CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT JUNE 30, 2005

(Unaudited)

Contents

Consolidated income statements

(in millions of euros)	Notes	1st half-year 2005	1st half-year 2004 pro forma	1st half-year 2004
Sales	**7**	25 202	23 633	23 952
Fuel and energy purchases	**8**	(7 905)	(6 849)	(6 849)
Other external expenses	**9**	(3 984)	(4 054)	(4 054)
Personnel expenses	**11**	(4 661)	(4 665)	(4 512)
Taxes other than income taxes		(1 536)	(1 408)	(1 408)
Other operating income and expenses	**12**	435	481	441
Operating profit before depreciation and amortization		**7 551**	**7 138**	**7 570**
Net depreciation and amortization		(2 422)	(2 395)	(2 396)
Impairments		-	(254)	(254)
Other income and expenses		-	-	-
Operating profit		**5 129**	**4 489**	**4 920**
Cost of gross financial indebtedness	**13**	(679)	(818)	(818)
Discount expense		(1 240)	(1 213)	(2 450)
Other financial income and expenses	**14**	110	428	478
Financial result		**(1 809)**	**(1 603)**	**(2 790)**
Income before taxes of consolidated companies		**3 320**	**2 886**	**2 130**
Income taxes	**15**	(1 232)	(1 217)	(950)
Share in income of companies accounted for under the equity method		120	38	38
Net income from discontinued operations		(1)	-	-
Group net income		**2 207**	**1 707**	**1 218**
Minority interests		77	(10)	(10)
EDF net income		**2 130**	**1 717**	**1 228**

Earnings per share in euros

Net earnings per share in euros		1.31		
Diluted earnings per share in euros		1.31		

Standards IAS 32 and 39 on financial instruments are applied from January 1, 2005. No restatements have been applied to 2004 figures.

Pro forma financial information for 2004, including the impacts of the Law of August 9,2004, is provided for comparability between the consolidated half-year income statements.

Consolidated balance sheets

ASSETS	Notes	06.30.2005	01.01.2005	12.31.2004
(in millions of euros)				
Goodwill	**16**	5 426	5 371	5 371
Intangible assets		1 192	1 288	1 288
Property , plant and equipment	**17**	98 346	97 645	97 645
Investments in companies accounted for under the equity method		2 041	2 203	2 198
Non-current financial assets	**18**	11 001	8 118	7 434
Deferred tax assets	**15**	1 919	965	944
Non-current assets		**119 925**	**115 590**	**114 880**
Inventories, including work-in-process		6 712	6 678	6 678
Trade receivables		13 026	13 733	15 782
Current financial assets	**18**	6 407	5 690	3 121
Other receivables		4 572	5 863	5 920
Cash and cash equivalents	**19**	4 388	3 820	3 150
Current assets		**35 105**	**35 784**	**34 651**
Non-current assets classified as held for sale		36		
TOTAL ASSETS		**155 066**	**151 374**	**149 531**

EQUITY AND LIABILITIES	Notes	06.30.2005	01.01.2005	12.31.2004
(in millions of euros)				
Capital		8 129	8 129	8 129
Consolidated reserves and income		3 124	937	307
Equity (EDF's share)		**11 253**	**9 066**	**8 436**
Minority interests		888	897	899
Total Equity		**12 141**	**9 963**	**9 335**
Provisions for end of nuclear fuel cycle	**20.2**	13 579	13 494	13 494
Provisions for decommissioning and last cores	**20.3**	12 657	12 367	12 367
Provisions for employee benefits	**20.4**	13 716	13 620	13 620
Other provisions	**20.5**	1 935	746	1 999
Non-current provisions	**20.1**	**41 887**	**40 227**	**41 480**
Special concession liabilities	**21**	34 668	33 694	33 694
Non-current financial liabilities	**22**	21 182	20 622	20 888
Other liabilities		6 287	6 452	6 479
Deferred tax liabilities	**15**	3 211	3 177	2 929
Non-current liabilities		**107 235**	**104 172**	**105 470**
Provisions	**20.1**	4 342	4 525	4 525
Trade payables and other current liabilities payable		6 087	6 662	9 017
Current financial liabilities	**22**	10 886	9 738	4 899
Current tax liabilities		1 820	436	395
Other liabilities		12 527	15 878	15 890
Current liabilities		**35 662**	**37 239**	**34 726**
Liabilities related to non-current assets classified as held for sale		28		
TOTAL EQUITY AND LIABILITIES		**155 066**	**151 374**	**149 531**

Standards IAS 32 and 39 are applied from January 1, 2005. No restatements have been applied to 2004 figures. The balance sheet at January 1, 2005 corresponds to the balance sheet at December 31, 2004 after adjustments for the impacts of standards IAS 32 and 39, as described in note 2.

Consolidated cash flow statements

(in millions of euros)	Notes	1st Half-Year 2005	1st Half -Year 2004
Operating activities :			
Income before tax from consolidated companies		3 320	2 130
Impairments		-	257
Accumulated depreciation and amortization , provisions and change in fair value		3 559	3 844
Financial income and expenses		500	574
Dividends received from companies accounted for under the equity method		51	51
Capital gains/losses		(113)	(130)
Other income and expenses without effect on cash		(29)	0
Change in working capital		148	(143)
Net cash flow from operations		**7 436**	**6 583**
Net financial expenses disbursed		(548)	(592)
Income taxes paid	**15,3**	877	(1 838)
Payment related to the pension reform		(3 296)	-
Payment related to Marcoule		(523)	-
Tax and interest paid following the decision of the European Commission		-	(1 224)
Net cash flow from operating activities		**3 946**	**2 929**
Investing activities :			
Change in the scope of consolidation		(41)	(426)
Purchases of property, plant and equipment and intangible assets		(2 154)	(2 240)
Net proceeds from sale of property, plant and equipment and intangible assets		165	164
Changes in financial assets		(520)	(104)
Net cash flow used in investing activities		**(2 550)**	**(2 606)**
Financing activities :			
Issuance of borrowings		717	4 867
Repayment of borrowings		(1 907)	(5 845)
Dividends paid by parent company		-	(321)
Dividends paid to minority interests		(19)	(34)
Capital increase in cash		173	9
Increase in special concession liabilities		71	78
Investment subsidies		16	18
Net cash flow used in financing activities		**(949)**	**(1 228)**
Net increase/(decrease) in cash and cash equivalents		**447**	**(905)**
Cash and cash equivalents - opening balance		3 150	2 497
Effect of currency fluctuations		69	59
Reclassifications upon application of IAS 32 and 39	**2**	670	-
Financial income on cash and cash equivalents		62	-
Effect of other reclassifications		(10)	13
Cash and cash equivalents - closing balance		**4 388**	**1 664**

Standards IAS 32 and 39 are applied as of January 1, 2005. No restatements have been applied to 2004 figures.

Variation in Consolidated Equity and Minority Interests

(in millions of euros)	Capital	Consolidated reserves and net income	Translation adjustments	Impact of restatement to fair value of financial instruments	Equity (EDF share)	Minority interests	Total Equity
Equity at January 1,2004	**8 129**	**(47 259)**	**-**	**-**	**(39 130)**	**913**	**(38 217)**
Net income for the year		624			624	(13)	**611**
Dividends paid		(321)			(321)	(46)	**(367)**
Translation adjustments			74		74	42	**116**
Other changes		22			22	3	**25**
Impacts of the Law of 9 August 2004 (1)		47 167			47 167	**-**	**47 167**
Equity at 31 December 2004	**8 129**	**233**	**74**	**-**	**8 436**	**899**	**9 335**
Restatements for application of IAS 32 & 39		359	(4)	275	630	(2)	**628**
Equity at January 1,2005	**8 129**	**592**	**70**	**275**	**9 066**	**897**	**9 963**
Net income for the year		2 130			2 130	77	**2 207**
Dividends paid		(374)			(374)	(49)	**(423)**
Translation adjustments			(70)	(53)	(123)	2	**(121)**
Changes in the fair value of available-for-sale financial assets (2)				252	252	-	**252**
Changes in the fair value of hedging instruments (2)				294	294	-	**294**
Other changes		11		(3)	8	(39)	**(31)**
Equity at June30,2005	**8 129**	**2 359**	**-**	**765**	**11 253**	**888**	**12 141**

(1) As the financing reform of the special gas and electricity industry (IEG) pension system substantially came into effect at December 31, 2004, EDF reversed €49,755 million from provisions. A net-of-tax amount of €(2,392) million was booked in respect of the payments and contributions to preserve benefit entitlements, as was an amount of €(196) million in respect of other benefits for IEG personnel.

(2) These variations relate to the application of IAS 32 and 39 as of January 1, 2005 (note 2).

The variation in equity between January 1 and June 30, 2004 is as follows:

(in millions of euros)	Capital	Consolidated reserves and net income	Translation adjustments	Equity (EDF share)	Minority interests	Total Equity
Equity at January 1, 2004	**8 129**	**(47 259)**	**-**	**(39 130)**	**913**	**(38 217)**
Net income for the year		1 228		1 228	(10)	1 218
Dividends paid		(321)		(321)	(44)	(365)
Translation adjustments			117	117	16	133
Other changes				-	48	48
Equity at June 30,2005	**8 129**	**(46 352)**	**117**	**(38 106)**	**923**	**(37 183)**

Taking into account the impact of the Law of August 9, 2004 (particularly the financing reform for the IEG pension system), the pro forma EDF share of equity would be €6,614 million at January 1, 2004 and €8,127 million at June 30, 2004.

Notes

Note 1 : Accounting principles and methods

1.1 Group accounting policies

Pursuant to European regulation 1606/2002 of July 19,2002 on the adoption of international accounting standards, the EDF Group's consolidated financial statements for the year ending December 31, 2005 will be prepared in accordance with international accounting standards approved by the European Union for application at that date (IFRS – International Financial Reporting Standards, IAS - International Accounting Standards, and the relevant interpretations issued by the SIC and IFRIC).
These first financial statements under IFRS will contain comparative information for 2004 prepared on the same basis, with the exception of IAS 32 and IAS 39 on financial instruments and IFRS 4 on insurance contracts which are applied from January 1, 2005.

In compliance with the recommendation of the French market regulator (Autorité des Marchés Financiers or AMF) concerning financial communication during the transition period, the EDF Group's half-year financial statements at June 30, 2005 apply the presentation, recognition and valuation methods prescribed by IAS/IFRS as applicable at December 31, 2005, including the impacts of IAS 32/39 and IFRS 4, applied from January 1, 2005, but excluding the treatment of concession contracts for the reasons explained below.

These half-year financial statements are presented in the condensed format allowed by IAS 34 (Interim financial reporting), and should be read with reference to the 2004 financial statements established for the transition to IAS/IFRS. These 2004 financial statements have been prepared in compliance with IFRS 1 (First-time adoption ofIFRS) pursuant to the standards and interpretations published and applicable at that date, with the exception of the treatment of concession contracts.

The basis for preparation of the half-year financial statements at June 30, 2005 therefore results from:

- IFRS standards and interpretations whose application is mandatory at December 31, 2005 in their current release: accounting standards in force at the date of publication of the restated accounts are those approved by European Commission regulations 2086/2004, 2036/2004, 2037/2004 and 2238/2004;

- the options chosen and exemptions applied by the Group to prepare its first IFRS accounts, the consolidated financial statements for 2005, as described in the 2004 financial statements under IFRS established for the transition to IAS/IFRS;

- concerning the treatment of concessions under international standards, discussions are still ongoing at the IFRIC (International Financial Reporting Interpretations Committee). Until the final interpretation is published, the Group has elected to continue most of its policies applied under French GAAP (see the note on the accounting principles used for concessions in the 2004 financial statements established for the transition to IFRS), with the exception of restatements required for the new presentation used from January 1, 2005, described in note 1.4 below. It is thus premature to consider that the methods currently applied by the Group to concession contracts are compatible with international standards. The Group may be obliged to modify its opening balance sheet for publication of the IFRS financial statements at December 31, 2005 in order to comply with existing standards on assets and provisions and any interpretations that may be released by the end of the year.

It is thus possible that the opening balance sheet at January 1, 2004 may not be the opening balance sheet actually used for the final 2005 consolidated financial statements, and that the comparative information for the half-year financial statements at June 30 ,2006 may differ from the information contained here.

The Group has decided against early application of interpretation IFRIC 4, which will become mandatory from January 1,2006.

Details of the accounting principles and methods applied in preparing the half-year financial statements accompany the 2004 financial statements prepared for the transition to IFRS. The following notes discuss only rules and methods specific to the half-year financial statements.

1.2 Management estimates

The preparation of its financial statements requires the Group to make its best estimates and use 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.

1.3 Seasonal nature of the business

Interim sales and operating income are affected by significant seasonal variations due to high levels of activity in the first half of the calendar year, particularly in France. This phenomenon is dependent upon climatic conditions and sales prices, and varies from one year to the next.

1.4 New accounting presentation of special concession liabilities

Notwithstanding any clauses to the contrary in the public electricity distribution concession contracts, article 36 of the Law of August 9, 2004 cancelled EDF's financial obligation for renewal of assets operated under concession after expiry of the concession, with effect from January 1, 2005. As a result, the definitions of provisions for renewal have been reviewed.

Under the concession contracts, EDF retains an obligation after January 1, 2005 to amortize the licensor's financing, which until December 31, 2004 was included in the provision for renewal, defined up to that date as the difference between amortization of the replacement value and amortization of the licensee's share of financing ("amortization of EDF financing").

To reflect EDF's contractual obligations towards licensors, the following expenses have been recorded in connection with assets operated under concession since 1 January 1, 2005:

- industrial depreciation of the assets' historical value, spread over their useful life, allocated between amortization of the financing by the licensor and amortization of EDF financing;
- a provision for renewal (based on the difference between the replacement value and the historical value of the assets, also calculated over their useful life, concerning only assets due for renewal before the end of the concession.

Under this new accounting treatment for assets operated under public distribution concessions, the respective rights and obligations of the licensor and the licensee are reported separately in the special concession liabilities, which thus comprise:

- The value in kind of assets, corresponding to the net book value of assets under concession. This obligation in kind reflects the fact that these assets are the property of the licensor and will be returned when the concession expires.
- End-of-concession fees, corresponding to the accumulated industrial depreciation recorded on assets financed by the licensor, calculated over the assets' useful life. For assets renewed during the concession, this value is considered as the licensor's financing of the new asset;
- Receivables corresponding to the net book value of the assets financed by the licensee. This receivable, for which the initial amount is equal to the licensee's financing, is deducted from the liabilities when the asset begins operation. It is decreased over time by an annual amount equal to the industrial depreciation recorded on facilities financed by the licensee, to reach zero at the end of the asset's useful life.
- The licensee's obligation to bear the replacement value of assets renewable before the concession ends. This is booked in addition to industrial depreciation of the assets, up to the difference between the replacement value and the historical value. When assets are replaced, the provision relating to the replaced item is considered as the licensor's financing of the new asset, in the same way as the industrial depreciation related to the licensor's financing.

1.5 Financial assets and liabilities

Financial assets include investments (non-consolidated investments, dedicated assets, and other investment securities), loans and financial receivables, and the positive fair value of derivatives.

Dedicated assets are financial assets intended to finance decommissioning and end of nuclear fuel cycle operations, for which provisions have been accrued (see note 20.3). These assets are managed separately from the Group's other financial assets and investments in view of their specific objective, and comprise bonds, equities, collective investment funds and "reserved" funds established by the Group solely for its own use.

Financial liabilities comprise financial borrowings and debts, bank credit and the negative fair value of derivatives.

Financial assets and liabilities are recorded in the balance sheet as current if they mature within one year and non-current if they mature after one year, apart from derivatives held for trading, which are all automatically classified as current.

Operating debts and receivables, and cash and cash equivalents, are governed by IAS 39 and reported separately in the balance sheet.

1.5.1 Classification and valuation methods for financial assets and liabilities

1.5.1.1 Financial assets and liabilities carried at fair value with changes in fair value included in income

Financial assets stated at fair value with changes in fair value included in the income statement are classified as such at the inception of the operation. This applies to:
- assets acquired from the outset with the intention of resale in the short term,
- or derivatives not classified as hedges (derivatives held for trading),
- or assets the Group has elected to include in this category under the option allowed by IAS 39.

These assets are initially recorded at acquisition cost less purchasing expenses, and subsequently adjusted to fair value at each reporting date.

