 201**	**2 714**	**269**	**59 971**
Changes in accounting method		(8)			(42)	(108)	(6)	**(164)**
Gross values (pro forma) at 31.12.2002	**88**	**9 593**	**26**	**1 072**	**46 159**	**2 606**	**263**	**59 807**
Gross values at 30.06.2003	**93**	**9 629**	**26**	**1 086**	**47 036**	**2 253**	**864**	**60 987**
Amortisation (published) at 31.12.2002	**(1)**	**(5 047)**	**(17)**	**(704)**	**(15 144)**	**(896)**	**(88)**	**(21 897)**
Changes in accounting method					16	17		33
Amortisation (pro forma) at 31.12.2002	**(1)**	**(5 047)**	**(17)**	**(704)**	**(15 128)**	**(879)**	**(88)**	**(21 864)**
Amortisation at 30.06.2003 (1)	**(1)**	**(5 114)**	**(17)**	**(717)**	**(16 238)**	**(890)**	**(44)**	**(23 021)**
Net values (published) at 31.12.2002	**87**	**4 554**	**9**	**368**	**31 057**	**1 818**	**181**	**38 074**
Net values (pro forma) at 31.12.2002	**87**	**4 546**	**9**	**368**	**31 031**	**1 727**	**175**	**37 943**
Net values at 30.06.2003	**92**	**4 515**	**9**	**369**	**30 798**	**1 363**	**820**	**37 966**

(1) including €534 million for Light (see note 11).

13 Long term investments

13.1 Changes in investment portfolios

(in millions of euros)	Non-consolidated investments	Other investments	Investment securities	Other financial assets	Total investments net	Provisions	Net financial fixed assets
31.12.2002 (published)	**3 415**	**398**	**3 167**	**2 180**	**9 160**	**(591)**	**8 569**
Changes in presentation (1)	(1 860)	(231)	1 287	0	(804)	(329)	**(1 133)**
31.12.2002 (pro forma)	**1 555**	**167**	**4 454**	**2 180**	**8 356**	**(920)**	**7 436**
Acquisitions	50	0	336	281	667	(292)	375
Disposals	(20)	(0)	(170)	(175)	(365)	49	(316)
Changes in scope of consolidation	(33)	0	0	20	(13)	1	(12)
Translation adjustment	(7)	(1)	0	(15)	(23)	1	(22)
Other changes	118	2	47	(170)	(3)	(47)	(50)
30.06.2003	**1 663**	**168**	**4 667**	**2 121**	**8 619**	**(1 208)**	**7 411**

(1) including € (1,860) million for Total Fina Elf stocks, reclassified as short-term investment securities, €1,287 million in gross value and €329 million in provisions relating to financial assets intended to finance nuclear fuel end-of-cycle of EDF's parent company, reclassified from short-term investment portfolio securities.

13.2 Non-consolidated investments

(in millions of euros)	**Book value as at 30.06.2003**
AREVA	123
Listed securities	**123**
Italenergia bis	590
Unlisted securities	**590**
Investments of less than 100 millions of euros	950
Non-consolidated investments - gross	**1 663**
Provisions for Italenergia bis shares	(45)
Provisions for other investments	(217)
Non-consolidated investments - net	**1 401**

14 Short-term financial assets

Short-term financial assets are broken down as follows:

(in millions of euros)	**30.06.2003**	**31.12.2002 pro forma**	**31.12.2002 published in 2003 format**
Investment securities (maturity > 3 months) (1)	2 311	2 309	1 406
Other short-term financial assets (maturity > 3 months)	266	134	134
Short-term financial assets	**2 577**	**2 443**	**1 540**

(1) including €1,860 million in TotalFinaElf shares, reclassified as short-term investment securities, and € (958) million (net of provisions) relating to financial assets intended to finance nuclear fuel end-of-cycle of EDF's parent company, reclassified to long term investment portfolio securities in the 2002 pro forma accounts.

