CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2004

Contents

Consolidated income statements

(in millions of euros)	Notes	1st half-year 2004	1st half-year 2003	Year 2003
Sales	**7**	**24 030**	**23 189**	**44 919**
Purchases and other external expenses	**8**	(11 671)	(11 272)	(22 554)
Personnel expenses		(4 899)	(4 848)	(9 509)
Taxes other than incomes taxes		(1 407)	(1 282)	(2 703)
Other operating income and expenses	**10**	763	471	873
Operating profit before depreciation and provisions (EBITDA)		**6 816**	**6 258**	**11 026**
Depreciation allowances and recoveries		(2 287)	(2 163)	(4 449)
Net (increase) decrease in provisions	**2 & 11**	(306)	1 564	256
Operating profit (EBIT)		**4 223**	**5 659**	**6 833**
Interest expenses	**12**	(617)	(768)	(1 431)
Foreign exchange result	**13**	(51)	111	24
Other financial income and expenses	**2 & 14**	(536)	(1 586)	(2 106)
Income before taxes from consolidated companies		**3 019**	**3 416**	**3 320**
Income taxes	**2 & 15**	(1 211)	(1 878)	(1 567)
Depreciation and amortisation of goodwill	**2**	(299)	(732)	(844)
Share in income of companies accounted for under the equity method		16	(29)	26
Net income of the Group		**1 525**	**777**	**935**
Minority interests		12	(49)	(78)
Net income of EDF		**1 537**	**728**	**857**

Note 2 contains information regarding the comparability of the above periods.

Consolidated Balance Sheets

ASSETS (in millions of euros)	**Notes**	**30.06.2004**	**31.12.2003**
Goodwill	**16**	5 591	5 659
Intangible assets		1 081	859
Property,plant and equipment	**17**	99 378	99 012
Investments	**18**	7 553	7 315
Investments in companies accounted for under the equity method		2 185	2 146
Fixed assets		**115 788**	**114 991**
Deferred tax assets		213	216
Inventories, including work-in-process		6 809	6 924
Trade receivables		13 128	14 394
Other receivables		5 376	4 780
Short-term financial assets	**19**	2 997	3 072
Cash and cash equivalents	**20**	1 666	2 523
Current assets		**30 189**	**31 909**
Total assets		**145 977**	**146 900**

LIABILITIES (in millions of euros)	**Notes**	**30.06.2004**	**31.12.2003**
Capital		8 129	8 129
Consolidated reserves and income		12 150	10 795
Equity (EDF's share)		**20 279**	**18 924**
Minority interests		**923**	**915**
Special concession accounts		19 749	19 743
Provisions for end of nuclear fuel cycle	**21**	14 884	14 658
Provisions for decommissioning and last core	**22**	12 354	12 101
Provisions for employee benefits		2 298	2 185
Provisions for renewal of plants under concession		14 465	13 939
Other provisions for risks and expenses	**23**	3 560	3 512
Deferred tax liabilities		6 062	5 853
Loans and other financial liabilities	**24**	29 013	29 604
Trade payables and other current liabilities payable		6 880	8 164
Other liabilities		15 510	17 302
Total liabilities		**145 977**	**146 900**

Consolidated Cash Flow Statements

(in millions of euros)	First half-year 2004	Year 2003
Operating activities		
Income before tax from consolidated companies	3 019	3 320
Accumulated depreciation and provisions	3 188	6 379
Financial income and expenses	574	1 530
Dividends received from companies accounted for under the equity method	51	79
Capital gains/losses	(130)	(311)
Other income and expenses without effect on cash	-	26
Change in working capital	(240)	17
Net cash flow from operations	**6 462**	**11 040**
Net financial expenses disbursed	(592)	(1 007)
Income taxes paid	(1 838)	(3 337)
Tax and interest paid following the decision of the European Commission	(1 224)	-
Net cash flow from operating activities	**2 808**	**6 696**
Investing activities		
Change in the scope of consolidation	(426)	44
Purchases of property, plant and equipment and intangible assets	(2 143)	(4 963)
Purchases of investments	(523)	(1 413)
Net proceeds from sale of fixed assets	526	1 778
Changes in financial assets	57	(601)
Net cash flow from investing activities	**(2 509)**	**(5 155)**
Financing activities		
Issuance of borrowings	4 867	8 236
Repayment of borrowings	(5 845)	(9 287)
Dividends paid by parent company	(321)	(208)
Dividends paid to minority interests	(34)	(63)
Capital increase in cash	9	33
Increase in interests in concessionary plant facilities	78	157
Investment subsidies	18	33
Other	0	(5)
Net cash flow from financing activities	**(1 228)**	**(1 104)**
Net increase in cash and cash equivalents	**(929)**	**437**
Cash and cash equivalents - opening balance	2 523	2 238
Effect of currency fluctuations	59	(176)
Effect of other reclassification	13	24
Cash and cash equivalents - closing balance	**1 666**	**2 523**

Variation in Consolidated Equity and Minority Interests

(in millions of euros)	Capital	Consolidated reserves	Net Income	Translation adjustment	Total Equity	Minority interests
Balance at 31 December 2002	**8 129**	**6 847**	**481**	**(1 574)**	**13 883**	**986**
Change in accounting methods		5 737	(250)	(84)	5 403	(43)
Balance at 31 December 2002 (pro forma)	**8 129**	**12 584**	**231**	**(1 658)**	**19 286**	**943**
Allocation of income		231	(231)		-	-
Net income for the year			857		857	78
Dividends paid		(208)			(208)	(61)
Translation adjustments				(207)	(207)	(75)
Other changes		(804)			(804)	30
Balance at 31 December 2003	**8 129**	**11 803**	**857**	**(1 865)**	**18 924**	**915**
Allocation of income		857	(857)		-	
Net income for the year			1 537		1 537	(12)
Dividends paid		(321)			(321)	(44)
Translation adjustments				139	139	16
Other changes						48
Balance at 30 June 2004	**8 129**	**12 339**	**1 537**	**(1 726)**	**20 279**	**923**

Notes

1 Accounting principles and methods

1.1 Group accounting policies

The EDF Group's half-yearly consolidated financial statements are prepared in accordance with French accounting regulations applicable to interim financial statements, under the accounting rules and methods applied for the consolidated financial statements for the year ended 31 December 2003.