Changes in fair value are recorded in the income statement under the heading "Other financial income and expenses".

Dividends and interest received on assets stated at fair value are recorded in the income statement under "Other financial income and expenses".

Changes in the fair value of EDF Trading's commodity contracts are recorded in the income statement under "Sales".

1.5.1.2 Held–to-maturity financial investments

This category covers fixed-term investments which the Group acquires with the intent and ability to hold to maturity. These items are recorded at amortized cost. Interest is calculated at the effective interest rate and recorded in the income statement under the heading "Other financial income and expenses".

1.5.1.3 Loans and financial receivables

Loans and financial receivables are valued and recorded at amortized cost less any impairment or provision.
Interest is calculated at the effective interest rate and recorded in the income statement under the heading "Other financial income and expenses".

1.5.1.4 Available-for-sale financial assets

Available-for-sale financial assets comprise non-consolidated investments, reserved funds and investment securities, and are stated at their fair value at the closing date. Unrealized gains or losses on these assets are included in equity. For instruments quoted on an active market, the fair value is the market value. If no active market exists, the Group uses generally accepted valuation methods. If the fair value cannot be reliably estimated by other generally accepted valuation methods such as discounted future cash flows, these instruments are valued at acquisition cost less accumulated impairment.
For available-for-sale financial assets represented by debt securities, interest is calculated at the effective interest rate and credited to the income statement under the heading "Other financial income and expenses".

1.5.1.5 Financial debts and operating debts

Financial debts are recorded at amortized cost, with separate reporting of embedded derivatives where applicable. Interest is calculated at the effective interest rate and recorded under the heading "Cost of gross indebtedness" over the duration of the financial debt.

1.5.1.6 Derivatives

1.5.1.6.1 Scope

The scope of derivatives applied by the Group is in accordance with the provisions and the principles set forth in IAS 39.

In particular, forward purchases and sales for physical delivery of energy or commodities are considered to fall outside the scope of application of IAS 39, when the contract concerned is considered to have been entered into as part of the Group's normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- A physical delivery takes place under all such contracts;
- The volumes purchased or sold under the contracts correspond to the Group's operating requirements;
- The contracts cannot be considered as options as defined by the standard. In the specific case of electricity sale contracts, the contract is substantially equivalent to a firm forward sale or can be considered as a capacity sale.

The Group thus considers that transactions negotiated with a view to balancing volumes between electricity purchase and sale commitments are part of its ordinary business as an integrated electricity company, and do not therefore come under the scope of IAS 39.

In compliance with IAS 39, the Group analyses all its contracts, of both a financial and non-financial nature, to identify the existence of any "embedded" derivatives. Any component of a contract that affects the cash flows of that contract in the same way as a stand-alone derivative corresponds to the definition of an embedded derivative.
If they meet the conditions set out by IAS 39, embedded derivatives are accounted for separately from the "host" contract at inception date.

1.5.1.6.2 Measurement and recognition

Derivatives are initially recorded at fair value, based on quoted prices and market data available from external sources. The Group may also refer to recent comparable transactions or base its valuation on internal models that include data directly derived from this observable data and are recognized by market participants.

Changes in the fair value of these derivatives are recorded in the income statement, unless they are classified as hedges for a cash flow or a net investment. Changes in the fair value of such hedging instruments are recorded directly in equity, excluding the ineffective portion of the hedge.

In the specific case of financial instruments entered into as part of EDF Trading's business, realized and unrealized gains and losses are reported on a net basis under the heading "Sales".

1.5.1.6.3 Financial instruments classified as hedges

The EDF Group uses derivative instruments to hedge its foreign exchange and interest rate risks, as well as risks related to certain commodity contracts.

The Group applies the criteria defined by IAS 39 in classifying derivatives as hedges:

(1) the instrument must hedge changes in fair value or cash flows attributable to the risk hedged, and the effectiveness of the hedge (*i.e.* the degree to which changes in the value of the hedging instrument offset changes in the value of the hedged item or future transaction) must be between 80% and 125%;
(2) in cash flow hedges, the future transaction being hedged must be highly probable;
(3) reliable measurement of the effectiveness of the hedge must be possible,
(4) the hedge must be supported by appropriate documentation from its inception.

The Group classifies hedges in the following categories:

(a) <u>Fair value hedges</u>

These instruments hedge the exposure to changes in the fair value of an asset or liability recorded in the balance sheet, or a firm commitment to purchase or sell an asset. Changes in the fair value of the hedged item attributable to the hedged component of that item are recorded in the income statement and offset by corresponding variations in the fair value of the hedging instrument. Only the ineffective portion of the hedge has an impact on income.

(b) <u>Cash flow hedges</u>

These instruments hedge highly probable future transactions: the variability in cash flows generated by the hedged transaction is offset by changes in the value of the hedging instrument.
The effective portion of accumulated changes in the hedge's fair value is recorded in equity, and the ineffective portion (i.e. changes in the fair value of the hedging instrument in excess of changes in the fair value of the hedged item) is recorded in the income statement.
When the hedged cash flows materialize, the amounts previously recognized in equity are transferred to the income statement in the same way as for the hedged item.

(c) <u>Hedges of a net investment</u>

These instruments hedge exposure to the foreign exchange risk related to a net investment in a foreign entity. The effective portion of accumulated changes in the hedge's fair value is recorded in equity until disposal of the net investment, when it is included in the gain or loss on disposal. The ineffective portion (defined according to the same terms as for cash flow hedges) is recorded directly in the income statement.

The hedging relationship ends when:
- a derivative instrument ceases to be an effective hedging instrument;
- a derivative instrument expires, or is sold, terminated or exercised;
- the hedged item expires, is sold or redeemed;
- a future transaction ceases to be considered as highly probable.

Only derivative instruments external to the Group qualify for hedge accounting, and gains or losses on internal derivatives are eliminated in the consolidated financial statements. However, in a cash flow hedging relationship initiated via derivatives internal to the Group, hedge accounting is applied if it can be demonstrated that the internal derivatives will be matched with similar transactions external to the Group.

1.5.1.7 Cash and cash equivalents

Cash and cash equivalents comprise immediately liquid assets and very short-term investments usually maturing within three months or less of the acquisition date, which are subject to an insignificant risk of changes in value.
Securities held short-term and classified as “cash equivalents” are recorded at fair value, with changes in fair value recorded in the income statement under “Financial income on cash and cash equivalents”.

1.5.2 Impairment of financial assets

At the year-end and at each interim reporting date, the Group assesses whether there is any objective evidence that an asset could have been significantly impaired. If so, the Group estimates the asset’s recoverable value and records any necessary impairment as appropriate for the category of asset concerned.

1.5.2.1 Financial assets recorded at amortized cost

Impairment is equal to the difference between the asset’s net book value and the discounted value of expected future cash flows, using the original effective interest rate of the financial instrument. The impairment is included in the income statement under the heading “Other financial expenses”. If the impairment loss decreases in a subsequent period, it is reversed and transferred to the income statement.

1.5.2.2 Available-for-sale financial assets

If there is a significant long-term decrease in the fair value of available-for-sale financial assets, the unrealized loss is reclassified from equity to income. If, in a subsequent period, the fair value of an available-for-sale financial asset increases, the increase in value is recorded in equity for equity instruments, while for debt instruments the impairment previously recorded is reversed and transferred to the income statement.

1.5.3 Derecognition of financial assets and liabilities

Derecognition is applied for all or part of:

- a financial asset, when the contractual rights making up the asset expire, the Group loses control of the asset, or the Group substantially transfers most of the significant risks and benefits associated with the asset.
- a financial liability, when the liability is extinguished due to cancellation or expiry of the obligation. When a debt is renegotiated with a lender giving rise to substantially different terms, a new liability is recognized.

1.5.4 Securitization operations

When it can be demonstrated that the Group does not control the investment funds resulting from securitization operations, these are excluded from the scope of consolidation. Otherwise, an entry corresponding to the cash inflow is recorded under the heading “Other liabilities”.

1.6 <u>Greenhouse gas emission quotas</u>

Following the IASB’s withdrawal in June 2005 of IFRIC interpretation 3, “Emission Rights”, the Group has applied the following treatment:

- emission quotas acquired for a consideration are recorded as intangible assets at acquisition cost; when the emission rights have been granted for nil consideration by the relevant State, they are not shown in the balance sheet;
- when a group entity's estimated gas emissions are higher than the quotas allocated by the State for that year, a provision is established to cover the excess emissions. For the half-year financial statements, the quantity to be covered by this provision is calculated pro rata to emissions of the half-year.
  The provision is equivalent to the acquisition cost up to the amount acquired on the spot or forward markets, and based on market prices for the balance.

1.7 Income taxes

For interim accounts, income tax (current and deferred) is calculated by applying the last known estimated average tax rate for the prevailing fiscal year for each entity or tax group to consolidated companies' pre-tax income.

Note 2 : Transition to standards IAS 32 and 39 concerning financial instruments

As of January 1, 2005, the Group applies standards IAS 32 and 39 concerning financial instruments. This has two types of impact on the opening balance sheet:

- reclassifications of financial instruments according to the categories defined by IAS 39,
- valuation differences on financial instruments, resulting from application of the valuation methods required by the standard, and recognition of derivatives in the balance sheet.

From January 1, 2005, the valuation and accounting methods for financial assets and liabilities are those defined in IAS 39, "Financial instruments: measurement and recognition".

Application of this standard has led the Group to reclassify its financial assets and liabilities and value them under the principles presented in note 1.5.

2.1 Reclassifications

2.1.1 Financial assets and liabilities carried at fair value with changes in fair value included in income

This category results from the reclassification of:

- the fair value of derivatives corresponding to energy trading transactions previously included in "Trade receivables" or "Trade payables";
- securities used in cash management (commercial paper and investment certificates maturing in over three months);
- foreign exchange gains and losses on swaps and accrued interest on these swaps, for swaps classified as derivatives held for trading.

2.1.2 Held-to-maturity investments

There was no significant reclassification in this category.

2.1.3 Available-for-sale financial assets

Non-consolidated investments, EDF SA's dedicated assets, EnBW's reserved funds and other financial securities previously classified as short-term financial assets (debt securities, equity securities and monetary investment funds), including "liquid" securities with initial maturity of over three months have been reclassified as available-for-sale financial assets.

2.1.4 Positive and negative fair values of hedging derivatives

Foreign exchange gains and losses on swaps classified as hedges and accrued interest on such swaps have been reclassified to this category.

2.1.5 Loans and financial receivables

Assets previously reported as "Other long-term investments" have been reclassified as loans and financial receivables.

2.1.6 Cash and cash equivalents

Short-term financial assets maturing within three months have been reclassified as cash equivalents.

2.1.7 Financial loans and debts

There has been no significant reclassification of the financial loans and debts included in financial liabilities.

2.2 Impacts of changes in valuation method

As a result of revaluation of financial assets and liabilities in application of IAS 39:

- valuation at historical cost or acquisition cost has been replaced by statement at fair value or amortized cost.
- restatements to fair value mainly concern available-for-sale financial assets and financial assets and liabilities carried at fair value with changes in fair value included in income.
- derivatives previously unrecognized under French GAAP are now recognized in the balance sheet.

  Concerning derivatives, in contrast to the French principles applied until December 31, 2004 whereby only foreign exchange gains and losses on swaps and accrued interest related to those swaps were recognized in the balance sheet, all derivatives are now carried in the balance sheet, at fair value.

2.3 Impacts at January 1, 2005

2.3.1 Reconciliation of the balance sheet at December 31, 2004 under IFRS with the opening balance sheet at January 1, 2005

ASSETS	**Notes**	**12.31.2004**	**Reclassifications**	**Valuation under**	**01.01.2005**
(in millions of euros)			**IAS 32 / 39**	**IAS 32 / 39**	
Goodwill		5 371			5 371
Intangible assets other than goodwill		1 288			1 288
Property, plant and equipment		97 645			97 645
Investments in companies accounted for under the equity method		2 198		5	2 203
Non-current financial assets	**2.3.2**	7 434	13	671	8 118
Deferred tax assets		944		21	965
Non-current assets		**114 880**	**13**	**697**	**115 590**
Inventories, including work-in-process		6 678			6 678
Trade receivables	**2.3.2**	15 782	(2 051)	2	13 733
Current financial assets	**2.3.2**	3 121	2 270	299	5 690
Other receivables		5 920	(54)	(3)	5 863
Cash and cash equivalents	**2.3.4**	3 150	678	(8)	3 820
Current assets		**34 651**	**843**	**290**	**35 784**
TOTAL ASSETS		**149 531**	**856**	**987**	**151 374**

EQUITY AND LIABILITIES	**Notes**	**12.31.2004**	**Reclassifications**	**Valuation under**	**01.01.2005**
(in millions of euros)			**IAS 32 / 39**	**IAS 32 / 39**	
Capital		8 129			8 129
Consolidated reserves and income		307		630	937
Equity (EDF's share)	**2.3.5**	**8 436**		**630**	**9 066**
Minority interests		899		(2)	897
Total Equity		**9 335**		**628**	**9 963**
Provisions for end of nuclear fuel cycle		13 494			13 494
Provisions for decommissioning and last cores		12 367			12 367
Provisions for employee benefits		13 620			13 620
Other provisions	**2.3.3**	1 999	(1 253)		746
Special concession liabilities		33 694			33 694
Non-current financial liabilities	**2.3.3**	20 888	33	(299)	20 622
Other liabilities		6 479	(32)	5	6 452
Deferred tax liabilities		2 929		248	3 177
Non-current liabilities		**105 470**	**(1 252)**	**(46)**	**104 172**
Provisions		4 525			4 525
Trade payables and other current liabilities payable	**2.3.3**	9 017	(2 346)	(9)	6 662
Current financial liabilities	**2.3.3**	4 899	4 466	373	9 738
Current tax liabilities		395		41	436
Other liabilities		15 890	(12)		15 878
Current liabilities		**34 726**	**2 108**	**405**	**37 239**
TOTAL EQUITY AND LIABILITIES		**149 531**	**856**	**987**	**151 374**

2.3.2 Current and non-current financial assets

"Current and non-current financial assets" increased from €10,555 million to €13,808 million as a result of the application of IAS 39. Details are as follows:

(in millions of euros)	12.31.2004	Reclassifications for compliance with IAS 39	Valuation under IAS 39 at 01.01.2005	01.01.2005
Non-consolidated investments	1 304	(1 304)		
Investment securities	4 946	(4 946)		
Other investments	182	(182)		
Other long-term financial assets	1 162	(1 162)		
Short-term financial assets	2 961	(2 961)		
Total financial assets before reclassification for compliance with IAS 39	**10 555** (a)	**(10 555)**		
Available-for-sale financial assets		8 399	568	8 967
Financial assets carried at fair value with changes in fair value included in income		2 837	183	3 020
Held-to-maturity investments		17	0	17
Loans and financial receivables		1 138	2	1 140
Positive fair value of hedging derivatives		447	217	664
Total financial assets	**10 555**	**2 283**	**970**	**13 808** (b)

(a) €7,434 million (non-current), €3,121 million (current)
(b) €8,118 million (non-current), €5,690 million (current)

The net impact of reclassifications of financial assets in accordance with the categories defined by IAS 39 is €2,283 million, mainly comprising:

- €2,505 million representing the positive fair value of EDF Trading's derivatives, reclassified from trade receivables to financial assets at fair value;
- €(680) million of marketable securities reclassified as cash equivalents.

The impact of valuation of financial assets under IAS 39 amounts to €970 million, comprising:

- €568 million due to revaluation of available-for-sale financial assets: this is the difference between the market value of available-for-sale financial assets and the historical cost of the financial instruments classified in this category;
- €183 million due to revaluation of financial instruments classified as financial assets carried at fair value with changes in fair value included in income, mainly corresponding to:
  - recognition of options and warrants concerning Edison (€94 million);
  - the fair value of other derivatives held for trading (approximately €220 million) concerning commodity contracts that qualify as derivatives under IAS 39;
  - the impact of elimination of commodity contracts internal to the Group (€(138) million).
- €217 million for the fair value of hedging derivatives, including €174 million for hedges of net investments by EDF SA in foreign entities.