15 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and investments in money market instruments. Cash and cash equivalents illustrated in the cash flows statement include the following amounts, recorded in the balance sheet:

(in millions of euros)	**30.06.2003**	**31.12.2002 pro forma**	**31.12.2002 published in 2003 format**
Cash assets	2 604	1 172	1 172
ST investment securities (maturity < 3 months)	936	924	924
Financial current accounts	135	112	112
Other short-term financial assets (maturity < 3 months)	22	30	30
Cash and cash equivalents	**3 697**	**2 238**	**2 238**

16 Provisions for end of cycle expenses for nuclear fuels

The variation in provisions for end of cycle expenses for nuclear fuels is broken down as follows as at 30 June 2003:

					Reductions			
(in millions of euros)	31.12.2002	Change in method	31.12.2002 pro forma	Increases	Used provisions	Reversals	Other changes	30.06.2003
Provisions for end-of-cycle expenses for nuclear fuels	10 671	0	10 671	553	(370)	0	(17)	10 837
Provisions for the disposal and storage of the resulting waste	3 511	0	3 511	112	(38)	0	2	3 587
Provisions for end of cycle expenses for nuclear fuels	**14 182**	**0**	**14 182**	**665**	**(408)**	**0**	**(15)**	**14 424**

EDF and COGEMA have embarked upon negotiations aimed at defining:

- the legal and financial conditions of a transfer to COGEMA of EDF’s current financial obligations in terms of its contribution towards the decommissioning of La Hague. These could include a payment for discharge from the long-term commitment;
- the financial terms of a future reprocessing contract for burnt fuels;
- EDF’s financial contribution towards the recovery and conditioning of waste at La Hague.

In July 2003, common positions were agreed by the parties regarding the revision of the reference quotation for the decommissioning of La Hague and calculation of the respective financial contributions to this decommissioning.

Because of the comprehensive nature of these negotiations and the parties’ intention to sign the relevant agreements in the coming months – and before the year-end if possible – EDF has kept the same valuation methods for provisions used as at 31 December 2002 in the interim financial statements for the six months to 30 June 2003.

17 Decommissioning and last core provisions

The variation in decommissioning provisions is broken down as follows as at 30 June 2003:

(in millions of euros)	31.12.2002	Effect of extended useful lives of nuclear power stations (1)	Increases	Decreases: Applications	Decreases: Reversals	Other changes	30.06.2003
Provisions for decommissioning nuclear power stations and similar	12 355	(2 261)	261	(59)	-	0	10 296
Provisions for last core	2 182	(550)	41	-	(46)	3	1 630
Decommissioning and last core provisions	**14 537**	**(2 811)**	**302**	**(59)**	**(46)**	**3**	**11 926**

(1) See "Change in accounting estimate" (paragraph 1.3.3).

18 Provisions for employee benefits

The variation in provisions for employee benefits is broken down as follows at 30 June 2003:

(in millions of euros)	31.12.2002	Change in accounting method	31.12.2002 pro forma	Increases	Decreases: Applications	Decreases: Reversals	Other changes	30.06.2003
Provisions for post employment benefits	1 887	0	1 887	71	(40)	(0)	51	1 969
Provisions for other long-term employee benefits	263	0	263	44	(62)	(1)	5	249
Provisions for employee benefits	**2 150**	**0**	**2 150**	**115**	**(102)**	**(1)**	**56**	**2 218**

19 Other provisions for risks and expenses

The variation in provisions for risks and expenses is broken down as follows at 30 June 2003:

(in millions of euros)	31.12.2002	Change in accounting method and presentation	31.12.2002 pro forma	Effect of extended useful lives of nuclear power stations	Increases	Decreases: Applications	Decreases: Reversals	Other changes	30.06.2003
Provisions for risks related to investments	114		114		855	(3)	-		966
Provisions for tax liabilities	63		63		28	(44)	-	9	56
Other provisions for risks	1 982		1 982	(222)	132	(179)	(1)	3	1 715
Provisions for maintaining hydraulic potential	1 503	(1 503)	0		0	-	-	-	0
Provisions for restructuring	106	-	106		1	(15)	(0)	(6)	86
Other provisions for expenses	2 902	(1 299)	1 603		255	(142)	(57)	(263)	1 396
Other provisions for risks and expenses	**6 670**	**(2 802)**	**3 868**	**(222)**	**1 271**	**(383)**	**(58)**	**(257)**	**4 219**

The increase in provisions for risks related to investments arises from the provision for risks recognised for the period in respect of IEB share purchase commitments that EDF made to other IEB shareholders.

The valuation of shares held in IEB and direct and indirect financial commitments undertaken by EDF in IEB and Edison has been updated.
Several new aspects have been taken into account:
- the availability of business plans for Edison and its subsidiary Edipower, approved by both management boards in the first half. The performance outlook was treated with caution;
- recognition of revised assumptions concerning various parameters used to compute future discounted cash flows;
- the dilutory effect of the conversion of share warrants issued during the capital increase operation.