The Group is preparing for compulsory application of IASB international accounting standards by listed European companies from 2005.

This has led to the introduction of several accounting policy changes in 2002 and 2003, as described in note 1.3 to the consolidated financial statements for the year ended 31 December 2003. In implementing these accounting changes, the Group applies all of the preferential methods allowed by the French accounting regulations governing consolidated financial statements, except for employee benefit recognition.

In view of the current reforms concerning financing of the electricity and gas industries pension scheme, which will take effect as of 1 January 2005, provisions will be established to cover employee benefit commitments from that date.

To date, the main differences between Group principles and current international accounting standards in force at 30 June 2004 relate to the accounting treatment of employee benefits (IAS 19) and financial instruments (IAS 32 and 39). Furthermore, as no international accounting standards specifically address the treatment of concessions, EDF is examining the compatibility of its current policies with existing international standards, in the light of the IFRIC's (International Financial Reporting Interpretations Committee) discussions on this issue.
Application of present or revised standards on these subjects would be likely to have a significant impact on the accounts.

The Group's investment securities includes certain dedicated investment funds. These have not been consolidated and EDF's half-yearly accounts at 30 June 2004 continue to treat the investment securities under the policies described in Note 1-5 to the consolidated financial statements at 31 December 2003.
Given the ongoing discussions over application of the French Financial Security Law of 1 August 2003 and French regulation CRC 2004 03 of 4 May, 2004, which change the definition of the scope of consolidation, abolishing the requirement for share ownership in consolidated entities, the Group is awaiting the French accounting authorities' final position on the treatment of shares in dedicated funds.

1.2 Seasonal nature of the business

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

1.3 Income tax

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' income before income taxes and amortisation of goodwill.

1.4 Insurance

EDF is covered by public liability insurance through a Group insurance scheme that covers the parent company and all exclusively-controlled subsidiaries, with the principal exception of Electricité de Strasbourg.

For the special nuclear operators' public liability, the two companies concerned (EDF and EnBW) are insured in accordance with the relevant legal requirements.

For insurance against damage caused to owned plants or plants operated under concession, new schemes are in the process of being set up. In December 2003, EDF transferred part of its storm damage insurance regarding its Distribution networks to CDC-IXIS. To insure against material damage (excluding aerial networks and nuclear facilities), EDF joined the OIL international mutual insurance plan for electricity and gas producers on 31 January 2004, and has taken out additional policies for complementary coverage. This scheme, now complete for EDF and EDF Energy, is being extended to all exclusively-controlled subsidiaries.

2 Comparability of periods

The first half-year of 2003 was particularly affected in accounting terms by the extension of the useful life of French nuclear plants, and the recognition of provisions against international commitments and assets.

- Extending the useful life of nuclear power stations has deferred decommissioning and last core disbursements by ten years. Decommissioning and last core provisions have automatically been reduced due to the effect of discounting.

  Given the lack of any specific stipulation on this matter in French accounting rules and international standards, and in view of the harmonisation of the Group's accounting principles with those international standards, EDF's half-yearly accounts at 30 June 2003 opted for the method recommended by the International Financial Reporting Interpretations Committee (IFRIC) in its Draft Interpretation D2 "Changes in Decommissioning, Restoration and Similar Liabilities", published on 4 September 2003. This proposed that the effect of changes in the accounting estimate of the provision should be recognised as an adjustment to assets and income respectively so that the effects of the depreciated portion of the asset are recorded in the income statement.

  The method applied at 30 June 2003 thus consisted of:
  - restating the gross value of the counterpart asset at the commissioning date based on the provision's new disbursement schedules,
  - restating its net book value (amortised over 30 years) at 1 January 2003,
  - allocating the reduction in provision to the counterpart assets based on adjusted net book value, i.e. €457 million in respect of decommissioning and €110 million in respect of the last core,
  - allocating the balance of the change in the provision to income (€2,243 million before tax; €1,448 million after tax).

Further to changes at the end of 2003 in the IFRIC's position, for the purposes of the 2003 consolidated financial statements EDF decided to apply IFRIC's revised draft drawn up for proposal to the International Accounting Standards Board (IASB). This draft provided for application of a prospective method, whereby the effects of the changes of the provision estimates are allocated to the relevant asset, and any excess to the underlying asset (power stations). Where a provision has been written back, any surplus that cannot be allocated to these assets is recorded in the income statement. This draft interpretation was finally approved by the IASB in May 2004.
Consequently, write-backs of provisions recorded at 30 June 2003, totalling €1,448 million net of taxes, were cancelled in the income statement during the second half-year of 2003.

The final impact of this change in estimate on the 2003 financial statements was thus a reduction of €2,811 million in provisions for decommissioning and last core, €2,775 million in property, plant and equipment, and €23 million in income to be received from partners for the decommissioning of jointly-operated power stations.

The total impact on the 2003 income statement consequently amounted to €13 million.

- The non-recurrent provisions recorded at 30 June 2003 in respect of subsidiaries and international commitments totalled €2,405 million, comprising:
  - provision on Edison shares and financial commitments: €900 million,
  - provision for depreciation of Fenice goodwill: €175 million,
  - provision on depreciation of Light goodwill and assets: €830 million,
  - provisions for risks, restructuring and depreciation of certain assets of the EnBW group: €500 million.