2.3.3 Financial liabilities

(in millions of euros)	12.31.2004	Reclassifications for compliance with IAS 39	Valuation under IAS 39 at 01.01.2005	01.01.2005
Financial loans and debts	25 787	404	(296)	25 895
Negative fair value of derivatives held for trading	-	3 688	216	3 904
Negative fair value of hedging derivatives	-	407	154	561
Financial liabilities	**25 787** *(a)*	**4 499**	**74**	**30 360** *(b)*

(a): €20,888 million (non-current), €4,899 million (current).
(b): €20,622 million (non-current), €9,738 million (current)

The net impact of reclassification of financial liabilities amounts to €4,499 million and breaks down as follows:

- €2,346 million corresponding to the negative fair value of EDF Trading’s derivatives held for trading, previously classified as trade payables;
- €1,227 million for the provision recorded by EDF SA in respect of IEB shares and a provision related to share repurchase commitments for EDF SA’s put and call options, reclassified as derivatives held for trading;
- €454 million for securitization of EDF Energy’s trade receivables, reclassified as financial liabilities.

The impact of valuation of financial liabilities under IAS 39 amounts to €74 million, comprising:

- €(296) million due to the valuation of liabilities at amortized cost, including €(206) million concerning the loan from the French Atomic Energy Commission (*Commissariat à l’Energie Atomique* or CEA) to EDF for the initial financing of the Creys-Malville power plant;
- €216 million due to the valuation of derivatives held for trading, including commodity contracts classified as derivatives (€28 million) and embedded derivatives (€42 million);
- €154 million due to the valuation of hedging derivatives: €40 million for commodity contracts classified as hedges, and the balance for interest rate and currency swaps classified as cash flow hedges.

2.3.4 Cash and cash equivalents

The reclassifications to this category, totaling €678 million, mainly concern marketable securities previously recorded as short-term investments.

2.3.5 Equity

The impact on equity of application of IAS 39 at January 1, 2005, after tax effects, amounts to €628 million (EDF share: €630 million).

2.3.5.1 Impact on consolidated reserves

The impact on consolidated reserves amounts to €359 million net of taxes, including €362 million for EDF SA, €58 million for subsidiaries, and €(61) million in intercompany eliminations.

With respect for EDF SA, the main components of the impact are:

- €219 million due to the valuation of liabilities at amortized cost;
- €94 million in adjustments to impairment of financial assets classified as available for sale;
- €205 million due to recognition of unrealized gains on derivatives (including €69 million corresponding to the fair value of IEB/Edison derivatives);
- €(160) million in deferred taxes.

For the subsidiaries, the €57 million impact is principally due to the valuation of financial assets at fair value, and recognition of embedded derivatives.

Finally, at Group level, eliminations mainly concern internal profits on commodity contracts.

2.3.5.2 Impacts on gains and losses on financial instruments deferred in equity

The €275 million impact on gains and losses on financial instruments deferred in equity breaks down as follows:

- the impact resulting from adjustment to fair value of available-for-sale financial assets amounts to €344 million, including €48 million relating to Edison shares;
- the impact of gains and losses on hedging instruments recorded directly in reserves amounts to €(69) million and concerns commodity contracts classified as cash flow hedges, and interest rate hedging swaps.

Note 3 : Comparability

For purposes of comparison between the first half-years of 2004 and 2005, the consolidated financial statements at June 30, 2004 have been restated for changes in valuation and presentation resulting from application of IAS/IFRS as of January 1, 2004. Note 3.1 below provides details of the basis for preparation of this comparative information, and the restatements made.
In addition to the financial information for first-half 2004 under the principles described in note 1.1, the Group has prepared pro forma figures for the first half of 2004 to reflect the impacts of the Law of August 9, 2004 on pensions and concessions. Details of the basis for preparation of this information and the restatements made are provided in note 3.2 below.

3.1 <u>Financial information at June 30, 2004</u>

The financial information at June 30, 2004 under IFRS presented below has been prepared as described in note 1, “Impact of the first application of IFRS” to the consolidated financial statements at December 31, 2004 established for the transition to IFRS.

The basis for preparation of this financial information results from:

- IFRS standards and interpretations whose application is mandatory at December 31, 2005 in their current release, except for IAS 32 and 39 for which the transition date is January 1, 2005; accounting standards in force at the date of publication of this restated financial information are those approved by European Commission regulations 2086/2004, 2036/2004, 2037/2004 and 2238/2004,
- the options chosen and exemptions applied by the Group to prepare its first IFRS consolidated financial statements in 2005, as described in note 3 to the financial statements at December 31,

2004 under IFRS, “Impact of the first application of IFRS”, subject to any revisions in the standards applicable,

- concerning the accounting treatment of concessions under international standards, see note 1.1.

3.1.1 Impacts on the consolidated income statement

(in millions of euros)	First half-year 2004 as published (French GAAP)	Reclassifications	French GAAP under IFRS presentation	Goodwill	Capitalization of nuclear safety expenses	Connection fees	Pensions and other long-term employee benefits	Other adjustments	Total adjustments for compliance with IFRS	First half-year 2004 under IFRS
Sales	**24 030**	**(7)**	**24 023**			**(60)**		**(11)**	**(71)**	**23 952**
Purchases and other external purchases	(11 671)	362	(11 309)		97		309		406	(10 903)
Personnel expenses	(4 899)	(189)	(5 088)				558	18	576	(4 512)
Taxes other than income taxes	(1 407)	(1)	(1 408)						-	(1 408)
Other operating income and expenses	763	(324)	439					2	2	441
Operating profit before depreciation/amortization and provision	**6 816**	**(159)**	**6 657**	**-**	**97**	**(60)**	**867**	**9**	**913**	**7 570**
Net depreciation and amortization	(2 287)	(32)	(2 319)		(49)			(28)	(77)	(2 396)
Net (increase)decrease in provisions	(306)	306	-						-	-
Impairment	-	(413)	(413)	159					159	(254)
Other income and expenses	-	-	-						-	-
Operating profit	**4 223**	**(298)**	**3 925**	**159**	**48**	**(60)**	**867**	**(19)**	**995**	**4 920**
Financial result	(1 204)	(2)	(1 206)				(1 578)	(6)	(1 584)	(2 790)
Income before taxes of consolidated companies	**3 019**	**(300)**	**2 719**	**159**	**48**	**(60)**	**(711)**	**(25)**	**(589)**	**2 130**
Income taxes	(1 211)	3	(1 208)		(17)	21	252	2	258	(950)
Amortization and provision of goodwill	(299)	299	-						-	-
Share in income of companies accounted for under the equity method	16	(2)	14	25				(1)	24	38
Group net income	**1 525**	**-**	**1 525**	**184**	**31**	**(39)**	**(459)**	**(24)**	**(307)**	**1 218**
Minority interests	(12)	-	(12)					2	2	(10)
EDF net income	**1 537**	**-**	**1 537**	**184**	**31**	**(39)**	**(459)**	**(26)**	**(309)**	**1 228**

3.1.2 Impacts on the variation in consolidated equity and minority interests

(in millions of euros)	01.01.2004	First half-year net income	Other	Equity (Group share) at June 30,2004	Minority interests	Total equity at June 30,2004
Equity under French GAAP	**18 924**	**1 537**	**(182)**	**20 279**	**923**	**21 202**
Adjustments						
Cancellation of goodwill amortization		184		184		184
Capitalization of nuclear safety expenses	1 133	48		1 181		1 181
Connection fees	(1 968)	(60)		(2 028)		(2 028)
Pensions and other long-term employee benefits	(59 775)	(711)		(60 486)		(60 486)
Other adjustments	(370)	(28)	(22)	(420)	-	(420)
Total adjustments	**(60 980)**	**(567)**	**(22)**	**(61 569)**	**-**	**(61 569)**
Tax impact on adjustments	**2 926**	**258**		**3 184**		**3 184**
Equity under IFRS	**(39 130)**	**1 228**	**(204)**	**(38 106)**	**923**	**(37 183)**

3.1.3 Impacts on the consolidated cash flow statements

(in millions of euros)	First half-year 2004 (French GAAP) under IFRS presentation	Goodwill	Nuclear safety expenses	Connection fees	Pensions and employee benefits	Other	First half-year 2004
Operating activities:							
Income before tax from consolidated companies	2 719	159	48	(60)	(711)	(25)	2 130
Impairment	416	(159)					257
Accumulated depreciation and provisions	3 072		49		711	12	3 844
Financial income and expenses	574						574
Dividends received from companies accounted for under the equity method	51						51
Capital gains/losses	(130)						(130)
Change in working capital	(240)			60		37	(143)
Net cash flow from operations	6 462	-	97	-	-	24	6 583
Net financial expenses disbursed	(592)						(592)
Income taxes paid	(1 838)						(1 838)
Tax and interest paid following the decision of the European Commission	(1 224)						(1 224)
Net cash flow from operating activities	**2 808**	**-**	**97**	**-**	**-**	**24**	**2 929**
Investing activities:	-						-
Changes in the scope of consolidation	(426)						(426)
Purchases of property, plant and equipment and intangible assets	(2 143)		(97)				(2 240)
Net proceeds from sales of property, plant and equipment and intangible assets	164						164
Changes in financial assets	(104)						(104)
Net cash flow from investing activities	**(2 509)**	**-**	**(97)**	**-**	**-**	**-**	**(2 606)**
Financing activities:	-						-
Issuance of borrowings	4 867						4 867
Repayment of borrowings	(5 845)						(5 845)
Dividends paid by parent company	(321)						(321)
Dividends paid to minority interests	(34)						(34)
Capital increase in cash	9						9
Increase in special concession accounts	78						78
Investment subsidies	18						18
Net cash flow from financing activities	**(1 228)**	**-**	**-**	**-**	**-**	**-**	**(1 228)**
Net increase in cash and cash equivalents	**(929)**	**-**	**-**	**-**	**-**	**24**	**(905)**
Cash and cash equivalents - opening balance	2 523	(2)				(24)	2 497
Effect of currency fluctuations	59						59
Effect of other reclassifications	13						13
Cash and cash equivalents - closing balance	**1 666**	**(2)**	**-**	**-**	**-**	**-**	**1 664**

3.2 Pro forma financial information at June 30, 2004 taking into account the impacts of the Law of August 9, 2004 on pensions and concessions (see also note 4 and the consolidated financial statements at December 31, 2004 established for the transition to IAS/IFRS)

The purpose of this pro forma information is to supply comparative figures for the Group's financial statements for the first half-year of 2005, reflecting since January 1, 2005 the impact of the law for the public electricity and gas service and electricity and gas companies ("the Law of August 9, 2004") on the pension financing reform and concessions.

3.2.1 Methodology for establishing the pro forma financial information

The pro forma financial information presented below is designed to simulate the impact that the Law of August 9, 2004 could have had on the EDF Group's income statement at June 30, 2004 if the special IEG pension financing reform and provisions on concessions contained in that law had been effective from January 1, 2004.

This information is published for illustration purposes only. It cannot be used as a basis for comparison with future results, nor can it be considered as an indication of the Group's future operating income.

3.2.2 Pro forma financial information with early integration of the impacts of the Law of August 9, 2004 on pensions and concessions

3.2.2.1 Impacts of the financing reform for the special IEG pension system

3.2.2.1.1 Impact of post-reform obligations on the 2004 balance sheet

The exceptional payments to be made by the Group to the sector's pension and benefit management body CNIEG under financial agreements signed with the CNAV (standard pension organization) and additional pension bodies are recorded as liabilities from January 1, 2004 at the amount stated in the agreement (€2,392 million net of taxes) and are considered to be paid in accordance with the schedule set forth in the agreements.

No provision is booked for the basic benefits covered by the financial agreement signed with the general and additional pension bodies.

Specific benefits earned by employees in the regulated activities (transmission and distribution) prior to the effective date of the reform, and exceptional contributions payable to the standard and additional pension systems, are financed by the CTA levy (*contribution tarifaire d'acheminement*) on electricity transmission and distribution services, and therefore are no longer financed by the EDF Group; consequently, there is no need for a provision for these obligations.

Specific benefits earned by employees in the deregulated activities over the first half-year of 2004 are recorded in the income statement under "cost of services rendered".

3.2.2.1.2 Impacts on the restated pro forma income statement for the first half-year of 2004

Benefits paid directly by EDF prior to the reform and payments to external funds, net of insurance premiums received, both included in expenses under French GAAP, have been eliminated.

Employers' contributions are calculated under the rates fixed by the financial agreements with the standard pension systems. The restatements applied for the pro forma personnel expenses also include the impact of the bonus paid to IEG employees to compensate for the loss of purchasing power resulting from the increase in employees' pension scheme contributions.

The cost of services rendered corresponds to the increase in the obligation for specific benefit entitlements of employees in the regulated and deregulated activities. The financial expense is calculated using a 5% discount rate. The financial income corresponding to the expected return on external fund assets has also been taken into account, based on anticipated returns on these assets in view of the instruments they comprise.

As the CTA levy is price neutral for customers, EDF's sales have been reduced by the expected total amount of the levy.

The impact of the exceptional payments on the pro forma financial income has also been taken into account, calculated using a 4.5% discount rate.

The pro forma restatements, based on these different conventions, affecting Group net income at June 30, 2004 are presented in note 3.3.

3.2.2.2 Article 36 of the Law of August 9, 2004 on concessions

The Law of August 9, 2004 stipulates the respective scopes of the public transmission and distribution networks and defines the terms of their reclassifications:

- facilities classified at January 1, 2005as part of the French transmission grid assets that are attributed to the public distribution networks will be classified as part of the distribution networks at that date, and transferred for no consideration to the relevant local authorities, at net book value. EDF remains the owner of the substations transforming high or very high voltage into medium voltage.
- notwithstanding any clauses to the contrary in the public electricity distribution concession contracts, EDF no longer has any financial obligation to the licensor regarding replacement of facilities once the concession has expired. The provisions for future renewal charges established prior to January 1, 2005 and covering renewal of facilities due after the terms of concessions will be used, insofar as necessary, to cover replacement obligations for facilities previously classified as part of the French transmission grid assets and now transferred to the public distribution network, where renewal is due before expiry of the concessions.
- Consequently, the provisions for future renewal charges established prior to January 1, 2005 for replacements after the concession expires have been cancelled, and the obligations to replace facilities previously classified as French national grid assets and now included in public distribution network assets requiring renewal before the end of the concession have been recognized in the special concession liabilities.

The impact of these restatements is a €26 million improvement (net of taxes) in the pro forma net income for the first half-year of 2004.

3.3 Impacts on the consolidated income statement

(in millions of euros)	**First half-year 2004 under IFRS**	**Impact of the pension reform**	**Concessions art.36**	**Total impacts of the Law of August 9,2004**	**First half-year 2004 pro forma**
Sales	**23 952**	**(319)**	**-**	**(319)**	**23 633**
Purchases and other external purchases	(10 903)	-	-	-	(10 903)
Personnel expenses	(4 512)	(153)	-	(153)	(4 665)
Taxes other than income taxes	(1 408)	-	-	-	(1 408)
Other operating income and expenses	441		40	40	481
Operating profit before depreciation/amortization and provisions	**7 570**	**(472)**	**40**	**(432)**	**7 138**
Net depreciation and amortization	(2 396)	1	-	1	(2 395)
Impairment	(254)	-	-	-	(254)
Other income and expenses	-	-	-	-	-
Operating profit	**4 920**	**(471)**	**40**	**(431)**	**4 489**
Financial result	(2 790)	1 187	-	1 187	(1 603)
Income before taxes of consolidated companies	**2 130**	**716**	**40**	**756**	**2 886**
Income taxes	(950)	(253)	(14)	(267)	(1 217)
Amortization and provisions on goodwill	-	-	-	-	-
Share in income of companies accounted for under the equity met	38	-	-	-	38
Group net income	**1 218**	**463**	**26**	**489**	**1 707**
Minority interests	(10)	-	-	-	(10)
EDF share	**1 228**	**463**	**26**	**489**	**1 717**

Note 4 : Significant events and transactions of the first half of 2005

4.1 Implementation of the Law of August 9, 2004 for the public electricity and gas service and electricity and gas companies

The measures introduced by Law 2004-803 of August 9, 2004 for the public electricity and gas service and electricity and gas companies are presented in note 2 to the consolidated financial statements at December 31, 2004 established for the transition to IFRS. The events of the first-half of 2005 relating to application of this law are described below.

4.1.1 Transfer of the electricity transmission network operation business to a subsidiary

In application of the Law of August 9, 2004, on June 30, 2005 EDF signed a partial business transfer agreement (governed by the French laws on demergers) with C5, a company wholly-owned by EDF.