On this basis, a provision for depreciation of IEB shares of €45 million and a provision for risks on share purchase commitments of €855 million were recognised at 30 June 2003.

20 Loans and other financial liabilities

20.1 Variation in loans and other financial liabilities

(in millions of euros)	**Loans**	**Other loans from financial institutions**	**Other financial liabilities (1)**	**Loans linked to leased assets**	**Accrued interest**	**Total**
31 December 2002 (published in 2003 format)	**13 771**	**5 411**	**9 843**	**20**	**498**	**29 542**
31 December 2002 (pro forma changes)	**(226)**		**2 088**	**139**		**2 002**
31 December 2002 (pro forma)	**13 545**	**5 411**	**11 931**	**159**	**498**	**31 544**
Increases	1 579	2 815	1 079	90	153	5 716
Decreases	(692)	(2 795)	(2 185)	(10)	(201)	(5 883)
Changes in scope of consolidation	156	56	21			233
Translation adjustements	(286)	(58)	(450)	2		(792)
Other	54	(231)	164	2	7	(4)
30 June 2003	**14 356**	**5 198**	**10 560**	**243**	**457**	**30 814**

(1) Other financial liabilities mainly comprise commercial paper and cash received for the sale of future trade receivables.

The liabilities of subsidiaries and shareholdings amounted to €15.1 billion; these were primarily comprised of EDF Energy Group debts (€5.3 billion), EnBW debts (€3.9 billion) and Light Group debts (€1.3 billion).

20.2 Net indebtedness

(in millions of euros)	**30.06.03**	**31.12.02 pro forma**	**31.12.02 published in 2003 format**
Financial liabilities	30 814	31 544	29 542
Cash and cash equivalents	3 697	2 238	2 238
Short-term financial assets	2 577	2 443	1 540
Net indebtedness	**24 540**	**26 863**	**25 764**

Decrease in net indebtedness:

	(in millions of euros)
Net indebteness as at 31.12.2002 (pro forma)	**26 863**
Operating profit before change in working capital	**5 724**
Change in working capital	1 276
Net financial expenses disbursed	(645)
Income tax paid	(2 060)
Net cash flow from operating activities	**4 295**
Net additions to fixed assets	(2 167)
Impact of change in scope of consolidation	(428)
Other operations with shareholders	(222)
Translation adjustments	763
Other changes	82
Decrease / (increase) in net indebteness	**2 323**
Net indebteness as at 30.06.2003	**24 540**

21 Off-balance sheet commitments

Since 31/12/2002, material changes in off-balance sheet commitments have been as follows:

- **Pledges, mortgages and other guarantees given**

  The EDF guarantee for the zero-coupon bonds (maturing in 2007) in favour of IEB Finance was valued at €1,035 million as of 30 June 2003.

- **Share purchases and underlying guarantees**

- authorised by EDF's parent company:

The commitment underwritten by EDF for other IEB shareholders, which could result in EDF acquiring up to 82% of IEB's capital, remained unchanged at €3,736 million as of 30 June 2003. However, a provision for liabilities of €855 million was recognised at 30 June 2003.

EDF's commitment to subscribe directly to the Edison capital increase in line with its IEB shareholding (€106.7 million) in the event of Edison withdrawing from the flotation is now null and void.

If the exercise of put options granted by EDF to the various IEB shareholders confers indirect control over Edison, EDF could find itself forced to make a takeover bid for Edison.
However, this obligation is subject to both the Act No 301 being lifted to restore EDF's voting rights and FIAT failing to exercise its pre-emptive rights within a set time limit.