3 French Law of 9 August 2004 on Public Electricity and Gas Services and Electricity and Gas Companies

The Law of 9 August 2004 on Public Electricity and Gas Services and Electricity and Gas Companies was published on 11 August 2004.
Apart from the change in the legal form of EDF and GDF, from state-owned entities of an industrial or commercial nature to public limited companies (*sociétés anonymes*), this law introduces four main series of measures concerning public service and the joint distribution operator, transposition of EU directives on electricity and gas (principally the transfer of the transmission network operator business to a subsidiary), introduction of the reform for the special electricity and gas sector pensions scheme financing, and separation of the public distribution network from the public transmission network.
It is now the government's task to issue the implementation decrees required by the Law, principally those approving the new articles of association for EDF and GDF, introducing the pension financing reforms, defining the scope of the public transmission network, and approving the public transmission network operator's articles of association

3.1 <u>Adoption of EDF SA's articles of association</u>

EDF will cease to be a state-owned entity of an industrial or commercial nature (EPIC) and become a public limited company (SA) upon publication of the decree fixing the new company's articles of association. The Law requires this decree to be issued by 31 December 2004, and further stipulates that there is continuity of corporate entity, notwithstanding the change in form. All authorisations obtained and contracts previously entered into by the parent company with third parties are therefore unaffected by this change.
The Law also stipulates that the French State will retain at least 70% of the capital of EDF.

3.2 Transfer of the electricity transmission network operator to a subsidiary

Since the Law of 10 February 2000 on the modernisation and development of the public electricity service, the electricity transmission network operator has been managed independently of EDF’s other businesses.
The network operator's duties are to:

- operate and maintain the public electricity transmission network,
- expand the network to enable connection to producers, public distribution networks and consumers, and interconnection with other networks,
- to ensure balanced flows of electricity over the network at all times,
- to ensure network security, safety and efficiency in respect of technical constraints.

EU Directive 2003/54/CE of 26 June 2003 concerning common rules for the internal European electricity market took this notion of independent management further, obliging member states and all businesses concerned to ensure that public electricity transmission network operators are “legally” independent.
This means that companies operating transmission networks must be separate legal entities from electricity producers and suppliers.

The Law of 9 August 2004 has incorporated this obligation into French law, requiring the parent company EDF’s transmission operation business, as currently carried out by RTE, to be transferred to a subsidiary.

The Law stipulates that a company - wholly-owned by EDF, the French state or other state-owned companies or bodies – is to operate the public electricity transmission network. The Law also defines the independent management and operation of this company, to be governed essentially by the rules applicable to public limited companies (*sociétés anonymes).* It requires EDF to transfer the relevant business assets at net book value to this entity, which initially will be fully-owned by EDF. The assets concerned are all facilities making up the public transmission network and all assets of any kind related to the transmission business, based on the most recent unbundled accounts of the EDF parent company.

This new company's articles of association are to be approved by a decree published in the *Journal Officiel* (French Official Gazette), and will take effect from the date of transfer of the business by EDF, planned for the first half of 2005. As of that same date, the company will replace EDF as the public electricity transmission network operator.

3.3 Reform to the special pension scheme for the electricity and gas sector (IEG)

The pension reform will become effective as of 1 January 2005. The practicalities of application are yet to be defined by decree and agreements between the parties. The purpose of the reform is to preserve the special electricity and gas sector (IEG) pension system, given that it can no longer be managed by EDF and GDF. The basic measure is the foundation of a National Electricity and Gas Industries Pension Fund. This fund, a separate legal entity from EDF, will be a jointly-run social security organisation and all employees and employers in the French electricity and gas industries will be required to join.
The pension entitlements of employees in these industries remain unaffected. The only modification concerns the financing methods for special IEG benefits.

This National Electricity and Gas Industries Pension Fund will enter into financial agreements with the CNAV (general national pension system) and the AGIRC-ARRCO (additional pension bodies) under which these funds will from 1 January 2005 finance a portion of the amounts paid out under the special

IEG scheme (the "basic pension" identical to that paid to salaried employees in those standard systems), in return for collecting the final annual contributions, plus if relevant an additional non-recurring fixed full-discharge payment. The technical and financial terms of these agreements, which must be financially neutral for the standard national pension bodies, are yet to be determined through negotiations between them and the IEG.

The "specific benefits " payable under the IEG pension scheme (i.e. additional to basic pensions) earned up to 31 December 2004 by employees in the regulated electricity transmission and distribution businesses, and if applicable any non-recurring fixed full-discharge contribution, will be financed by a levy based on electricity transmission and distribution prices introduced by the new Law.

However, the IEG companies themselves will finance specific benefits earned up to 31 December 2004 by employees of the other businesses (principally production and supply), and all specific future benefits earned from 1 January 2005 for all their businesses.

The State Guarantee will cover all past specific benefits.

The financial agreements currently under negotiation with the standard pension funds, and the decrees implementing the pension financing reform, are due to be finalised by the end of the year.EDF should thus be able to determine the amount of the provision to be charged to equity both for specific benefits vested at 31 December 2004 and for the non-recurring payments insofar as they relate to businesses other than transmission and distribution. Those provisions will be recorded at 1 January 2005 when the new system takes effect.

3.4 Distribution concessions

Following an agreement between EDF and the Fédération Nationale des Collectivités Concédantes et des Régies (FNCCR) under the aegis of the French government, concerning the precisely-defined separation of public transmission networks from public distribution networks, the Law defines the classification method for attribution of the French transmission grid assets (RAG) to one network or the other. It also stipulates that facilities belonging to the public transmission networks will be transferred as part of the business transfer to the new transmission network operator company.

Facilities previously classified as part of the French transmission grid assets (RAG) that are attributed to the public distribution networks will be transferred for no consideration to the relevant local authorities, with EDF remaining the owner of the HV/LV transforming substations. Transferred facilities will be reclassified from own plant to concessionary plant at net book value.

Under the same agreement with the local authority representatives, notwithstanding any clauses to the contrary in the public electricity distribution concession contracts, EDF no longer has any financial obligation to the conceding authority regarding replacement of plants once the concession has expired. The provisions for future renewal charges established prior to 1 January 2005 will be used, insofar as to necessary, to cover replacement obligations for facilities previously classified as part of the French transmission grid assets (RAG) and now transferred to the public distribution network, where renewal is due before expiry of the concessions

The accounting methods applicable for the transfer of assets, and the financial impact on the opening balance sheet, are currently under examination in preparation for application at 1 January 2005, in accordance with the Law.