The agreement provides for the contribution by EDF to C5 of French public electricity transmission network assets and property of all kinds owned by EDF relating to the electricity transmission business. All rights, authorizations and obligations of EDF and contracts entered into by EDF, whatever their nature, will also be transferred under the agreement insofar as they relate to the public transmission network operations, as such facilities, properties, rights, authorizations, obligations and contracts exist at the transfer date.

As the public transmission network operator (RTE) is financed by a portion of several EDF-issued bond lines, in accordance with article 9 of the Law of August 9, 2004, C5 will record a financial liability in its balance sheet equivalent to the financial liabilities recognized in RTE's most recent individual accounts.

The transfers are valued at net book value of approximately €4 billion.

The French decree approving RTE EDF Transport's new articles of association was published on August 31, 2005, and the business transfer transaction has been approved at the general meetings of the shareholders of EDF SA (on August 31, 2005) and C5 (on September 1, 2005).

4.1.2 Financing reform for the special electricity and gas sector (IEG) pension system

The main measures involved in the financing reform for the special electricity and gas sector (IEG) pension system, which came into effect at January 1, 2005, are briefly described below.

- Formation of the CNIEG (*Caisse Nationale des Industries Electriques et Gazières*);

- Affiliation with the standard pension systems:

  In application of the financial agreements signed by the CNIEG with various pension bodies (the standard pension organisation CNAV and additional pension bodies AGIRC and ARRCO), EDF paid a sum of €3,295 million as an extraordinary contribution, comprising €2,274 million to the CNAV and €571 million to the AGIRC and ARRCO.

- Allocation of specific benefits earned under the special IEG system between the various IEG companies, and for each company, between benefits relating to gas and electricity transmission and distribution services ("regulated past specific benefits") and other activities ("deregulated past specific benefits");

- Introduction of the CTA levy (*contribution tarifaire d'acheminement*) on electricity and natural gas transmission and distribution services:

The rates of this levy are established at regular intervals by the energy, budget and social security ministers after consulting the French Energy Regulator (*Commission de Régulation de l'Energie* or CRE). For 2005, the CTA was set at 10.0% and 20.4% respectively for electricity transmission and distribution by the Decree of May 26, 2005. The rate for electricity transmission services was modified by Law 2005-781 of July 13, 2005, which defined the guidelines of the national energy policy, and stands at 6.5% at January 1, 2005.

- Financing of specific benefits for the deregulated activities: specific benefits for the deregulated activities are fully covered by provisions.

4.1.3 Measures concerning the electricity transmission and distribution networks

Article 36 of the Law of August 9, 2004 stipulates the respective scopes of the public transmission and distribution networks with effect from January 1, 2005.

This entails a new accounting method, described in detail in note 1.4. The main impact is reclassification of the portion of amortization recorded in respect of the licensor's financing which was included in the provision for renewal until December 31, 2004; this is now recorded in the special concession liabilities in the balance sheet at an amount of €4.5 billion (see note 21).

The transfer of facilities classified as French transmission grid assets to the public distribution networks, also resulting from article 36 of the Law of August 9, 2004, has the following consequences:

- reclassification of owned plant as plant operated under concession at net book value (€712 million),
- reclassification of subsidies and regulated provisions as a component of the licensor's interest in concessionary plant facilities (€9 million)
- use of the provision for future renewal charges at December 31, 2004 for replacement of facilities previously classified as French transmission grid assets and now attributed to public distribution concessions.

These measures have a net-of-tax impact on EDF SA equity of €12 million.

4.2 <u>Edison</u>

4.2.1 Put and call options entered into by EDF

In 2002, EDF granted options to each of the shareholders of IEB (Fiat Energia, the Tassara Group and the Italian banks) with respect to their IEB shares, and for certain parties, with respect to their IEB warrants. EDF also entered into option contracts with the Italian banks concerning their Edison shares and Edison warrants. The warrant option was the subject of a dispute which is described below.

During the first half of 2005, the shareholders of IEB exercised their put options against EDF as follows:

- Options with respect to IEB shares and warrants

Fiat exercised its put option against EDF with respect to its 24.6% holding in IEB's share capital, and with respect to subscription warrants for 83.7 million IEB shares. This put was exercised at a price of €1,147 million, i.e. 5.14 euros per IEB share.

Fiat exercised its put option against EDF with respect to its 14% holding in IEB's share capital. This option was exercised at a price of €653 million, i.e. 5.14 euros per IEB share. Fiat's 14% shareholding had been sold by Fiat to the Italian banks in June 2002, but the sale contract provided that the shares would be retroceded to Fiat in the event it exercised its put against EDF with respect to its 24.6% holding in IEB's share capital.

The Italian banks exercised their put option against EDF with respect to their 23.37% holding in IEB's share capital (excluding the 14% holding discussed above) and with respect to their subscription warrants for 79.4 million IEB shares. This option was exercised at a price equal to the historical acquisition cost of their holding in IEB's share capital on July 1, 2001, i.e. €741 million for the shares (3.50 euros per share) plus 7% annual interest between July 1,2001 and the date of delivery and settlement of the shares after the exercise of the option, and approximately €23 million euros for the warrants.

The Tassara group exercised its put option against EDF with respect to its 20.01% holding in IEB's share capital. This option was exercised at a price of €800 million, i.e. 4.41 euros per IEB share. The contract with the Tassara group stipulates an adjustment mechanism based on Edison's accounts atDecember 31, 2005, which may result in EDF making an additional payment. Given the formula applied to calculate this additional payment, EDF currently estimates that it is unlikely that it will have to make such additional payment. It should be noted that the put option does not concern the IEB warrants held by the Tassara group (68,014,806 warrants), which will remain the property of the Tassara group. In accordance with the agreements signed with the Tassara group, EDF purchased these shares on July 26, 2005 though the intermediary of its wholly-owned subsidiary WGRM holding 2 SpA, raising its shareholding in IEB to 38%.

- Options with respect to Edison shares and warrants

The Italian banks exercised their put option against EDF with respect to their 2.9% holding in the share capital of Edison. This option was exercised at a price equal to the historical acquisition cost of their holding in Edison's share capital on December 12,2002, i.e. €123 million, plus 7% annual interest between December 12,2002 and the date of delivery and settlement of the securities after the exercise of the option.

4.2.2 Arbitration proceedings relating to the options

In December 2004, EDF initiated arbitration proceedings following the adoption of the Marzano law, seeking to suspend performance and reserving the right to terminate all of the option contracts described above.

These proceedings should be abandoned once the Marzano law can no longer have adverse consequences for EDF (see 4.2.3.2 below).

The Italian banks also argued before an Arbitration tribunal that their put option against the EDF Group with respect to their 2.9% holding in Edison does not include the 123,396,768 Edison warrants subscribed at the time of the capital increase decided on at the end of 2002. EDF, meanwhile, maintains that it is entitled in exercising this option to acquire both the Edison shares and warrants.

Even if the proceedings relating to termination of the options are abandoned, EDFnevertheless intends to pursue its claim related to the Italian banks' Edison warrants.

4.2.3 Joint takeover of Edison by EDF and AEM Milan

On May 12, 2005, EDF, AEM Milan (an integrated Italian operator), WGRM Holding 4 S.p.A. ("WGRM") a wholly-owned EDF subsidiary) and Delmi S.p.A. ("Delmi", a 51%-owned AEM subsidiary) entered into a Structure Agreement and a Shareholders' Agreement governed by Italian law, relating to implementation of their takeover of Edison and their shared control. A jointly-owned holding company Transalpina di Energia S.p.A. (« TdE ») was set up, held 50% each by WGRM and Delmi.

4.2.3.1 Joint control of Edison

Once EDF acquires control of IEB through the exercise of options, EDF will proceed with the sale by IEB to TdE of the Edison shares and warrants held by IEB at a price of 1.55 euros per share and 0.59 euros per warrant. TdE will thus hold 61.7% of the share capital and approximately 63.35% of the voting rights in Edison (2,631,976,000 shares), plus 240,000 Edison warrants. EDF will retain ownership of its directly-held Edison shares (including those acquired upon exercise of the option by the Italian banks as described above), i.e. 5.16% of the share capital and 5.3% of the voting rights in Edison, as well as 218,650,429 Edison warrants (the transfer of ownership to EDF of 123,396,768 of these warrants upon exercise of their option is being contested by the Italian banks – see note 4.2.2above).

The sale of Edison shares by IEB to TdE will take place once the transaction receives the approval of the European competition authorities (see note 4.2.3.2).

Once TdE has acquired all the Edison shares held by IEB, TdE will launch a mandatory tender offer for the outstanding Edison shares, and a voluntary tender offer for Edison warrants. Edison shares and warrants held directly by EDF will not be tendered to the offers.

The price of the mandatory tender offer for Edison shares as stated in the draft tender offer documentation filed with the Italian market regulator Consob by EDF and AEM Milan is 1.86 euros per share. The price of the voluntary tender offer for Edison warrants in the draft tender offer documentation filed with the Consob by EDF and AEM Milan is 0.87 euros per warrant. Based on these prices, if all of the Edison shares and warrants not held by TdE or EDF are tendered during the offering period, the aggregate amount to be paid by TdE will be €3,241 million (€2,438 million for shares and €803 million for warrants).

The Structure Agreement sets forth the method by which the Edison shares and warrants acquired by TdE will be allocated between TdE, EDF and Delmi (or a third party designated by Delmi). The purpose of this allocation, in accordance with the order of priority set out in the Structure Agreement, is for Edison's share capital to be held as follows after the tender offers:

- TdE will hold at least 51% and at most 60% of the share capital and voting rights of Edison, on a fully diluted basis (i.e. assuming the exercise of all warrants and conversion of all savings shares and all other securities giving rise to a right to new Edison shares, with the exception of stock options);

- EDF will hold, directly and indirectly, 50% of the share capital and voting rights of Edison on a fully diluted basis;
- any shares and warrants acquired through the tender offers remaining after allocation to EDF and TdE as defined above will be allocated to Delmi.

EDF will pay TdE an amount equal to 0.15 euros per share and 0.12 euros per warrant for all Edison shares acquired through the tender offers and allocated to TdE and Delmi under the rule presented above. EDF will also pay TdE an amount equal to 0.075 euros per share and 0.055 euros per warrant for each Edison share or warrant attributed to Delmi in excess of the total number of shares or warrants attribted to EDF. This provision can apply to no more than 6% of the Edison securities.

The Structure Agreement provides that Delmi may relinquish to EDF a portion of the securities which should be allocated to it, up to a maximum of 0.6% of its Edison shares and 1.3% of its Edison warrants.

EDF and AEM Milan have agreed that Edison should continue to be listed on the Milan stock exchange. Should the number of Edison shares in circulation fall below the minimum requirement for listing, Delmi would sell securities to restore compliance with the requirement.

4.2.3.2 Conditions for completion of the transaction

The implementation of the Edison takeover in its various stages requires EDF to abandon the arbitration proceedings seeking to terminate the option contracts.

This abandonment itself is conditional on the absence of any action taken in opposition of the transaction by the Italian government under the Marzano law. The Italian government had 30 days, from the date the takeover documentation was filed with the Italian competition authorities, in which to take such action.
Furthermore, the implementation of the transaction, particularly the transfer of Edison warrants and shares by IEB to TdE, requires that the following conditions of the Structure Agreement be met :

1. Edison must reduce its current shareholding of 5.1% in AEM Milan to less than 2% in order to comply with Italian regulations on crossholdings. Edison’s Board of Directors has already authorised the sale of the relevant AEM Milan shares, which took place in July;
2. The European competition authorities must approve the transactions. On August 12, 2005, the European Commission issued formal approval of the proposed joint takeover of Edison by EDF and AEM.

The conditions described below constitute Termination Events under the Structure Agreement, allowing EDF (if either of the first two conditions are met) and Delmi (if the third condition is met) to unwind the transactions contemplated by the Structure Agreement:

1. The Italian government has not by May 27, 2005 (i) confirmed that the provisions of the Marzano law are not applicable to EDF in connection with its proposed takeover of Edison with AEM, and (ii) adopted a decree excluding EDF from the scope of Law 301.

On May 6, 2005, the Italian government gave notice to the French government of its intention not to take any action pursuant to the Marzano law. As the Italian authorities were foreclosed from making any decisions in application of this law, EDF abandoned the arbitration proceedings on September 1,

2005, with the exception of the arbitration related to the Edison stock warrants held by the Italian banks.
On May 14, 2005, the Italian government adopted and published a decree excluding EDF from the scope of Law 301. This decree was ratified by Law 131 of July 13, 2005.

2. The tender offer prices as announced to the market by EDF and AEM on May 13, 2005 are increased by decision of the Consob or a competent court or following a change in applicable law or regulation.

EDF and AEM have indicated that if the European Commission consents to the transaction during the first stage of review, the tender offers may be launched in September 2005, subject to the consent of the Consob, with delivery and settlement taking place in October 2005.

3. TdE does not, following the launch of the tender offer, hold a minimum of 51% of the share capital of Edison on a fully diluted basis.

4.2.3.3 Financial impact

Since the European Commission's approval of the proposed takeover of Edison by EDF and AEM paves the way for a possible tender offer, the EDF Group has recognized a financial expense of €481 million in connection with such an offer, and a deferred tax asset of €398 million in respect of the operations that will precede the offer itself (see notes 14 and 15.1.2).

On the basis of the tender offer prices stated above, in the event that the tender offers result in EDF holding, directly or indirectly, 50% of the Edison ordinary shares and warrants, the acquisition of Edison shares by EDF would result in an increase in the Group's net indebtedness of more than €7 billion at December 31, 2005.

Slightly less than half of this increase would be due to consolidation of the net debt of TdE and the Edison Group in the EDF Group's consolidated financial statements (if the company is proportionally consolidated on a 50% basis), with the remainder resulting from financing of EDF's investment in Edison.

For EDF, this financing will be covered by the Group's free cash flow and available credit lines.

4.2.3.4 Specific provisions of the Structure Agreement

The Structure Agreement requires the sale of Edison shares by IEB to TdE to take place no later than 25 days after the takeover of IEB by EDF, and by December 31,2006 at the latest.

The Structure Agreement, the provisions of which remain in force until December 31,2020, includes a provision with regard to a change of control of AEM Milan. In the event that the current controlling shareholders of AEM Milan hold less than 50% of the voting rights in the company, or in other similar situations concerning AEM Milan and Delmi, this clause requires Delmi, at the discretion of EDF, to sell its holdings in TdE to EDF. The Structure Agreement contains a similar provision with regard to EDF and WGRM.

4.2.3.5 Joint control of Edison

The Shareholders Agreement governs the rights and obligations of TdE shareholders, the exercise of control over Edison and the rights and obligations of EDF and AEM Milan in respect of TdE and Edison.

Under the Shareholders Agreement, EDF and AEM will share joint control of Edison. This will be reflected by proportional consolidation of Edison in the EDF consolidated financial statements.

4.2.3.6 Edison: key financial indicators

The key financial indicators published by Edison on July 28, 2005 as part of the preliminary information on its interim results are as follows:

(in millions of euros)	**First half-year 2005 (*)**	**First half-year 2004**
Net revenues	3 556	2 858
EBITDA	604	704
EBIT	322	433
Income before taxes and minorities	247	273
Net income-Group's share	195	153
	06.30.2005	**12.31.2004**
Net financial position	4 890	4 906

(*) Source: Edison – preliminary information at June 30, 2005

4.3 Light

On May 17, 2005, Light published a press release on the agreement entered into with its creditor banks. This agreement stipulated, in particular, that the defaulted portion of the debt (approximately USD 550 million) will be refinanced in three tranches whose rates and pay-downs differ. The final maturity of the restructured debt falls in 2013. The majority of the restructured debt will continue to be in US dollars (67% in US dollars with the balance in reals). This agreement was conditional on the granting to Light by the Brazilian development bank BNDES (*Banco Nacional de Desenvolvimento Economico e Social*) of the aid program for the sector. On June 28, 2005, the BNDES approved the grant of aid for this sector,consisting of a contribution of funds to Light by the BNDES in an amount of approximately 727 million reals, with the BNDES reserving the right, subject to certain conditions, to convert up to 50% of this reduced-rate loan into share capital. This contribution took place on July 29, 2005.
The implementation of the financial restructuring of Light is expected to be finalized during the second half of 2005.