IEB's summarised consolidated accounts for the period ended 30 June 2003, prepared in accordance with Italian accounting principles, are as follows:

ASSETS	**30.06.2003**	**31.12.02**	**LIABILITIES**	**30.06.2003**	**31.12.02**
Fixed assets	11 016	12 581	Equity	2 342	2 404
Current assets	5 389	5 460	Minority interests	2 825	2 053
Cash position	395	511	Other liabilities	11 633	14 095
	16 800	**18 552**		**16 800**	**18 552**

Income statement	**30.06.03 6 months**
Revenue from sales	3 273
Operating profit	240
Financial income	(282)
Extraordinary income	426
Pre-tax result	384
Income tax	(345)
Minority interests	(101)
Net income	**(62)**

- authorised by EDF International:

Under the shareholders' agreement, EDF International promised OEW a minimum dividend of DEM 100 million per annum over a five-year period following the allocation of profits for the 1999 financial year. If more than DEM 1.6 per share is paid out, OEW is required to pay EDF International the surplus over DEM 100 million. In the event of the dividends collected by OEW being less than DEM 100 million per annum, EDF International has agreed to make up the difference by drawing on its own dividends from EnBW or, failing this, from its equity. This commitment was estimated at €51 million on 30 June 2003.

The other commitments assumed by EDF International did not undergo any significant variation.

- authorised by EnBW:

The Stadtwerke Düsseldorf share purchase commitment was €291 million at 30 June 2003. Furthermore, EnBW is no longer committed to purchasing ED Group shares, since these were acquired during the year. However, EnBW has assumed other commitments amounting to €183 million.

- **Guarantees given on contracts**

Onerous contracts amounting to €2,960 million as at 31 December 2002 have been recorded as discounted provisions for risk. Consequently, they are no longer recognised as off-balance sheet commitments.

EDF has also guaranteed the satisfactory performance of contracts taken over by EDF Trading (gas purchase, sales and transmission agreements). At 30 June 2003, these contracts were estimated at €197 million based on market value.

- **Commitments relating to contracts in progress**

The commitments relating to contracts in progress of EDF's fuel division decreased from €4,373 million to €3,730 million at 30 June 2003.

- **Off-balance sheet commitments received**

No material variation is noted for the period.

22 Subsequent events

On 14 August 2003, EDF signed an agreement to sell its 36.3% shareholding in the Swedish group Graninge AB to Sydcraft, a subsidiary of German group Eon.

After acquiring the 12% stake held by energy and raw materials broker Louis Dreyfus, EDF now owns 100% of its trading subsidiary's shares.

EDF announced that it would be selling its 22.2% stake in CNR to Electrabel, a Suez subsidiary. This sale is awaiting approval from the European Commission.

EDF and EnBW have acquired an additional 35% stake in the Polish electricity company Rybnik.

23 Changes in the scope of consolidation

23.1 Changes in the scope of consolidation in the first half of 2003

Major changes in the scope of consolidation in the first half of 2003 consist of the inclusion of the following wholly owned subsidiaries of EDF International with effect from 1 January 2003:

- ✓ HISPAELEC,
- ✓ EDF ENERGIA ITALIA.

Both companies are involved in the sale of energy.

EDF ENERGY GROUP

London Electricity Group was renamed EDF Energy Group as of 30 June 2003.

Padco and Metronet, both acquired following the consolidation of Seeboard accounts by London Electricity Group in 2002, were proportionally consolidated as of 1 January 2003. Both entities were equity consolidations in 2002. London Electricity Group owns 50% of Padco and 20% of Metronet.

EnBW

Changes consist of:

- ✓ acquisition of 77% in KWL (ED Group), fully consolidated in EnBW's financial statements as of 1 January 2003. The company is involved in hydraulic generation and distribution and the purchase and resale of energy in Switzerland;
- ✓ acquisition of the remaining NWS shares;
- ✓ acquisition of the remaining Salamander shares;
- ✓ acquisition of the remaining TAE shares.

TIRU

TIRU acquired two waste processing (incineration) companies, CIDEM and CYDEL, wholly owned and fully consolidated as of 1 January 2003.

23.2 Changes in the scope of consolidation during the 2002 financial year

EUROPE

London Electricity

London Electricity's financial statements include the following companies:
EPN and all of 24 seven, as of January 2002;
Seeboard, as of July 2002.

EnBW

The Group's consolidated holding has risen from 35.38% to 45.75%.
EnBW's financial statements also include the following companies:

- EnAlpin, fully consolidated since 1 January 2002;
- Hidroelectrica del Cantabrico, proportionally consolidated since 1 July 2002;
- ZEAG, fully consolidated since 1 July 2002;
- GVS, fully consolidated since 31 December 2002;
- Stadtwerke Düsseldorf, accounted for under the equity method since 1 January 2002.

The interest percentage in NWS increased from 32% to 99%. Tesion was sold on 31 August 2002.