3.5 EDF SA's financial statements

The law includes additional stipulations regarding the opening balance sheet for the public limited company (SA) and the accounting treatment of the measures concerning pensions and concessionary plant:

- the SA's balance sheet at 31 December 2004 will be established based on the state-owned company EDF's balance sheet at 31 December 2003 and its income statement for 2004;
- exceptional charges and income resulting from the measures affecting pensions and concessions will be charged to the companies' equity. For tax purposes, this will be considered equivalent to inclusion in the income statement.

4 Significant events of the half-year

4.1 Decision of the European Commission

Following the European Commission's decision of 16 December 2003 notified to France on 17 December 2003, EDF's parent company recognised a tax liability of €1,217 million in 2003: €889 million recorded against equity in respect of corporation tax not paid in 1997 upon reclassification of concessionary duties on the French transmission grid assets (RAG) as equity, and €328 million of financial expenses representing the corresponding interest.

A total of €1,224 million, including €7 million in interest accrued over 2004, was paid to the French state in February 2004.
EDF has applied for cancellation of the European Commission's decision, through an appeal lodged with the European Court of First Instance on 27 April 2004.

4.2 Contribution to the Public Electricity Service in France

In France, ministerial decisions of 28 February 2004 set the Contribution to the Public Electricity Service (CSPE) at €4.50 per MWh, and simultaneously reduced electricity supply prices by €1.20 per MWh, with retroactive effect to 1 January 2004.

5 Changes in the scope of consolidation

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

There were no significant changes in the scope of consolidation during the first half-year of 2004. The operations undertaken mainly concerned changes in percentage ownership.

For EnBW, these changes concerned EDF's participation in the capital increase undertaken as part of the refinancing process begun in June 2004, and the ongoing divestment of non-strategic businesses, principally the sale of the APCOA subgroup.

For EDF Energy, following a review of shareholder agreements, Metronet, which was previously proportionately consolidated, is accounted for under the equity method as of 30 June 2004.

5.2 Changes in the scope of consolidation in the first half-year of 2003

The major changes in the scope of consolidation during the first half of 2003 were the consolidation of the following wholly owned subsidiaries of EDF International with effect from 1 January 2003:

- HISPAELEC,
- EDF ENERGIA ITALIA.

Both companies are energy suppliers.

Other changes concerned:

- EnBW: acquisition of 77% of the Swiss company KWL (ED Group), fully consolidated in the EnBW consolidation as of 1 January 2003, and acquisition of the remaining shares in NWS, Salamander and TAE.
- TIRU: acquisition of two waste processing (incineration) companies CIDEM and CYDEL, wholly owned and fully consolidated as of 1 January 2003.

6 Information by business segment and geographical area

Segment reporting corresponds to the Group's internal organisation, 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 areas.

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

Inter-segment transactions take place 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 refers to EDF's parent company;
- **"Europe"**, which groups together subsidiaries in continental and western Europe, the Mediterranean and Africa;
- "**Rest of the World"**, which covers subsidiaries in the Americas and Asia;
- **"EDF Trading"**;
- **"Other"**, which covers the subsidiaries of the Energy, Development and Dalkia divisions, as well as other non-specialist subsidiaries worldwide.

- At 30 June 2004:

(in millions of euros)	France	Europe	Rest of the World	EDF Trading	Other	Eliminations	Total
SALES :							
External sales	15 192	6 584	1 025	164	1 065		24 030
Inter-segment sales	82	45	-	-	124	(251)	-
Total Sales	**15 274**	**6 629**	**1 025**	**164**	**1 189**	**(251)**	**24 030**
OPERATING PROFIT	**3 029**	**868**	**33**	**124**	**169**		**4 223**
BALANCE SHEET :							
Property, plant and equipment and intangible assets	75 589	19 020	2 993	54	2 803		100 459
Investments in companies accounted for under the equity method	-	1 622	102	-	461		2 185
Other segment assets (1)	17 027	7 487	1 232	2 856	1 881		30 483
Other non-allocated assets							12 850
Total Assets	**92 616**	**28 129**	**4 327**	**2 910**	**5 145**		**145 977**
Segment liabilities (2)	73 836	8 637	969	2 700	2 108		88 250
Other non-allocated liabilities							57 727
Total Liabilities	**73 836**	**8 637**	**969**	**2 700**	**2 108**		**145 977**
OTHER INFORMATION :							
Investments in intangible and tangible assets	1 100	667	136	6	81		1 990
Depreciation	(1 624)	(492)	(84)	(4)	(83)		(2 287)

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

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

- At 30 June 2003:

Figures published at 30 June 2003 have been restated in accordance with the geographical areas defined for segment reporting at 31 December 2003.

(in millions of euros)	France	Europe	Rest of the World	EDF Trading	Other	Eliminations	Total
SALES :							
External sales	14 688	6 370	980	174	977		23 189
Inter-segment sales	165	45	-	-	112	(322)	-
Total Sales	**14 853**	**6 415**	**980**	**174**	**1 089**	**(322)**	**23 189**
OPERATING PROFIT	**5 303**	**481**	**(421)**	**118**	**178**		**5 659**
BALANCE SHEET :							
Property, plant and equipment and intangible assets	78 253	18 024	3 061	49	2 670		102 057
Investments in companies accounted for under the equity method	-	1 550	110	-	535		2 195
Other segment assets (1)	17 402	7 638	1 368	1 696	1 812		29 916
Other non-allocated assets							13 988
Total Assets	**95 655**	**27 212**	**4 539**	**1 745**	**5 017**		**148 156**
Segment liabilities (2)	74 036	8 281	1 073	1 835	2 072		87 297
Other non-allocated liabilities							60 859
Total Liabilities	**74 036**	**8 281**	**1 073**	**1 835**	**2 072**		**148 156**
OTHER INFORMATION :							
Investments in intangible and tangible assets	1 034	633	233	3	75		1 978
Depreciation	(1 504)	(527)	(76)	(4)	(52)		(2 163)

(1) Other segment assets include goodwill arising from consolidation, inventories, trade receivables and other receivables excluding income tax receivables.
(2) Segment liabilities include special concession accounts, provisions for the end of nuclear fuel cycle, provisions for decommissioning and last core, provisions for employee benefits, provisions for renewal of plants under concession, other provisions for risks and expenses (excluding provisions for risks associated with investments and provisions for tax risks), trade payables and other liabilities (excluding current tax liabilities).