4.4 Edenor

The EDF Group decided to dispose of its control of Edenor by selling its indirect holdings through EASA and a portion of its direct holdings.

EDF and Dolphin Energia SA ("Dolphin") thus entered into a sale agreement on June 10, 2005, in which the EDF Group undertook to sell to Dolphin 100% of the shares in EASA, which holds 51% of the share capital and voting rights of Edenor, and 14% of the share capital of Edenor, for a total price of USD 100 million, payable in a single installment. EDF's Board of Directors approved the sale on June 29, 2005.

Following the sale, the EDF Group will directly hold 25% of the share capital and voting rights of Edenor.

This sale is subject to conditions precedent and should be completed during the second half of 2005. Consequently, no impact has been recognized in the financial statements at June 30, 2005.

4.5 Healthcare coverage for employees of the electricity and gas (IEG) companies

Negotiations undertaken during the second half-year of 2004 resulted in measures ratified by the decree of February 15 , 2005. This led to adaptations to the healthcare benefit financing system and released the Group from its obligations in respect of healthcare benefits payable to current and retired employees of EDF SA and certain French subsidiaries, from 2005. As the accounts for the respective sections concerning current and retired employees had not been separated, these obligations could not be measured.

Note 5 : Changes in the scope of consolidation

5.1 Changes in the scope of consolidation in the first half-year of 2005

The main changes in the scope of consolidation in the first half-year of 2005 are described below:

- Following EnBW's capital increase of April 2005 undertaken through the sale of treasury shares, OEW's holding in EnBW reached the same level as that of EDF. EDF's percentage ownership of EnBW decreased from 48.43% at December 31, 2004 to 46.12% at June 30 , 2005.

- EDF Ostalkreis and EDF Weinberg are deconsolidated as of January 1, 2005. EnBW also consolidated Prazska energetika holding A.S. and Prazska teplarenska holding A.S. for the first time (on a proportional consolidation basis).

- In Argentina, the sale of Sodemsa and Edemsa was finalised on March 31, 2005, leading to deconsolidation of both companies.

- In Europe, Skandrenkraft was dissolved and deconsolidated as of April 1, 2005.
  Sapar Participations was sold in early January 2005.

The total impact of all these changes in the scope of consolidation on sales for the first half-year is €(218) million.

5.2 Changes in the scope of consolidation in the first half-year of 2004

The operations undertaken mainly concerned changes in percentage ownership.

With respect to EnBW, EDF participated in the capital increase undertaken as part of the refinancing process begun in June 2004. The ongoing divestment of non-strategic businesses, led notably to the sale of the APCOA subgroup.

With respect to EDF Energy, following a review of shareholder agreements, Metronet, which was previously proportionately consolidated, has been accounted for under the equity method since June 30, 2004.

Note 6 : Information by business segment and geographical area

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

Segment reporting is primarily by geographical area according to location of 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 geographical areas.

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

Inter-segment transactions are carried out at market prices.

6.1 Segment reporting by geographical area

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

- "France", which covers EDF SA and comprises its regulated activities (mainly Distribution and Transmission) and deregulated activities (mainly Generation and Supply);
- "UK", which covers the EDF Energy subgroup;
- "Germany", which covers the EnBW subgroup;
- "Rest of Europe", which groups together the other European subsidiaries, principally located in Italy and western Europe, and new investments and businesses including Electricité de Strasbourg, Dalkia, Tiru, Asa, EDF Energies Nouvelles and EDF Trading;

- "Rest of the World", which covers subsidiaries in Latin America and Asia.

6.1.1 At June30, 2005

(in millions of euros)	France	United Kingdom	Germany	Rest of Europe	Rest of the World	Eliminations	Total
External sales	15 488	3 234	2 466	2 657	1 357		25 202
Inter-segment sales	68	-	16	187	-	(271)	
TOTAL SALES	**15 556**	**3 234**	**2 482**	**2 844**	**1 357**	**(271)**	**25 202**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION	**5 210**	**688**	**549**	**838**	**266**		**7 551**
BALANCE SHEET :							
Property, plant and equipment and intangible assets	76 263	10 019	5 679	5 242	2 335		99 538
Investments in companies accounted for under the equity method	-	80	311	1 559	91		2 041
Goodwill	-	2 519	1 768	1 096	43		5 426
Other segment assets (1)	16 264	1 617	1 332	3 439	1 470		24 122
Other non-allocated assets							23 939
Total Assets	**92 527**	**14 235**	**9 090**	**11 336**	**3 939**		**155 066**
Segment liabilities (2)	90 898	3 092	5 183	3 886	1 564		104 623
Other non-allocated liabilities							50 443
Total Liabilities	**90 898**	**3 092**	**5 183**	**3 886**	**1 564**		**155 066**
OTHER INFORMATION :							
Investments in intangible assets and property, plant and equipment	1 273	452	80	157	134		2 096
Depreciation and amortization	(1 782)	(211)	(165)	(193)	(71)		(2 422)

(1) Other segment assets include inventories, trade receivables and other receivables excluding current tax receivables.

(2) Segment liabilities include special concession liabilities, provisions for the end of nuclear fuel cycle, provisions for decommissioning and last core, provisions for employee benefits, other provisions for contingencies and losses (excluding provisions for risks associated with investments and provisions for tax risks), trade payables and other liabilities (excluding current tax liabilities).

6.1.2 At June 30, 2004 pro forma

The figures published at June 30, 2004 have been restated in accordance with the geographical areas defined for the financial statements at June 30, 2005.

(in millions of euros)	France	United Kingdom	Germany	Rest of Europe	Rest of the World	Eliminations	Total
External sales	14 813	3 051	2 324	2 420	1 025		23 633
Inter-segment sales	82	-	-	170	-	(252)	
TOTAL SALES	**14 895**	**3 051**	**2 324**	**2 590**	**1 025**	**(252)**	**23 633**
OPERATING PROFIT	**5 158**	**706**	**447**	**592**	**235**	**-**	**7 138**

6.1.3 At June 30, 2004

The figures published at 30 June 2004 have been restated in accordance with the geographical areas defined for the financial statements at June 30, 2005.

(in millions of euros)	France	United Kingdom	Germany	Rest of Europe	Rest of the World	Eliminations	Total
SALES :							
External sales	15 132	3 051	2 324	2 420	1 025		23 952
Inter-segment sales	82	-	-	170	-	(252)	-
TOTAL SALES	**15 214**	**3 051**	**2 324**	**2 590**	**1 025**	**(252)**	**23 952**
OPERATING PROFIT	**5 590**	**706**	**447**	**592**	**235**	**-**	**7 570**

6.2 Other reporting by geographical area

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

(in millions of euros)	France	Europe	Rest of the world	EDF Trading	Total
1st half year 2005	**14 721**	**8 674**	**1 575**	**232**	**25 202**
1st half year 2004 pro forma	14 428	7 896	1 157	152	23 633
1st half year 2004	14 747	7 896	1 157	152	23 952

Note 7 : Sales

Sales are comprised of:

(in millions of euros)	1st Half-Year 2005	1st Half-Year 2004 Pro Forma	1st Half-Year 2004
Sales of energy and energy-related services	23 290	21 672	21 991
Other sales of goods and services	1 647	1 809	1 809
Change in fair value of commodity contracts	32	-	-
EDF Trading	233	152	152
Sales	**25 202**	**23 633**	**23 952**

Consolidated sales increase by 5.2% compared to the first-half of 2004 and 6.6% compared to pro forma first-half 2004 sales (note 3.2.2.1)
For the first half of 2005, sales levels reflect the introduction of the CTA levy (€370 million) and the application of IAS 32 and 39.
Based on comparable exchange rates, scope of consolidation, accounting standards and regulations, the organic growth would be 6.1%.

Note 8 : Fuel and energy purchases

Fuel and energy purchases comprise:

(in millions of euros)	1st Half-Year 2005	1st Half-Year 2004
Fuel purchases used - power generation	(2 882)	(2 734)
Energy purchases	(5 202)	(4 379)
Gain/loss on hedging operations	(1)	-
(Increase) decrease in provisions related to nuclear fuels and energy purchases	180	264
Fuel and energy purchases	**(7 905)**	**(6 849)**

On a comparable basis (identical exchange rates, scope of consolidation and accounting standards) fuel and energy purchases increase by 11.4% compared to the first half-year of 2004.

Note 9 : Other external expenses

External expenses comprise:

(in millions of euros)	1st Half-Year 2005	1st Half-Year 2004
External services	(3 723)	(3 770)
Other purchases (excluding external services, fuel and energy)	(1 227)	(1 239)
Change in inventories and capitalized production	930	853
(Increase) decrease in provisions on other external expenses	36	102
Other external purchases	**(3 984)**	**(4 054)**

On a comparable basis (identical exchange rates and scope of consolidation), other external expenses increase by 2.1% increase between the first-half of 2005 and the first-half of 2004.

Note 10 :Average workforce

	1st Half-Year 2005			1st Half-Year 2004		
	IEG status	Other	Total	IEG status	Other	Total
Management	25 307	4 179	29 486	24 816	4 346	29 162
Supervisors and technicians	81 941	44 367	126 308	83 179	44 809	127 988
Total	**107 248**	**48 546**	**155 794**	**107 995**	**49 155**	**157 150**

Average workforce numbers are reported on a full-time equivalent basis. Personnel corresponding to proportionally consolidated companies are included pro rata with the Group's percentage interest and represent the equivalent of 20,059 full-time employees.

The decline in workforce numbers between the first-half of 2005 and the first-half of 2004 is mainly due to restructuring operations and changes in the scope of consolidation for EnBW.

Note 11 :Personnel expenses

(in millions of euros)	1st half-year 2005	1st half-year 2004 pro forma	1st half-year 2004
Personnel expenses	(4 847)	(4 700)	(4 428)
(Increase) decrease in provisions related to personnel expenses	186	35	(84)
Personnel expenses	**(4 661)**	**(4 665)**	**(4 512)**

Note 12 :Other operating income and expenses

Other operating income and expenses comprise:

(in millions of euros)	1st Half-Year 2005	1st Half-Year 2004 Pro forma	1st Half-Year 2004
Operating subsidies	812	962	962
Net increase in provisions for renewal of assets operated under concession	(282)	(302)	(342)
Net income on deconsolidation	78	-	-
Gains on disposal of property, plant and equipment	21	72	72
Net increase in provisions on current assets	(28)	(70)	(70)
Net increase in provisions for operating contingencies and losses	-	(22)	(22)
Other income and expenses	(166)	(159)	(159)
Other operating income and expenses	**435**	**481**	**441**

For 2004, an additional subsidy of €157 million and a €36 million reduction in charges were recorded by EDF SA in respect of the Public Service Fund for Electricity Generation (Fonds de service public de la production d'électricité or FSPPE) levy for 2002.

Note 13 :Cost of gross financial indebtedness

Details of the components of the cost of gross financial indebtedness are as follows:

(in millions of euros)	1st Half- Year 2005
Interest expenses on financing operations	(773)
Ineffective portion of fair value hedges	(26)
Transfer to income of changes in the fair value of cash flow hedges	12
Net foreign exchange gain on indebtedness	108
Cost of gross financial indebtedness	**(679)**

Note 14 :Other financial income and expenses

Other financial income and expenses are comprised of:

(in millions of euros)	1st Half - Year 2005
Financial income on cash and cash equivalents	62
Gains on financial assets	406
Changes in financial instruments carried at fair value with changes in fair value included in income	134
Other financial expenses	(677)
Foreign exchange gain/loss on financial items other than debts	28
Return on hedging assets	157
Other financial income and expenses	**110**

In view of developments regarding Edison, the Group has recorded a €481 million financial expense in connection with the tender offer (see notes 4.2 and 15.1.2).

Note 15 :Income taxes

15.1 Income taxes

The Group's income tax charge for the half-year is calculated by applying the effective forecast tax rate for year-end to the pre-tax income at June 30, 2005, then adjusting for the impact of the tax inspection of EDF SA and certain French subsidiaries, and developments in connection with Edison.

15.1.1 Tax inspection of EDF SA and certain French subsidiaries

Proposed tax reassessments were received on August 8, 2005. The Group has used these as a basis for estimation of the risk, and the financial impact is reflected in the half-year financial statements.

A provision of €563 million was thus recorded in the first half-year of 2005, partly offset by recognition of €319 million of deferred taxes.

15.1.2 Edison

In view of developments regarding Edison, the Group has recorded a deferred tax asset of €398 million in respect of the operations that will precede the tender offer, relating to the joint takeover of Edison by EDF and AEM.

15.2 Change in deferred taxes

(in millions of euros)	**Deferred tax assets**	**Provision on deferred tax assets**	**Net deferred tax assets**	**Deferred tax liabilities**	**Net deferred tax**
Situation at December 31, 2004	**3 457**	**(2 513)**	**944**	**(2 929)**	**(1 985)**
Impact of IAS 32/39 at opening	21		21	(248)	(227)
Situation at January 1, 2005	**3 478**	**(2 513)**	**965**	**(3 177)**	**(2 212)**
Change in tax basis	764	(12)	752	(187)	**565**
Change in scope of consolidation	(50)	49	(1)	57	**56**
Translation adjustments	233	(225)	8	(78)	**(70)**
Other impacts on reserves	196	(1)	195	174	**369**
Situation at June 30,2005	**4 621**	**(2 702)**	**1 919**	**(3 211)**	**(1 292)**

15.3 Income taxes paid

In view of the tax loss recorded for 2004, EDF SA was reimbursed during the first half of 2005 for the advance tax installments paid in 2004 totaling €1,146 million.

Note 16 :Goodwill

Goodwill related to controlled companies comprises the following:

(in millions of euros)	06.30.2005	12.31.2004
Net book value -opening balance	**5 371**	**5 699**
Acquisitions	2	176
Disposals	(74)	(33)
Impairment	-	(396)
Translation rate adjustments	119	(13)
Other movements	8	(62)
Net book value -closing balance	**5 426**	**5 371**
Accumulated impairment at closing	(396)	(396)
Gross value - closing balance	5 822	5 767

Net consolidated goodwill relates to the United Kingdom (€2,519 million), Germany (€1,768 million), other European subsidiaries (€1,096 million) and the rest of the world (€43 million).

Note 17 :Property, plant and equipment

The net value of property, plant and equipment breaks down as follows:

(in millions of euros)	06.30.2005	12.31.2004
Property, plant and equipment owned by the Group	56 751	57 330
Property, plant and equipment operated under concessions	38 091	36 741
Property, plant and equipment in progress	3 187	3 232
Leased property, plant and equipment	317	342
Property, plant and equipment	**98 346**	**97 645**

17.1 Movements in property, plant and equipment owned by the Group (excluding assets in progress)

(in millions of euros)	Land & Buildings	Nuclear power stations	Thermal & Hydraulic power stations	Networks	Other installations, plant, machinery & equipment	Total
Gross values at 12.31.2004	**14 602**	**44 513**	**11 506**	**35 786**	**10 191**	**116 598**
Impacts of the Law of August 9,2004	-	-	-	(1 790)	-	(1 790)
Increases	42	157	532	521	209	1 461
Decreases	(127)	(44)	(7)	(60)	(119)	(357)
Translation adjustment	19	-	173	403	218	813
Changes in the scope of consolidation	(26)	(31)	(14)	(268)	(12)	(351)
Other movements	(84)	158	22	(21)	(22)	53
Gross values at 06.30.2005	**14 426**	**44 753**	**12 212**	**34 571**	**10 465**	**116 427**
Depreciation and impairment at 12.31.2004	**(6 693)**	**(27 148)**	**(7 051)**	**(12 481)**	**(5 895)**	**(59 268)**
Impacts of the Law of August 9,2004	-	-	-	1 078	-	**1 078**
Net depreciation	(181)	(447)	(168)	(495)	(340)	**(1 631)**
Disposals	80	24	5	41	113	**263**
Translation adjustment	(4)	-	(34)	(72)	(43)	**(153)**
Changes in the scope of consolidation	8	17	7	40	(2)	**70**
Other movements	23	(115)	(10)	8	59	**(35)**
Depreciation and impairment at 06.30.2005	**(6 767)**	**(27 669)**	**(7 251)**	**(11 881)**	**(6 108)**	**(59 676)**
Net values at 12.31.2004	**7 909**	**17 365**	**4 455**	**23 305**	**4 296**	**57 330**
Net values at 06.30.2005	**7 659**	**17 084**	**4 961**	**22 690**	**4 357**	**56 751**

17.2 Movements in property, plant and equipment operated under concession (excluding property, plant and equipment in progress)

(in millions of euros)	Land & Buildings	Thermal & hydraulic power stations	Networks	Other installations, plant, machinery & equipment & other	Total
Gross values at 12.31.2004	**2 631**	**6 297**	**50 102**	**2 149**	**61 179**
Impacts of the Law of August 9,2004	-	-	1 790	-	1 790
Increases (1)	4	3	1 294	40	1 341
Decreases	(7)	-	(45)	(43)	(95)
Translation adjustment	77	35	312	129	553
Other movements	(375)	(586)	(9)	(8)	(978)
Gross values at 06.30.2005	**2 330**	**5 749**	**53 444**	**2 267**	**63 790**
Depreciation & impairment at 12.31.2004	**(1 579)**	**(3 380)**	**(18 368)**	**(1 111)**	**(24 438)**
Impacts of the Law of August 9,2004	-	-	(1 078)	-	**(1 078)**
Net depreciation	(11)	(41)	(9)	(31)	**(92)**
Disposals	7	-	25	43	**75**
Translation adjustment	(4)	(17)	(365)	(77)	**(463)**
Other movements (2)	334	647	(659)	(25)	**297**
Depreciation and impairment at 06.30.2005	**(1 253)**	**(2 791)**	**(20 454)**	**(1 201)**	**(25 699)**
Net values at 12.31.2004	**1 052**	**2 917**	**31 734**	**1 038**	**36 741**
Net values at 06.30.2005	**1 077**	**2 958**	**32 990**	**1 066**	**38 091**

(1) Increases also include assets contributed for no consideration.
(2) Other movements mainly concern depreciation of assets operated under concession, recorded against depreciation recorded in the special concession accounts.