AMERICAS

LIGHT

EDF increased its stake in Light to 88% to take sole control and in return disposed of its interests in Light-Gas, Metropolitana and Light Telecom. EDF has since increased its capital, taking its stake to almost 95%.

24 Foreign exchange rates

The exchange rates used at 31 December 2002 and 30 June 2003 were as follows (currency/euro):

Currency	Closing rate 30.06.2003	Average rate 1st half 2003	Year-end rate 31.12.02	Average rate 2002
Swiss franc (CHF)	0.643335	0.668720	0.688500	0.682100
US dollar (USD)	0.875120	0.906480	0.953600	1.051400
Hungarian forint (HUF)	0.003751	0.004020	0.004200	0.004100
Swedish krona (SEK)	0.108122	0.108910	0.109300	0.109500
Argentinean peso (ARP)	0.311245	0.301560	0.282100	0.320900
Mexican peso (MXP)	0.083070	0.084410	0.091200	0.107600
Brazilian real (BRL)	0.304173	0.281040	0.269400	0.347600
Chinese yuan (CNY)	0.105189	0.109500	0.115200	0.127000
Pound sterling (GBP)	1.442585	1.461280	1.537300	1.587800
Polish zloty (PLZ)	0.223339	0.233390	0.248700	0.258000

REVIEW REPORT OF THE STATUTORY AUDITORS ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2003

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Review Report of the Statutory Auditors on the Interim Consolidated Financial Statements for the six months period ended June 30, 2003

As statutory auditors of Electricité de France, we have reviewed the accompanying interim consolidated financial statements of Electricité de France for the six-month period ended June 30, 2003.

These interim consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. These standards require that we plan and perform the review to obtain moderate assurance, lesser than that which would result from an audit, as to whether the interim consolidated financial statements are free of material misstatement. The review excluded certain audit procedures and was limited primarily to analytical procedures and to inquiries of Group management and knowledgeable personnel on information that we deemed necessary.

We wish to draw your attention to the following uncertainties:

The estimated value of provisions related to nuclear electricity production, as described in notes 1.22, 16 and 17, is sensitive to the assumptions used concerning costs, inflation rates, long-term discount rates, forecast cash outflows and the results of current negotiations with Cogema. Any change in these parameters could lead to a significant revision of the amounts of provisions.

As mentioned in note 12, EDF began a physical inventory of fixed assets owned by the parent company during 2002, which is due to be completed during the second half-year of 2003. The impact of this inventory is currently being estimated and will be recorded in the financial statements as of December 31, 2003.

The uncertainty relating to the evaluation of the investment in Italenergia Bis (IEB) / Edison and related financial commitments, which was mentioned in our report on the consolidated financial statements as of December 31, 2002, has not been maintained given the provisions accounted for as of June 30, 2003.

In addition, we qualify our conclusions on the following matters:

Interim consolidated financial statements are published for the first time as of June 30, 2003. They do not include comparative financial information, on an historical or proforma basis, as of June 30, 2002.

EDF's current and retired employees in France benefit from a special pension plan for Electricity and Gas Industries personnel and other employee benefits. EDF's corresponding obligation is not covered by a provision, and no actual figure is disclosed in the notes to the financial statements. Under the current scheme, this obligation represents an unrecognized amount well above the Group's equity. As explained in note 19 to the consolidated financial statements as of December 31, 2002, the value of this obligation is likely to undergo major changes due to the planned funding reform for the special Electricity and Gas Industries pension plan.

Based on our review, and except for the matters described in the paragraphs above, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements, prepared in accordance with French accounting principles, do not give a true and fair view of the financial position of the Group as at June 30, 2003 and of the results of its operations for the period then ended.

In addition, without affecting the conclusions expressed above, we draw your attention to :

- note 1.3, which describes the changes in accounting policies, in particular those resulting from the anticipated application as of January 1st 2003 of the French regulation CRC n° 2002-10 relating to the amortization and depreciation of assets, and the change in accounting estimate relating to the extension of the nuclear installations useful life.

- notes 1.13, 11 and 19, which describe the update process for the valuations of goodwills, other fixed assets and investments-related financial commitments, and their sensitivity to underlying assumptions.

October 2nd, 2003

The Statutory Auditors

Deloitte Touche Tohmatsu

Philippe VASSOR	Amadou RAIMI

Ernst & Young Audit

Patrick GOUNELLE	Claire NOURRY

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