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	Consolidated
First half-year 2003	14 279	7 675	1 061	174	**23 189**
First half-year 2004	14 810	7 899	1 157	164	**24 030**

6.3 Reporting by business segment

The Group's businesses are divided into the following segments:

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

(in millions of euros)	Generation - Supply	Distribution	Transmis-sion	Other	Eliminations	Total
First half-year 2003 :						
External sales	19 184	1 150	375	2 480	-	23 189
- France	*13 828*	*387*	*315*	*158*		*14 688*
- rest of the world	*5 356*	*763*	*60*	*2 322*		*8 501*
Inter-segment sales (1)	694	5 705	1 778		(8 177)	-
Total Sales	**19 878**	**6 855**	**2 153**	**2 480**	**(8 177)**	**23 189**
Segment assets	57 613	46 920	12 623	15 011	(561)	131 606
Non-allocated assets including EDF's share of goodwill on acquisition of EnBW and EDF Energy						*16 550*
Investments for the period (tangible & intangible)	477	1 044	183	274		1 978
First half-year 2004 :						
External sales	20 401	1 237	430	1 962		24 030
- France	*14 187*	*496*	*351*	*159*		*15 193*
- rest of the world	*6 214*	*741*	*79*	*1 803*		*8 837*
Inter-segment sales (1)	671	5 752	1 730	343	(8 496)	-
Total Sales	**21 072**	**6 989**	**2 160**	**2 305**	**(8 496)**	**24 030**
Segment assets	56 039	49 894	12 244	13 093	(929)	130 341
Non-allocated assets including EDF's share of goodwill on acquisition of EnBW and EDF Energy						15 636
Investments for the period (tangible & intangible)	437	1 150	193	210	-	1 990

(1) For France the distribution and transportation costs integrated into tariffs are presented as inter-segment sales.

7 Sales

Sales are comprised of:

(in millions of euros)	1st half-year 2004	1st half-year 2003	Year 2003
Sales of energy, energy-related services and Trading	22 219	20 541	41 136
Other sales of goods and services	1 811	2 648	3 783
Sales	**24 030**	**23 189**	**44 919**

Consolidated sales for the first half of 2004 increased by 3.6 % compared to the corresponding period of 2003.

Based on constant exchange rates and scope of consolidation, the increase would be 5.8%.

8 Purchases and other external expenses

Purchases and external expenses comprise:

(in millions of euros)	1st half-year 2004	1st half-year 2003	Year 2003
Fuel purchases used - power generation	(2 171)	(2 035)	(4 164)
Energy purchases	(4 220)	(3 904)	(7 516)
Services	(4 080)	(3 926)	(8 614)
Other purchases	(2 053)	(2 269)	(4 148)
Change in stock of goods and work in progress and capitalised production	853	862	1 888
Purchases and other expenses	**(11 671)**	**(11 272)**	**(22 554)**

This corresponds to a 7 % change between first-half 2004 and first-half 2003 based on identical exchange rates and scope of consolidation.

9 Average workforce

	Workforce as at 1st half-year 2004			Workforce as at 1st half-year 2003		
	IEG status	Other	Total	IEG status	Other	Total
Management	26 563	4 312	30 875	25 986	3 760	29 746
Supervisors and technicians	84 921	44 486	129 407	86 595	53 705	140 300
Workforce	**111 484**	**48 798**	**160 282**	**112 581**	**57 465**	**170 046**

For proportionally consolidated companies, personnel are included pro rata with the Group's percentage interest.

10 Other operating income and expenses

Other operating income and expenses comprise:

(in millions of euros)	1st half-year 2004	1st half-year 2003	Year 2003
Operating subsidies	962	797	1 462
Share in the profits from jointly operated activities	(4)	5	(27)
Other income and expenses	(268)	(385)	(578)
Gains on disposal of fixed assets	72	54	57
Other non-recurring income and expenses	1	0	(41)
Other operating income and expenses	**763**	**471**	**873**

Operating subsidies mainly comprise the compensation to be received in respect of public service costs.

Following the notification issued on 8 March 2004 by the French Energy Regulator CRE, and the publication on 30 March 2004 of the decision setting the Contribution to the Public Electricity Service (CSPE) for 2004, an additional subsidy of €155 million and a €36 million reduction in charges were recorded by the EDF parent company in respect of the Public Service Fund for Electricity Generation (FSPPE) levy for 2002.

11 Net (increase) decrease in provisions

Details of increases and decreases in provisions are as follows:

(in millions of euros)	1st half-year 2004	1st half-year 2003	Year 2003
(Increase) decrease in provisions for risks and expenses	(119)	2 156	988
(Increase) decrease in provisions for depreciation of fixed assets	(117)	(528)	(713)
(Increase) decrease in provisions for depreciation of current assets	(70)	(64)	(19)
Net (increase) decrease in provisions	**(306)**	**1 564**	**256**

During the first half-year of 2003, €2,465 million of reversals of provisions concerned decommissioning and last core provisions and other provisions for risks following changes in the useful life of nuclear power stations.
Following subsequent developments in the IFRIC's position as described in note 2, EDF allocated this amount to the corresponding assets at 31 December 2003.

In 2003, net reversals of provisions for risks and charges included the effect on provisions of the physical inventory of assets: a €523 million adjustment was recorded during the second half-year of 2003.

Following impairment tests, provisions for depreciation of fixed assets of €534 million were recorded in respect of Light in 2003, and €119 million for various subsidiaries in 2004.