Property, plant and equipment operated under concession includes facilities under concessions in the following countries: France, Argentina, Brazil, Ivory Coast, China and Switzerland.

Note 18 :Current and non-current financial assets

18.1 Breakdown between current and non-current financial assets

Financial assets break down as follows:

	06.30.2005			01.01.2005		
(in millions of euros)	Current	Non-current	Total	Current	Non-current	Total
Financial assets carried at fair value with changes in fair value included in income	3 879	1 755	5 634	2 829	191	3 020
Available-for-sale financial assets	1 937	7 782	9 719	2 109	6 858	8 967
Held-to-maturity investments (*)	2	9	11	9	8	17
Positive fair value of hedging derivatives	427	479	906	608	56	664
Loans and financial receivables (*)	162	976	1 138	135	1 005	1 140
TOTAL FINANCIAL ASSETS	**6 407**	**11 001**	**17 408**	**5 690**	**8 118**	**13 808**

(*) net of impairment

18.2 Change in financial assets

The variation in financial assets after the impact of the transition to IAS 32 and 39 described in note 2.2.3 is as follows:

(in millions of euros)	01.01.2005	Increases	Decreases	Changes in fair value	Other	06.30.2005
Financial assets carried at fair value with changes in fair value included in income	3 020	4 630	(2 048)	49	(17)	5 634
Available-for-sale financial assets	8 967	1 577	(1 320)	337	158	9 719
Held-to-maturity investments	17	1	(8)	-	1	11
Positive fair value of hedging derivatives	664	-	-	276	(34)	906
Loans and financial receivables	1 140	173	(116)	-	(59)	1 138
FINANCIAL ASSETS	**13 808**	**6 381**	**(3 492)**	**662**	**49**	**17 408**

18.3 Details of financial assets

18.3.1 Financial assets carried at fair value, with changes in fair value included in income

(in millions of euros)	06.30.2005	01.01.2005
Derivatives - positive fair value	5 112	2 762
Fair value of derivatives held for trading (1)	158	148
Financial assets carried at fair value with changes in fair value included in income, by option (2)	364	110
TOTAL	**5 634**	**3 020**

(1) the portion classified as liquid assets is €148 million at January 1, 2005 and €149 million at June 30, 2005.
(2) the portion classified as liquid assets is €226 million at June 30, 2005.

18.3.2 Available-for-sale financial assets

	06.30.2005			01.01. 2005		
(in millions of euros)	Equities	Debt securities	Total	Equities	Debt securities	Total
Dedicated assets	1 850	1 056	**2 906**	1 584	977	**2 561**
Liquid assets	1 450	720	**2 170**	1 399	696	**2 095**
Other	2 815	1 828	**4 643**	2 529	1 782	**4 311**
Available-for-sale financial assets	**6 115**	**3 604**	**9 719**	**5 512**	**3 455**	**8 967**

18.3.2.1 EDF SA's dedicated asset portfolio

EDF SA's dedicated asset portfolio consists of financial assets dedicated to covering long-term expenses related to nuclear plant decommissioning and end of nuclear fuel cycle expenses (see note 21.2). It is EDF's policy that these assets are clearly identifiable and managed separately from the company's other financial assets and investments.
A long-term management strategy is applied for these dedicated assets, which include diversified bond, monetary and equity instruments in accordance with the strategic allocation defined by EDF's Board of Directors. This allocation is regularly reviewed under the supervision of the Audit Committee.

Certain dedicated assets take the form of equity securities and bonds currently held directly by EDF SA and recorded as such in its balance sheet. The rest comprise specialized collective investment funds on leading international markets, managed by independent French or foreign asset management companies selected on the basis of solicited proposals or through a call for bids. They cover various segments of the bond or equity markets with EDF aiming to achieve the broadest diversification possible, in the form of open-end funds and “reserved” funds” established by the Group solely for its own use.

The reserved funds are assigned performance objectives linked to a stock market index, within strict risk limits expressed in the form of tracking error. As EDF does not intervene in the operational management of funds within the targets set out in the investment agreements, line-by-line consolidation of reserved funds would not reflect the intended business objective. These funds fully constitute financial assets, for which the net asset value represents market value. They are therefore carried in the balance sheet at net asset value as a component of available-for-sale financial assets.

The table below presents changes in the fair value of the dedicated asset portfolio, with particular details of changes in the liquidation value of reserved funds.

(in millions of euros)	**Fair value 06.30.2005**	**Fair value 01.01.2005**
North American equities	420	408
European equities	311	277
Japanese equities	90	84
Worldwide bonds	233	210
Total Reserved investment funds	**1 054**	**979**
Equities	146	152
Bonds	1 056	977
Other funds	650	453
Total Other financial investments	**1 852**	**1 582**
Total Dedicated investment funds	**2 906**	**2 561**

18.3.2.2 Liquid assets

Liquid assets are financial assets with an initial maturity of over three months, that are readily convertible into cash regardless of their maturity and are managed according to a liquidity-oriented policy (monetary investment funds, government bonds, negotiable debt instruments).

18.3.2.3 Other securities

At June 30, 2005, other securities mainly include :

- at EnBW, €1,785 million in available-for-sale assets, debt instruments including €1,549 million in reserved funds and €791 million in available-for-sale assets, and equities including €318 million in reserved funds;
- at EDF SA, shares in Areva (€303 million) and IEB (€522 million).

18.4 Fair value of financial instruments other than derivatives

(in millions of euros)	06.30.2005 Fair Value	06.30.2005 Net book value
Held-to-maturity investments	11	11
Loans and financial receivables	1 472	1 138
Total	**1 483**	**1 149**

Note 19 : 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 stated in the cash flow statements include the following amounts recorded in the balance sheet:

(in millions of euros)	06.30.2005	01.01. 2005	12.31.2004
Cash	1 362	1 502	1 404
Cash equivalents	2 855	2 148	1 593
Financial current accounts	171	170	153
Cash and cash equivalents	**4 388**	**3 820**	**3 150**

Note 20 : Provisions

20.1 Classification of provisions as current/non-current

The breakdown of provisions between their current and non-current portions is as follows:

	06.30.2005			01.01.2005		
(in millions of euros)	Current	Non-current	Total	Current	Non-current	Total
Provisions for end of nuclear fuel cycle	913	13 579	**14 492**	818	13 494	**14 312**
Provisions for decommissioning and last cores	153	12 657	**12 810**	271	12 367	**12 638**
Provisions for employee benefits	1 039	13 716	**14 755**	884	13 620	**14 504**
Other provisions	2 237	1 935	**4 172**	2 552	746	**3 298**
PROVISIONS	**4 342**	**41 887**	**46 229**	**4 525**	**40 227**	**44 752**

20.2 Provisions for end of nuclear fuel cycle

The movement in provisions for end of nuclear fuel cycle breaks down as follows at June 30, 2005:

(in millions of euros)	12.31.2004	Increases	Decreases: Utilizations	Decreases: Reversals	Other changes	06.30.2005
Provisions for reprocessing of nuclear fuel	10 408	563	(306)	(26)	(301)	10 338
Provisions for disposal and storage of the resulting waste	3 904	126	(43)	(99)	266	4 154
Provisions for end of nuclear fuel cycle	**14 312**	**689**	**(349)**	**(125)**	**(35)**	**14 492**

20.2.1 Provisions for reprocessing of nuclear fuel

For EDF SA, the main costs covered by these provisions are:
- transportation from the production center to the COGEMA plant at La Hague, reception, storage and reprocessing of burnt fuel from the various types of reactors (including conditioning and storage of waste),
- oxidation and storage of unrecycled uranium obtained from reprocessed fuel,
- recovery and conditioning of old waste from the La Hague site,
- contribution towards final shutdown and dismantling costs for the La Hague reprocessing plant.

Estimated based on the economic conditions at June 2005, these costs amount to €16,903 million (€16,311 million at December 31, 2004). Spread over the forecast disbursement schedule and assuming 2% inflation and a 5% discount rate, an amount of €9,818 million is included in provisions at June 30, 2005 (compared to €9,593 million at December 31, 2004), corresponding to the present value at that date.

Following modification of the assumptions regarding final storage of radioactive waste resulting from reprocessing of burnt fuel (see note 20.2.2), the storage period for such waste at the La Hague site has been extended, leading to an increase in the provision for reprocessing.

The EDF-COGEMA agreement signed on August 24, 2004 covers the period 2001 through2007, and the contractual basis for estimation of the figures at December 31,2003 has not been revised. The quantities taken into account in calculating the provision cover the total duration of this contract and a portion of the subsequent contract or contracts.

For the reprocessing of fuel from Creys-Malville, the provision is based on the option of reprocessing all fuel belonging to EDF in specially equipped dedicated facilities, following long-term storage on site.

Further to the agreement signed on August 24, 2004, EDF and COGEMA are currently in negotiation over the following matters:
- the legal and financial terms for transfer to COGEMA of EDF’s current contractual obligations in terms of its financial contribution towards the dismantling of La Hague and the recovery and conditioning of old waste;
- the technical and economic terms of a future agreement concerning reprocessing of fuels burnt after 2007.

Despite further progress in the negotiations, the terms of a global agreement had not been finalized at June 30, 2005.

Consequently:
- EDF’s share and the basis of the dismantling costs for the La Hague reprocessing plant, as well as the forecast disbursement schedule and the inflation and discount rates, are based on data approved by both EDF and COGEMA at the end of September 2003,
- data concerning the recovery and conditioning of waste are based on information common to both EDF and COGEMA.

The terms on which EDF could be released from its obligations in respect of waste recovery and reconditioning and the decommissioning of the La Hague plant have not yet been finalized with

COGEMA. This issue is assessed on the basis of prudent assumptions established by EDF's experts with reference to the progress of current talks.

Finally, in December 2004, EDF, COGEMA and the French Atomic Energy Commission (Commissariat à l'Energie Atomique or CEA) signed an agreement transferring the management and financing of final shutdown, decommissioning and waste recovery and reconditioning for the UP1 reprocessing facility at Marcoule to the CEA. In return, EDF is to pay the CEA a one-time financial contribution to cover its full share of the cost of outstanding operations, while remaining the owner of its final waste and bearing the corresponding transport and storage costs.
Following execution of this agreement at the end of December 2004, the total one-time financial contribution was recognized in the income statement (€1,141 million) and the provision booked by EDF in respect of these operations at Marcoule was reversed (€951 million).
A first payment of €100 million was made in December 2004, and a second payment of €523 million was in early January 2005; the balance is to be paid in early January 2006, adjusted for inflation and interest.
At December 31, 2004, the net impact of the protocol concerning dismantling of facilities at the Marcoule site was reported on a specific line under "Other income and expenses" in the income statement at €190 million. Other than the discount effect and interest in respect of the outstanding installment, no additional charge has been recorded in connection with this matter for the first-half of 2005.

20.2.2 Provisions for disposal and storage of radioactive waste

For EDF SA, these provisions cover expenses related to:

- monitoring of the Manche storage facility, as well as monitoring and coverage of the Aube storage facility, both of which store short-life low-radioactivity waste derived from plant maintenance and decommissioning,
- removal and underground storage of long-life low-radioactivity waste, and the associated research,
- long-term management of long-life high and medium-radioactivity waste governed by the Law of December 30,1991 originating from La Hague and Marcoule (EDF SA's share only) sites.

Most of the provisions for disposal and storage of radioactive waste concern the management of long-life high and medium-radioactivity waste. To estimate future expenses for management of long-life high and medium-radioactivity waste, EDF assumes that geological storage will be applied in accordance with international practices. This assumption is considered coherent with the conclusions of the National Evaluation Commission (Commission Nationale d'Evaluation - CNE) following research carried out in application of the Law of December 30,1991.

The gross value and forecast disbursement schedule for these expenses are based on the assumption that an industrial waste storage solution would be implemented, following conclusions presented in the first half of 2005 by the working party set up by the French department for Energy and Raw Materials (Direction Générale de l'Energie et des Matières Premières or DGEMP) comprising members representing the relevant government departments ((DGEMP, APE and Budget department), the French national radioactive waste management agency ANDRA (Agence Nationale pour la Gestion des Déchets Radioactifs) and the producers of waste (EDF, AREVA, CEA). The approach applied by EDF in analyzing the information issued by the working party is reasonable and coherent with information available internationally.

Estimated based on the economic conditions of June 2005, these costs amount to €11,362 million (€7,783 million at December 31, 2004). Spread over the forecast disbursement schedule, which has been extended, and assuming 2% inflation and a 5% discount rate, an amount of €3,847 million is included in provisions at June 30, 2005 (approximately equivalent to the provision at December 31, 2004), corresponding to the present value at that date.

This evaluation takes account of both existing waste and waste that will be produced once all quantities burnt at June 30, 2005 have been processed.

20.2.3 Provisions for end of nuclear fuel cycle (subsidiaries)

These provisions, amounting to €828 million, mainly cover the cost of eliminating the EnBW Group's burnt fuel and radioactive waste. The cost fixed for recycling depends on contractual terms.

20.3 Provisions for decommissioning and last core

The variation in decommissioning and last core provisions breaks down as follows at June 30, 2005:

(in millions of euros)	12.31.2004	Increases	Decreases		Other changes	06.30.2005
			Utilizations	Reversals		
Provisions for decommisioning	10 997	282	(65)	(2)	(6)	11 206
Provisions for last core	1 641	40	-	-	(77)	1 604
Provisions for decommissioning and last core	**12 638**	**322**	**(65)**	**(2)**	**(83)**	**12 810**

20.3.1 Decommissioning provisions

20.3.1.1 Decommissioning provisions for power stations belonging to EDF SA

With respect to EDF SA, these concern the decommissioning of:
- Pressurized Water Reactor (PWR) nuclear power stations currently in operation and nuclear power stations that have been permanently shut down (first-generation UNGG power stations and other stations including Creys-Malville),
- non-nuclear power stations.

Estimated based on the economic conditions of June 2005, these costs amount to €21,112 million (€20,923 million at December 31, 2004). Spread over the forecast disbursement schedule and assuming 2% inflation and a 5% discount rate, an amount of €10,071 million is included in provisions at June 30, 2005 (compared to €9,856 million at December 31, 2004), corresponding to the present value at that date of costs concerning all power stations.

20.3.1.1.1 Decommissioning provisions for nuclear power stations belonging to EDF SA

- For nuclear power stations currently in operation (PWR stations with 900 MW, 1300 MW and N4 reactors), a study undertaken in 1991 by the French Ministry of Trade and Industry estimated a benchmark cost, confirming the assumptions defined in 1979 by the PEON commission, estimating decommissioning costs at approximately 15% of investment expenditure as a ratio to net continuous power. This estimate was in turn confirmed by further studies focusing on a specific site, carried out in 1999. The underlying assumption is that once decommissioning is complete, the sites should be returned to their original state so that the land can be reused.