12 Interest expenses

Interest expenses are comprised of:

(in millions of euros)	1st half-year 2004	1st half-year 2003	Year 2003
Expenses on long-term financial liabilities and assets	(660)	(763)	(1 473)
Expenses from leased asset receivables	(18)	(19)	(35)
Income (expenses) on short-term financial liabilities and assets	57	4	67
Income (expenses) on disposal of short-term financial assets	4	10	10
Interest expenses	**(617)**	**(768)**	**(1 431)**

13 Foreign exchange result

The foreign exchange result is comprised of:

(in millions of euros)	1st half-year 2004	1st half-year 2003	Year 2003
Realised foreign exchange result	15	(31)	(10)
Unrealised foreign exchange result	(66)	142	34
Foreign exchange result	**(51)**	**111**	**24**

14 Other financial income and expenses

Other financial income and expenses are comprised of:

(in millions of euros)	1st half-year 2004	1st half-year 2003	Year 2003
Revenue from investments	63	134	110
Net income on disposal of financial investments	34	9	164
Net income on disposal of consolidated entities	51	2	116
(Expenses) from discounting long-term provisions	(733)	(722)	(1 462)
(Allowances) and reversal of provisions for investments	76	(217)	91
(Allowances) and reversal of provisions for other investments	(11)	(24)	(10)
(Allowances) and reversal of provisions for short-term financial assets	(4)	21	20
(Allowances) and reversal of provisions for financial risks and expenses	(38)	(872)	(910)
Other	26	83	(225)
Other financial income and expenses	**(536)**	**(1 586)**	**(2 106)**

In 2003, a provision of €855 million was booked for financial risks in respect of the put options granted to other Italenergia Bis shareholders (see note 27).Other financial income and expenses in the second half-year of 2003 also included €328 million of interest due as a result of the European Commission's decision.

15 Income taxes

The Group's total tax charge amounts to €1,211 million. This represents a 40.1% tax rate on the income from consolidated companies before taxes and goodwill amortisation, compared to 55% for the first half-year of 2003, and 47.2% for the year 2003.

The effective tax rate for 2003 reflected the non-deductibility of provisions on Italenergia Bis' financial commitments, and the non-recognition of all deferred tax assets related to loss carryforwards and depreciation on assets recorded during the year.

16 Goodwill

Goodwill comprises the following:

(in millions of euros)	30.06.2004	31.12.2003
Gross value - opening balance	7 421	7 691
Accumulated depreciation, amortisation and provisions - opening balance	(1 762)	(943)
Net book value -opening balance	**5 659**	**6 748**
Acquisitions	235	291
Disposals	(15)	(35)
Depreciation allowances	(299)	(844)
Translation rate adjustments	130	(223)
Other movements	(119)	(278)
Net book value -closing balance	**5 591**	**5 659**
Accumulated depreciation, amortisation and provisions - closing balance	(2 073)	(1 762)
Gross value - closing balance	7 664	7 421

Net consolidated goodwill concerns the European subsidiaries (€4,507 million), other subsidiaries (€913 million) and the South American subsidiaries (€171 million).

Impairment tests on consolidated goodwill were updated for subsidiaries whose revised medium-term plans were approved during the first half-year. For other subsidiaries, the impairment tests will be updated by the 31 December 2004 closing.
As a result of the tests carried out, additional amortisation of €115 million was booked at 30 June 2004.

17 Property, plant and equipment

The net value of property, plant and equipment is distributed as follows:

(in millions of euros)	30.06.2004	31.12.2003
Property, plant and equipment owned by the Group	57 354	56 710
Property, plant and equipment operated under concessions	37 598	37 709
Fixed assets in progress	4 149	3 826
Leased Property, plant and equipment assets	277	767
Total Property, plant and equipment	**99 378**	**99 012**

17.1 Variation in plants owned by the Group

(in millions of euros)	Land & Buildings	Nuclear power stations	Thermal power stations & Hydraulic power stations	Networks	Other installations, plant, machinery & equipment	Total
Gross values at 31.12.2003	**14 977**	**43 131**	**10 186**	**34 806**	**10 222**	**113 322**
Increases	36	10	196	433	405	1 080
Decreases	(119)	(17)	(1)	(34)	(123)	(294)
Translation rate adjustment	49	-	106	424	64	643
Changes in the scope of consolidation	92	39	21	208	(59)	301
Other movements	21	(31)	720	48	(54)	704
Gross values at 30.06.2004	**15 056**	**43 132**	**11 228**	**35 885**	**10 455**	**115 756**
Depreciation & provisions at 31.12.2003	**(6 632)**	**(26 207)**	**(6 409)**	**(11 551)**	**(5 813)**	**(56 612)**
Depreciation allowances	**(195)**	**(372)**	**(159)**	**(497)**	**(330)**	**(1 553)**
Net provisions for depreciation	**(5)**	**(18)**	**(21)**	**-**	**(90)**	**(134)**
Disposals	**50**	**14**	**1**	**32**	**108**	**205**
Translation rate adjustment	**(13)**	**-**	**(27)**	**(68)**	**(26)**	**(134)**
Changes in the scope of consolidation	**(9)**	**(20)**	**(51)**	**(42)**	**58**	**(64)**
Other movements	**(32)**	**(22)**	**(90)**	**(9)**	**43**	**(110)**
Depreciation & provisions at 30.06.2004	**(6 836)**	**(26 625)**	**(6 756)**	**(12 135)**	**(6 050)**	**(58 402)**
Net values at 31.12.2003	**8 345**	**16 924**	**3 777**	**23 255**	**4 409**	**56 710**
Net values at 30.06.2004	**8 220**	**16 507**	**4 472**	**23 750**	**4 405**	**57 354**

At 30 June 2004, the Group booked a depreciation expense of €119 million on certain items of property, plant and equipment (see note 11).

17.2 Variation in plants operated under concession

(in millions of euros)	Land & Buildings	Thermal & hydraulic power stations	Networks	Other installations, plant, machinery & equipment & other fixed assets	Total
Gross values at 31.12.2003	**2 663**	**8 168**	**48 082**	**2 196**	**61 109**
Increases	3	1	359	31	394
Decreases	(11)	-	(75)	(23)	(109)
Translation rate adjustment	(6)	(3)	(39)	26	(22)
Changes in the scope of consolidation	-	-	-	-	-
Other movements	(7)	4	312	3	312
Gross values at 30.06.2004	**2 642**	**8 170**	**48 639**	**2 233**	**61 684**
Depreciation & provisions at 31.12.2003	**(1 576)**	**(4 353)**	**(16 568)**	**(903)**	**(23 400)**
Depreciation allowances and recoveries	**(13)**	**(56)**	**(28)**	**(34)**	**(131)**
Net provisions for depreciation	-	-	-	-	-
Disposals	**12**	**-**	**71**	**22**	**105**
Translation rate adjustment	**(1)**	**1**	**23**	**(7)**	**16**
Changes in the scope of consolidation	-	-	-	-	-
Other movements	**2**	**(17)**	**(623)**	**(38)**	**(676)**
Depreciation & provisions at 30.06.2004	**(1 576)**	**(4 425)**	**(17 125)**	**(960)**	**(24 086)**
Net values at 31.12.2003	**1 087**	**3 815**	**31 514**	**1 293**	**37 709**
Net values at 30.06.2004	**1 066**	**3 745**	**31 514**	**1 273**	**37 598**

(1) Other movements mainly concern assets contributed for no consideration.
(2) Other movements mainly concern depreciation of the interest in special concession assets and amortisation of EDF financing.

The heading “Plants operated under concession” includes plants under concession from the following countries: France, Argentina, Brazil, Ivory Coast, China and Switzerland.

18 Investments

18.1 Changes in investment portfolios

Changes in investment portfolios are as follows:

(in millions of euros)	Non-consolidated investments	Other investments	Investment securities	Other financial assets	Total long-term investments	Provisions	Net long-term investments
31.12.2003	**1 646**	**149**	**4 887**	**1 586**	**8 268**	**(953)**	**7 315**
Acquisitions	78	32	221	201	532	(42)	490
Disposals	(92)	(2)	(95)	(240)	(429)	107	(322)
Changes in scope of consolidation	(48)	-	118	8	78	(7)	71
Translation adjustement	1	-	-	4	5	-	5
Other changes	1	6	-	(13)	(6)	-	(6)
30.06.04	**1 586**	**185**	**5 131**	**1 546**	**8 448**	**(895)**	**7 553**

Investment securities are mainly held by the parent company and EnBW at net book values of €2,552 million and €2,177 million respectively. Unrealised gains on these investment portfolios total €226 million.

Some of these securities take the form of dedicated French investment funds. Details are as follows:

	30.06.04		**31.12.03**	
	Net book value	Market value	Net book value	Market value
Dedicated equity funds	738	738	680	680
Dedicated bond funds	200	200	198	198
Total dedicated investment funds	**938**	**938**	**878**	**878**

18.2 Non-consolidated investments

(en millions d'euros)	**30.06.2004**	**31.12.2003**
Areva	123	123
Italenergia bis	590	590
Investments of less than 100 million euros	874	933
Non-consolidated investments - gross	**1 587**	**1 646**
Provisions for other investments	(310)	(306)
Non-consolidated investments - net	**1 277**	**1 340**

19 Short-term financial assets

Short-term financial assets comprise the following:

(in millions of euros)	**30.06.2004**	**31.12.2003**
Marketable securities	2 667	2 755
Other short-terme financial assets (maturity > 3 months)	330	317
Short-term financial assets	2 997	3 072

20 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)	**30.06.2004**	**31.12.2003**
Cash	1 046	1 870
Marketable securities	341	417
Financial current accounts	158	151
Other short-term financial assets (maturity < 3 mois)	121	85
Cash and cash equivalents	**1 666**	**2 523**

21 Provisions for end of nuclear fuel cycle

The variation in provisions for end of nuclear fuel cycle is broken down as follows at 30 June 2004:

	31.12.2003	**Increases**	**Decreases**		**Other**	**30.06.2004**
(in millions of euros)			**Utilisations**	**Reversals**	**changes**	
Provisions for reprocessing of nuclear fuel	10 899	619	(446)	(38)	15	11 049
Provisions for disposal and storage of the resulting waste	3 759	126	(44)	(9)	3	3 835
Provisions for end of nuclear fuel cycle	14 658	745	(490)	(47)	18	14 884

21.1 Provisions for reprocessing of nuclear fuel

21.1.1 Provisions for reprocessing of the parent company's nuclear fuel

The provision for reprocessing of burnt fuel is estimated on the basis of the EDF-COGEMA agreement of 30 August 2001 and transitional agreements concluded during 2002 and 2003 which were finalised on 24 August 2004, when the final contract for the period 2001-2007 was signed.

A provisional disbursement schedule is drawn up based on the quantities to be removed and/or reprocessed at 30 June 2004. These quantities cover the total duration of the contract signed on 24 August 2004 and a portion of the subsequent contract or contracts.

Beyond the period covered by the contract, the provision is estimated based on prudent assumptions set by the company's experts based on the existing contractual conditions.

This provision also includes EDF's share of the costs of recovery and reconditioning of old waste resulting from the treatment process and EDF's contribution towards the decommissioning costs for the La Hague plant.

These estimates remain unchanged since 31 December 2003, when they were updated based on the general terms and conditions of agreements reached with COGEMA in 2003, taking into account the preliminary results of the overall negotiation process between the two companies to define:
On one hand :

- the legal and financial terms of a transfer to COGEMA of EDF's current financial obligations in terms of its contribution towards the decommissioning of La Hague. These were determined on

the basis of a quotation supplied by SGN (a subsidiary of COGEMA) and could include a payment for discharge from the long-term commitment;
- EDF’s financial contribution towards the recovery and reconditioning of old waste;

And on the other hand, the financial terms of a future reprocessing contract for fuels burnt after 2007.