The total present value of the commitment relating to decommissioning of nuclear power stations is covered by a provision. The estimated schedule for future disbursements is based on the decommissioning plans drawn up by EDF experts, which take into account all known statutory and environmental regulations applicable, together with an uncertainty factor inherent to the fact that payments will only be made in the long term.
An asset corresponding to the provision is recognized under the conditions described in paragraph 1.9 in the notes to the financial statements at December 31, 2004.

In application of the principle whereby assets and liabilities are not netted when estimating the provisionsfor contingencies and losses, an asset receivable is also recorded in the form of accrued revenues. This corresponds to the share of decommissioning costs for the Cattenom 1-2 and Chooz B 1-2 PWR stations to be borne by foreign partners, in proportion to their investment.

- For permanently shut-down nuclear power stations, the provision is based on the cost of work already completed and on studies, quotations and a comparison made by EDF. Forecast disbursements, based on internally-prepared schedules, are adjusted to reflect inflation, then discounted.

- Decommissioning and last core provisions also include a provision for EDF's share of the decommissioning costs for the Phénix and Brennilis power stations.

20.3.1.1.2 Decommissioning provisions for non-nuclear power stations belonging to EDF SA

The provision for expenses related to decommissioning of non-nuclear power stations was determined following a study undertaken in 1998 and updated in 2004, based on estimated future costs, measured by reference to the charges recorded on past operations together with more recent estimates for plants still in operation.

20.3.1.2 Decommissioning provisions for subsidiaries' power stations

Decommissioning commitments in respect of plants belonging to subsidiaries concern EnBw's power stations. A provision is recorded to cover the full present value of the decommissioning commitments. The forecast disbursement schedule and future costs are estimated based on the decommissioning plan drawn up by external consultants, and take into account all regulatory and environmental regulations known to date in Germany. The costs are calculated on the assumption of direct decommissioning of the stations.

20.3.2 Provision for last cores

For EDF SA, this provision covers expenses related to the future loss on unused fuel following the final reactor shutdown. It includes two types of expenses:

- write-down of the inventory of fuel in the reactor that will not be totally burnt up when the reactor is shut down, valued at the average price of components in inventories at May 31, 2005;
- the cost of fuel reprocessing and the corresponding waste disposal and storage costs for fuel not covered by a provision at the time the plant shuts down. These costs are measured under the same principles as the provisions relating to reprocessing and the removal and storage of the relevant waste at June 30, 2005.

Since this provision relates to a commitment that existed at the commissioning date of the nuclear station containing the core, all costs are fully covered by provision and an asset associated with the provision is recognized as described in paragraph 1.9 of the description of accounting principles and methods.

Estimated based on the economic conditions of June 2005, these costs amount to €3,429 million (3,509 million at December 31, 2004). Spread over the forecast disbursement schedule and assuming 2% inflation and a 5% discount rate, an amount of €1,585 million is included in provisions at June 30, 2005 (compared to €1,617 million at December 31, 2004), corresponding to the present value at that date.

Sensitivity factors for the end of nuclear cycle, decommissioning and last core provisions

In view of the sensitivity to the underlying assumptions of all the provisions mentioned in notes 20.2 and 20.3, particularly in terms of cost, inflation rate, long-term discount rate, and disbursement schedules, a revised estimate is established at each closing date to limit the difference between the costs eventually to be borne by EDF and the amounts accrued. These revised estimates could entail changes in the amounts accrued.

The only significant change in these assumptions at June 30, 2005 concerns the provision for disposal and storage of radioactive waste: costs and timescales were revised in the light of the conclusions of the working party led by the DGEMP (see note 20.2.2).

Secure financing of long-term obligations

In order to secure financing of long-term obligations in the context of increasing deregulation of the electricity markets, EDF is progressively building up a portfolio of assets dedicated to covering nuclear-related costs, specifically the decommissioning of currently active nuclear power stations and the long-term storage of long-life high and medium-radioactivity waste (see note 20.3). The gross value of this portfolio was €2,906 million at June 30, 2005.

20.4 Provisions and obligations for employee benefits

20.4.1 Changes in provisions

The changes in provisions for employee benefits break down as follows:

	12.31.2004	Increases	Decreases		Other	06.30.2005
			Utilization	Reversals	Changes	
(in millions of euros)						
Provisions for post-employment benefits	14 135	814	(584)	-	1	14 366
Provisions for other long-term benefits	369	35	(29)	-	14	389
Provisions for employee benefits	**14 504**	**849**	**(613)**	**-**	**15**	**14 755**

The changes in these provisions from December 31, 2004 result from variations in vested benefits, financial discounting of the liability, payments made to external funds and benefits paid out.

20.4.2 Provisions for post-employment benefits

(in millions of euros)	France	United Kingdom	Germany	Rest of Europe	Rest of the world	Total
Provisions at 01.01.2005	11 490	505	1 828	73	239	14 135
Amounts used during the year	(430)	(98)	(44)	(3)	(9)	(584)
Changes in the scope of consolidation	-	-	(85)	-	-	(85)
Net additions for the year	648	89	56	6	15	814
Other	-	23	(38)	34	67	86
Provisions at 06.30.2005	**11 708**	**519**	**1 717**	**110**	**312**	**14 366**

20.4.3 Provisions and obligations for long-term benefits for current employees

(in millions of euros)	France	United Kingdom	Germany	Rest of Europe	Rest of the world	Total
Provision at 01.01.2005	278	-	42	49	-	369
Amounts used during the year	(27)	-	(1)	(1)	-	(29)
Changes in the scope of consolidation	-	-	(2)	-	-	(2)
Net additions for the year	30	-	1	4	-	35
Other	-	-	-	15	1	16
Provision at 06.30.2005	**281**	**0**	**40**	**67**	**1**	**389**

20.5 Other provisions for contingencies and losses

Details of changes in other provisions are as follows at June 30, 2005:

(in millions of euros)	12.31.2004	Restatements for application IAS 32 / 39	01.01.2005	Increases	Decreases – Utilizations	Decreases – Reversals	Other changes	06.30.2005
Provisions for contingencies related to investments	1 283	(1 250)	33	482	(26)	-	3	492
Provisions for tax liabilities	105	-	105	542	-	-	36	683
Provisions for restructuring	77	-	77	-	(15)	-	1	63
Other provisions	3 086	(3)	3 083	422	(397)	(20)	(154)	2 934
Other provisions	**4 551**	**(1 253)**	**3 298**	**1 446**	**(438)**	**(20)**	**(114)**	**4 172**

20.5.1 Provisions for contingencies related to investments

In 2003, a €45 million provision for the write-down of IEB shares and a €855 million contingency provision on share purchase commitments relating to put and call options concerning IEB and Edison shares (see note 30.1 of the notes to the financial statements at December 31,2003) were recorded.

The provision of €855 million was increased by €395 million at December 31, 2004, following the adjustment to fair value of exercisable repurchase commitments. At January 1, 2005, upon application of IAS 32 and IAS 39, this provision was reclassified as a financial liability under the heading "Negative fair value of derivatives held for trading" for an amount of €1,227 million.

In view of developments in the first half of 2005 as described in note 4.2 and the agreements signed with AEM, a public tender offer appeared probable at June 30, 2005. Consequently, a contingency provision of €481 million was recorded.

20.5.2 Provisions for tax liabilities

A French tax inspection of EDF SA began in late 2004, covering 2002 and 2003. The proposed reassessments received on August 8 provide a basis for estimation of the risk, and the related provision at June 30, 2005 amounts to €582 million.

However, the Group also has recognized deferred tax assets due to temporary differences generated by application of these reassessments. These deferred tax assets have been recognized to the extent that their utilization appears probable (see notes 15.1 and 15.2), for an amount of €319 million.

20.5.3 Other provisions

This heading includes in particular:

- a provision of €310 million to cover EDF's share of the expenses relating to future work programs adopted by the Fonds d'Amortissement des Charges d'Electrification (sinking fund for electrification charges),
- a provision of €327 million for the contribution to preserve entitlements to the unregulated benefits related to agreements signed with the additional pension organizations,
- a provision of €263 million for litigation with social security bodies.

20.5.4 Contingent liabilities

Discharge by the Saint Chamas power station into the Etang de Berre lake: there were no new developments in connection with this matter during the first half of 2005.

Note 21 : Special concession liabilities

(in millions of euros)	**12.31.2004**	**Impacts of the Law of August 9,2004**	**Change over the period**	**06.30.2005**
Value in kind of assets operated under concessions	16 857	16 310	615	33 782
Potential liabilities and receivables	1 859	(11 760)	100	(9 801)
Provisions for renewal of assets operated under concession	14 978	(4 573)	282	10 687
Special concession liabilities	**33 694**	**(23)**	**997**	**34 668**

Details of the impacts at January 1, 2005 of the restatements resulting from the Law of August 9, 2004 are as follows:

- the €16,310 million increase in the value in kind gives rise to recognition of a related receivable of €16,302 million corresponding to the unamortized portion of EDF financing under the heading "potential liabilities and receivables". The residual increase of €8 million corresponds to the net licensor financing of French transmission grid assets reclassified as public distribution assets.

- the €11,760 million impact on potential liabilities and receivables results from:
    - recognition of a receivable of €16,302 million corresponding to the unamortized portion of EDF financing (see above),
    - and recognition of a liability corresponding to amortization of the licensor's financing via reclassification of €4,541 million of the provision.

- the €4,753 million decrease in provisions is due to reclassification of €4,541 million from provisions to the heading "potential liabilities and receivables"., in application of the new accounting method, and reclassification of the provision for future expenses as the provision for renewal of French transmission grid assets reclassified as public distribution assets (€32 million).

- the €23 million decrease in special concession liabilities breaks down as follows:
  - « reversal of the excess provision for future expenses due to its reclassification as provision for renewal of French transmission grid assets (€32 million);
  - « an increase in licensor financing due to the reclassification of French transmission grid assets as public distribution assets (€9 million).

Note 22 :Current and non-current financial liabilities

22.1 Breakdown between current and non-current financial liabilities

Financial liabilities break down as follows:

(in millions of euros)	06.30.2005 Non-current	Current	Total	01.01.2005 Non-current	Current	Total
Loans and other financial liabilities	20 879	4 804	25 683	20 286	5 609	25 895
Negative fair value of derivatives held for trading	-	5 840	5 840	-	3 904	3 904
Negative fair value of hedging derivatives	303	242	545	336	225	561
Financial liabilities	**21 182**	**10 886**	**32 068**	**20 622**	**9 738**	**30 360**

22.2 Loan and other financial liabilities

22.2.1 Changes in loans and other financial liabilities

(in millions of euros)	Bonds	Loans from financial institutions	Other financial liabilities	Loans linked to finance leased assets	Accrued interest	Total
01.01.2005	**17 822**	**4 620**	**2 566**	**310**	**577**	**25 895**
Increases	19	138	646	1	170	974
Decreases	(1 167)	(327)	(375)	(7)	(164)	(2 040)
Changes in scope of consolidation	(111)	(118)	(6)	(4)	(25)	(264)
Translation adjustments	600	311	99	-	21	1 031
Other	14	(8)	101	-	(20)	87
06.30.2005	**17 177**	**4 616**	**3 031**	**300**	**559**	**25 683**

The main entities contributing to loans and other financial liabilities are EDF SA (€12,359 million), EDF Energy (€6,021 million), EnBW (€2,292 million), and the Light group (€1,354 million).

22.2.2 Maturity of loans and other financial liabilities

(in millions of euros)	Bonds	Loans from financial institutions	Other financial liabilities	Loans linked to finance leased assets	Accrued interest	Total
Less than one year	821	1 043	2 398	9	533	**4 804**
From one to five years	6 859	1 912	319	157	7	**9 254**
More than five years	9 497	1 661	314	134	19	**11 625**
Total at 06.30.2005	**17 177**	**4 616**	**3 031**	**300**	**559**	**25 683**

22.2.3 Breakdown of loans and other financial liabilities by currency

	06.30.2005		
(in millions of euros)	Initial debt structure	Impact of swaps	Debt structure after swaps
Euro (EUR)	14 032	(3 155)	10 877
American Dollar (USD)	3 772	(382)	3 390
Pound sterling (GBP)	6 006	3 243	9 249
Other	1 873	294	2 167
Total of loans and other financial liabilities	**25 683**	**-**	**25 683**

22.2.4 Breakdown of loans and other financial liabilities by type of interest rate, before and after swaps

	06.30.2005		
(in millions of euros)	Initial debt structure	Impact of hedging swaps	Debt structure after swaps
Fixed rates	18 565	(2 808)	15 757
Floating rate	7 118	2 808	9 926
Loans and other financial liabilities	**25 683**	**-**	**25 683**

22.2.5 Fair value of loans and other financial liabilities at June 30, 2005

	30.06.2005	
(in millions of euros)	Fair Value	Net book value
Loans and other financial liabilities	27 249	25 683
Total	**27 249**	**25 683**

22.3 <u>Net indebtedness</u>

Net indebtedness comprises total loans and other financial liabilities, less cash and cash equivalents and liquid assets. Liquid assets are financial assets with original maturity of over three months, that are readily convertible into cash regardless of their maturity and are managed according to a liquidity-oriented policy (monetary investment funds, government bonds, negotiable debt instruments).

(in millions of euros)	06.30.2005	01.01.2005	12.31.2004
Loans and other financial liabilities	25 683	25 895	25 787
Derivatives used to hedge liabilities	313	465	-
Cash and cash equivalents	(4 388)	(3 820)	(3 150)
Short-term financial assets	-	-	(2 960)
Liquid assets	(2 545) (a)	(2 243) (b)	-
Net indebtedness	**19 063**	**20 297**	**19 677**

(a) Available-for-sale financial assets: €2,170 million, financial assets carried at fair value: €375 million.
(b) Available-for-sale financial assets: €2,095 million, financial assets carried at fair value: €148 million.

22.4 Changes in net indebtedness

Changes in net indebtedness are as follows:

(in millions of euros)	06.30.2005	06.30.2004
Operating profit before depreciation and amortization	**7 551**	**7 570**
Cancellation of non-monetary items	(220)	(758)
Dividends received from companies accounted for under the equity method	51	51
Change in net working capital	148	(143)
Other items	(94)	(137)
Net cash flow from operations	**7 436**	**6 583**
Acquisitions of intangible assets and property,plant and equipment, net of disposals	(1 992)	(2 091)
Net financial expenses disbursed	(548)	(592)
Income tax paid	877	(1 838)
Tax and interest paid following the decision of the European Commission	0	(1 224)
Free cash flow	**5 773**	**838**
Investments (including investments in consolidated companies)	(219)	(395)
Dividends paid	(19)	(355)
Increase in capital and change in other equity	260	105
Payment related to the pension reform	(3 296)	
Payment related to Marcoule	(523)	
Other items	79	13
Monetary decrease in net indebtedness, excluding the impact of changes in scope of consolidation and exchanges rates	**2 055**	**206**
Effect of change in scope of consolidation	223	22
Effect of change in accounting methods on net indebtedness	(622)	
Effect of exchange rate fluctuations	(979)	(533)
Effect of other non-monetary changes	(63)	(12)
(Increase) / decrease in net indebtedness	**614**	**(317)**
Net indebtedness at beginning of period	**19 677**	**24 035**
Net indebtedness at end of period	**19 063**	**24 352**

At June 30, 2005, net indebtedness continued to decrease and was reduced by €614 million, 2004 as a result of the reductions in the net indebtedness of EDF for €832 million and EnBW for €534 million, and a €822 million increase in the net indebtedness of EDF Energy.

Note 23 :Derivatives – fair value

23.1 Interest rate derivatives at June 30, 2005

(in millions of euros)	30.06.2005 Notional amount To be received	30.06.2005 Notional amount To be given
In euros :		
Purchases of CAP contracts	1 750	-
Sales of CAP contracts	-	100
Other interest rate hedging instruments	138	590
In foreign currencies :		
Purchases of CAP contracts	344	-
Sales of CAP contracts	-	344
Interest rate Swaps:		
Euros	5 809	5 809
GBP	148	148
USD	-	223
CHF	61	184
Interest rate derivatives	**8 250**	**7 398**

23.2 Currency derivatives at June 30, 2005

(in millions of euros)	06.30.2005 Notional amount To be received	06.30.2005 Notional amount To be given
Forward transactions :		
Euros	60	641
GBP	-	883
USD	-	569
Other	-	7
Currency swaps :		
Euros	3 814	2 328
GBP	-	5 212
USD	232	1 008
CHF	-	279
Other	129	381
Currency derivatives	**4 235**	**11 308**

23.3 Fair value of financial derivatives

(in millions of euros)	06.30.2005 Positive fair value	Negative fair value	Net
Derivatives held for trading (included embedded derivatives)	470	(1 476)	(1 006)
Hedging derivatives	512	(381)	131
Cash instruments	**982**	**(1 857)**	**(875)**
Commodity contracts classified as derivatives	4 642	(4 365)	277
Commodity contracts classified as hedges	394	(164)	230
Commodities	**5 036**	**(4 529)**	**507**
Fair value of derivatives	**6 018**	**(6 386)**	**(368)**

Note 24 : Greenhouse gas emission quotas

These quotas mainly concern EDF SA, EnBW, EDF Energy, the Polish subsidiaries, Dalkia International and Dalkia Investissements.

For 2005, the total quota allocation to the Group (excluding subsidiaries in Poland, where quotas have not yet been allocated) stands at 46,230 thousand tonnes.
The volume of emissions at June 30, 2005 stood at 25,907 thousand tonnes.

At June 30, 2005 The provision , 2005in respect of over-quota emissions amounts to €24.9 million.

The greenhouse gas emission quotas receivable for 2006 and 2007 principally relate to EDF SA, EDF Energy and EnBW and total 42,773 thousand tonnes per year.

These quotas are valued at the spot rate at June 30, 2005 as published by EEX (European Energy Exchange), i.e. €1,079 million. Based on the average rate for May and June, the same quotas would be valued at €832 million.

Note 25 :Off-balance sheet commitments

EDF and its subsidiaries give and receive various off-balance sheet commitments in the course of business.

The commitments concerned at June 30, 2005 are summarized below:

(in millions of euros)	Total	Maturity		
		< 1 year	1 - 5 years	> 5 years
OFF-BALANCE SHEET COMMITMENTS GIVEN				
Operating commitments				
Satisfactory performance, completion and bid guarantees	**1 060**	154	826	80
Commitments related to commercial contracts	**198**	-	-	198
Commitments related to orders for operating items and fixed assets *	**3 972**	2 138	1 636	198
Other operating commitments	**4 760**	1 094	2 390	1 276
Financing commitments				
Guarantees related to borrowings	**2 979**	1 502	474	1 003
Other financing commitments	**105**	86	7	12
Investment commitments				
Investment and divestment commitments	**7 713**	6 846	852	15
Other investment commitments	**159**	23	96	40
OFF-BALANCE SHEET COMMITMENTS RECEIVED				
Operating commitments	**5 483**	2 831	1 941	711
Financing commitments	**9 766**	2 506	6 319	941
Investment commitments	**333**	23	310	-

* excluding raw materials and energy (see note 25.3).

25.1 Off-balance sheet commitments given

25.1.1 Operating commitments

- Satisfactory performance, completion and bid guarantees

  These mainly consist of guarantees related to the construction or operation of power stations in Mexico (€236 million), China (€96 million), Vietnam (€306 million) and Laos (€109 million). EDF Energies Nouvelles and Dalkia International also gave guarantees for an amount of €46 million and €139 million respectively.

- Commitments related to commercial contracts

  These essentially concern payment guarantees on gas purchase and distribution contracts of EDF Trading (€198 million).

- Commitments related to orders for operating items and fixed assets other than raw materials and energy

  These are reciprocal commitments mostly undertaken by EDF SA (€3,532 million) upon signature of orders for operating items and fixed assets.

- Other operating commitments

These mainly concern:

· the solidarity commitment undertaken by operators of nuclear power stations in Germany, which would come into force in the event that one of them is unable to meet its obligations following a nuclear incident. The total amount consolidated by the EDF group through EnBW amounts to €1,035 million;

· a contract entered into with CDC Ixis Capital Markets to cover the exposure of EDF's electricity distribution network in France to the risk of storm damage, whereby each party undertakes to indemnify the other for any liability connected with issuance of a CAT bond, up to an overall maximum amount of €240 million for each party. The total amount of the fixed premium outstanding at June 30, 2005 is valued at €96 million;

· the guarantees given by EDF to High Holborn Estates Ltd and Deutsche Bank concerning lease contracts (€130 million);

· operating leases and guarantees given to third parties i.e. suppliers, customs authorities, etc.

25.1.2 Financing commitments

- Guarantees related to borrowings

These mainly concern:

· A commitment from EDF to guarantee a zero coupon bond in favor of IEB Finance of an amount of €1,140 million at June 30, 2005. EDF also received a counter-guarantee from the other shareholders of IEB up to their percentage shareholding (see financing commitments received). This counter-guarantee will be substituted by a pledge of shares held by IEB in Edison given by the other shareholders when it becomes possible to pledge the shares, prior the various options on IEB shares are exercised or terminated. This commitment will become groundless once IEB becomes a 100%-EDF-owned entity after sale of the Edison shares to TdE;

· Pledges and mortgages on property, plant and equipment (€986 million) given by certain EDF SA subsidiaries as security on their loans.

· Other bank guarantees (€854 million), mainly given by EDF SA and EDF International.

- Other financing commitments

These mainly comprise overdrafts not used at closing date granted by Electricité de Strasbourg (€78 million).

25.1.3 Investment commitments

- Investment and divestment commitments

  · EDF holds an 18% stake in Italenergia Bis (IEB), Edison's parent company. The commitments made to other shareholders are described in note 4.2 and amount to €3,736 million before indexation adjustments.

  · Commitment granted to OEW by EDF International relating to EnBW in respect of a shareholder agreement concluded on July 26,2000.
  Between January 1, 2005 and December 31, 2005, OEW may decide to sell all or some of its 62,514,267 shares at a price of €37.14 per share with a discount determined in accordance with the financial parameters specified in the shareholder agreement.
  Between June 1,2006 and December 31,2011 OEW may decide to sell all or some of its shares for a price of €37.14 per share with no discount.
  The value of this option is estimated at €2,322 million at June 30, 2005.

  Other agreements concluded between EDF International and OEW provide that OEW has a put option over 5.94% of EnBW shares, which may be exercised between January 28, 2005 and November 30, 2006. The value of this commitment is estimated at €480 million at June 30, 2005.

  · Various options or agreements entered into by EDF International (€242 million) and EnBW (€589 million) relating to shares in various companies in the power generation industry.

  · Commitments made by EDEV SA in relation to EDF Energies Nouvelles.

  On December 16,2002, EDEV SA purchased 170,419 shares in SIIF-Energies (renamed EDF Energies Nouvelles in 2004) and then raised its total investment to 49. 73% through a capital increase. EDEV SA also has the usufruct of 20,181 shares, and thus holds 50% of voting rights at ordinary shareholders' meetings. This 50% control over voting rights is guaranteed by the attribution of 380,000 stock subscription warrants. The warrants issued at the Shareholders' Meeting of December 2002 are to be cancelled and replaced by an identical number of stock subscription warrants to be issued by the end of September 2005. The new warrants' issue price will be €0.01, and they will be exercisable at a price of €88.17 per share.

  At the time of the transaction, the shareholders confirmed their intention to eventually proceed with an IPO. Should EDEV SA subsequently object to the IPO, it would, subject to certainconditions, grant other shareholders a put option exercisable between December 1 and December 31, 2007 at the earliest. EDEV would then benefit from a call option exercisable from January 1, 2009.

  The acquisition cost of the shares, if they were acquired now, would be approximately of €200 million.

  · Agreement with Veolia Environnement: Veolia Environnement has granted EDF a call option on all its Dalkia shares in the event that a competitor of EDF takes control of Veolia Environnement. EDF also granted Veolia Environnement a call option over all its Dalkia shares in the event that the status of EDF should change and a competitor of Veolia

Environnement, individually or with other parties, should take control over EDF. If the parties fail to agree on the sale price of the shares, it is to be fixed by an independent expert.

EDF and Veolia Environnement also respectively hold put and call options which would lead EDF to hold 50% of capital and voting rights in Dalkia should they be exercised by one of the parties (see note 26.2). If the parties fail to agree on the sale price of the shares, it is to be fixed by an independent expert.

- Other investment commitments

These mainly concern:

· a commitment by EDEV SA, subject to certain conditions, to provide equity financing for all or some of the projects developed by EDF Energies Nouvelles, up to a total of no more than €150 million (€75 million at 49.73%). At June 30, 2005, EDEV has granted equity financing in the amount of €83 million (it share of €41 million);
· investment commitments to Zielona Gora by Kogeneracja (€19 million) and by Dalkia International (€34 million) to the town of Poznan (Poland).
· other commitments by EnBW, ECW EDF Energies Nouvelles and EDEV (€72 million).

25.2 Off-balance sheet commitments received

25.2.1 Operating commitments

These are mainly commitments received by EDF SA totaling €4,407 million, including €3,974 million concerning reciprocal commitments (mainly on orders for operating items and fixed assets and the contract with CDC Ixis Capital Market).

25.2.2 Financing commitments

They principally concern:

- the overall amount of the EDF group’s credit lines (€8,574 million) with various banks,

- the counter-guarantee given to EDF by the other IEB shareholders for their share (€912 million at June 30, 2005) relating to the bond guaranteed by EDF (see note 25.1.2).

25.2.3 Investment commitments

EDF International has a put option agreed with Edison for its investment in Finel (40%). This option can be exercised between July 1, 2005 and December 31,2006. The exit price will be 40% of the value of Finel at that date, for a minimum of €300 million.

25.3 Off-balance sheet commitments relating to raw materials and energy supplies

In the course of its generation and supply activities, the Group has entered into long-term contracts and “take or pay” contracts, in which it undertakes to purchase raw materials, fuel, energy and gas for periods of up to 20 years. The Group also has commitments to supply energy and electricity under firm sales contracts to end-users.
In most cases, these are reciprocal commitments, and the third parties concerned are under an obligation to supply or purchase the quantities specified in the contracts.

EDF SA has signed a group of long-term contracts with a certain number of European electricity businesses, undertaking to supply electricity. These contracts are of two types:

- co-financing agreements for nuclear power stations, either for a specific power station or for a defined group of stations. Companies participating in this financing have a right to draw power from the stations concerned, in proportion to their initial contribution.
- long-term commercial sales contracts, generally covered by the nuclear power stations.

EDF has also entered into long-term purchase contracts with a certain number of electricity producers, either by financing power stations, or through commercial electricity purchase contracts.
When it invested in EnBW in 2001, EDF also undertook to sell 6000 MW on the French market to the highest bidder. This had been achieved by the end of 2003. The commitment's initial duration was 5 years and it may be reviewed with the EU authorities in early 2006.

Under article 10 of the Law of February 10,2000, EDF is obliged, at the producer's request, subject to compliance with certain technical features, to purchase the power produced by co-generation plants and renewable energy production units (wind turbines and small hydro-electric stations or operations recycling organic waste). The excess costs generated by this obligation are offset by the Contribution to the Public Electricity Service (Contribution au Service Public de l'Electricité or CSPE).

These commitments also include commitments related to long-term fuel and gas purchase contracts, and contracts signed by EDF's Nuclear Fuels Division.

Note 26 :Subsequent events

26.1 Edison

Events since June 30, 2005 are described in note 4.2.

26.2 Dalkia

In application of the agreements between EDF and Veolia Environnement signed in 2000 and amended in April 2005, EDF decided in July 2005 to exercise its call option on shares in Dalkia and raise its investment to 50% of the Dalkia group.
This transaction will be completed subject to the conclusion by September 30, 2005 of an agreement redefining relationships between shareholders. To date, no such agreement has been signed.
The transaction price is to be determined by agreement between the parties, or failing this, by an independent expert.

26.3 Transfer of RTE to a subsidiary

On August 31, 2005, an extraordinary shareholders' meeting approved the transfer by EDF SA of the public electricity transmission network operation business to the company C5, to be subsequently renamed RTE EDF Transport.

26.4 Capital reduction

The extraordinary shareholders' meeting of August 31, 2005 also authorized EDF SA to reduce its share capital, by a maximum amount of €7,316 million through a transfer to consolidated reserves, and authorized the Board to implement this operation.

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Head office: 22 – 30, avenue de Wagram – 75008 Paris
Share capital: €8,129,000,000

Statutory auditors' report on the interim consolidated financial statements as at and for the six-month period ended June 30, 2005

The following is a free translation of a French language original for convenience purposes only. Accounting principles and auditing standards and their application in practice vary among different countries. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than France. In addition, the procedures and practices utilized by the statutory auditors in France with respect to such financial statements included in a half-year report may differ from those generally accepted and applied by auditors in other countries. Accordingly, the French financial statements and the auditors' report of which a translation for convenience purposes only is presented in this document are for use by those knowledgeable about French accounting procedures, auditing standards and their application in practice

To the shareholders,

In our capacity as statutory auditors of Electricité de France S.A., we have performed a limited review of the accompanying interim consolidated financial statements of Electricité de France S.A. as at and for the six-month period ended June 30, 2005.

The interim consolidated financial statements have been prepared under the responsibility of the Board of Directors. Our role is to report on these interim consolidated financial statements based on our limited review.

In the context of the transition to IFRS as approved by the European Union for preparation of the 2005 consolidated financial statements, the interim consolidated financial statements have been prepared in accordance with the basis of presentation, valuation and recognition principles described in note 1.1 to the interim consolidated financial statements. They include, for comparison purposes, information related to the six-month period ended June 30, 2004 restated using the same principles, except for IAS 32/IAS 39 relating to financial instruments and IFRS 4 relating to insurance contracts, which have been applied since January 1, 2005.

We conducted our limited review in accordance with professional standards applicable in France. These standards require the performance of limited procedures to provide assurance, to a lesser degree than in the case of an audit, as to whether the interim consolidated financial statements are free of material misstatement. A review of this nature does not include all controls required by an audit, but is limited to performing analytical procedures and obtaining information deemed necessary from management and other appropriate sources.

Based on our limited review, nothing has come to our attention that causes us to believe that any material modifications should be made to the accompanying interim consolidated financial statements for them to be in conformity with the presentation, valuation and recognition principles described in note 1.1 to the interim consolidated financial statements.

Without qualifying our conclusion, we draw your attention to:

- Note 1.1 which states:

  - the reasons why the 2004 comparative information which will be presented in the consolidated financial statements as of and for the year ended December 31, 2005 and the interim consolidated financial statements as of and for the six-month period ended June 30, 2006 may differ from the financial statements accompanying this report;

  - that, pending a final position on the accounting treatment of concessions under International Accounting Standards, Electricité de France S.A. has elected to maintain most of the accounting methods previously applied in the consolidated financial statements. On this basis, the Group believes that it is premature to consider that the methods currently applied to concession contracts in the consolidated financial statements are consistent with International Accounting Standards. Electricité de France S.A. may be obliged, for the publication of its consolidated financial statements prepared under International Accounting Standards for the year ended December 31, 2005, to modify its opening balance sheet at January 1, 2004 and 2004 comparative information in order to comply with existing standards on assets and provisions and, where appropriate, new specific interpretations relating to concessions that may be released in 2005;

- Note 4.5 which mentions the absence of reliable estimates of Electricité de France S.A. financial commitments with respect to the healthcare benefits regime as at December 31, 2004 and the regulations adopted early 2005, which discharge Electricité de France S.A. of its commitments towards the retired employees starting from this date; and

- The valuation of long-term provisions related to nuclear electricity production, as described in notes 20.2 and 20.3 to the interim consolidated financial statements. The valuation of these provisions, based on management's best estimates as shown in note 1.2, is sensitive to the assumptions made concerning costs, inflation rates, long-term discount rates, forecast cash outflows and the results of current negotiations with Areva. Given the aforementioned sensitive items, any change in those assumptions could lead to a material revision of the level of provisioning.

Neuilly-sur-Seine and Paris La Défense - September 5, 2005

The Statutory Auditors

Deloitte & Associés

KPMG Audit
Department of KPMG S.A.

Amadou Raimi

Tristan Guerlain

Jean-Luc Decornoy

Michel Piette