By July 2003, common positions were already agreed by the parties regarding the revision of the initial quotation for the decommissioning of La Hague and calculation of the respective contributions to this decommissioning. Despite further progress in the negotiations, the terms of a global agreement had not been finalised at 30 June 2004.

The amount of the provision for reprocessing burnt fuel is therefore determined as follows:

- EDF’s share and the basis of the decommissioning costs for the La Hague reprocessing plant are determined using data common to both companies as described above.
- The provisional disbursement schedule and the inflation and discount rates are based on data common to both EDF and COGEMA.

The terms on which EDF could be released from its obligations in respect of the recovery and conditioning of waste and the decommissioning of the La Hague plant have not yet been finalised with COGEMA. This issue is assessed on the basis of prudent assumptions established by EDF's experts.

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.

Finally, the provision for decommissioning the Marcoule UNGG burnt fuel reprocessing plant is determined on the basis of:
- a quotation provided by COGEMA in 1994 and EDF’s estimate of its contribution to the financing of the GIE CODEM (made up of the various entities involved in the Marcoule decommissioning),
- the timing and discounting of disbursements based on a three-phase schedule (final discontinuation of generating operations, decommissioning and conditioning of waste, closure), also estimated by EDF.

21.1.2 Provisions for end-of-cycle expenses for subsidiaries' nuclear fuels

These provisions essentially concern the elimination of burnt fuels and radioactive waste for the EnBW group. The recycling costs are determined based on the relevant contracts.

21.2 Provisions for the disposal and storage of radioactive waste

For the EDF parent company these provisions cover expenses related to:

- monitoring of the Manche storage facility, as well as monitoring and coverage of the Aube 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,
- long-term management of long-life high-radioactivity waste, in accordance with the Law of 30 December 1991.

The Law of 30 December 1991 imposed a 15-year period of research into three key aspects of radioactive waste disposal and storage, with a view to enabling the country to choose the right long-term management solution for waste with high radioactivity and a long life by the end of 2006. Of the three main strands of this research, the international scientific community currently considers geological storage the appropriate benchmark solution. This is also the solution adopted by the countries that are closest to implementing a long-term management solution for waste with high radioactivity and a long life (e.g. the United States, Finland, etc.).

At present, the provision is based on the assumption that waste with high radioactivity and a long life resulting from the reprocessing of EDF’s burnt fuel will be stored deep underground in clay-rich soil.
The provisional disbursement schedule is based on a quotation for the industrial storage cost established and published in 1996 by the French national radioactive waste management agency ANDRA (*Agence Nationale pour la Gestion des Déchets Radioactifs*). This quotation takes account of existing waste and waste that will be produced once all quantities burnt at 30 June 2004 have been processed.
ANDRA's 1996 quotation is currently being updated. A working party was set up in early 2004 by the French department for Energy and Raw Materials (*Direction Générale de l’Energie et des Matières Premières* - DGEMP) comprising members representing the relevant government departments and energy producers (EDF, AREVA, CEA), to define a basis for identification and specification of the assumptions and technical data required for calculating benchmark costs for deep-level geological storage.
This working party is due to issue an initial report by the end of 2004, followed by a more detailed report by the second half of 2005.

22 Provisions for decommissioning and last core

The variation in decommissioning and last core provisions is broken down as follows at 30 June 2004:

(in millions of euros)	**31.12.2003**	**Increases**	**Decreases**		**Other changes**	**30.06.2004**
			Utilisations	**Reversals**		
Provisions for decommisioning	10 477	273	(61)	(8)	45	10 726
Provisions for last core	1 624	40	-	(18)	(18)	1 628
Provisions for decommissioning and last core	12 101	313	(61)	(26)	27	12 354

22.1 Decommissioning provisions

In respect of the EDF parent company, these concern the decommissioning of:
- PWR nuclear power stations currently in operation and nuclear power stations that have been permanently shut down (first-generation power stations and the Creys-Malville station)
- non-nuclear power stations.

22.1.1 Decommissioning provisions for nuclear power stations belonging to the EDF parent company

- For Pressurised Water Reactor (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 cost to be used as a basis for calculation and confirmed the assumptions defined in 1979 by the PEON commission, which estimated decommissioning costs as approximately 15% of investment expenditure as a ratio to net continuous power. 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 concerning 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 recognised under the conditions described in paragraph 1.11 of the notes to the financial statements at 31 December 2003.

In application of the principle whereby assets and liabilities are not netted when estimating the provisions for risks and expenses, 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 first-generation nuclear power stations, the provision is based on the cost of work already completed and on studies, quotations and a comparison made by the Company in the light of EDF's decommissioning programme. Forecast disbursements, based on internally-prepared schedules, are adjusted to reflect inflation, then discounted. This provision may change, depending on the results of technical studies concerning the practical aspects of the decommissioning. A more reliable estimate is expected by 2004-2005.

- Decommissioning and last core provisions also include a provision booked for the decommissioning costs for the Phénix and Brennilis power stations.

22.1.2 Decommissioning provisions for non-nuclear power stations belonging to the EDF parent company

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

22.1.3 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 account of all regulatory and environmental regulations known to date in Germany. The costs are calculated on the assumption of direct decommissioning of the stations.

22.2 Provision for last core

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

- depreciation 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 30 June 2004;
- the cost of fuel reprocessing and the corresponding waste disposal and storage costs. These costs are measured under the same principles as the provisions relating to reprocessing and the removal and storage of waste.

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 recognised as described in paragraph 1.11 of the notes to the financial statements at 31 December 2003.

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 21 and 22, particularly in terms of cost, inflation rate, long-term discount rate, and disbursement schedules, a revised estimate is established at each closing date to reduce 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.

No change was made to the assumptions at 30 June 2004.

23 Other provisions for risks and expenses

The variation in provisions for risks and expenses is broken down as follows at 30 June 2004:

	31.12.2003	Increases	Decreases		Other changes	30.06.2004
			Applications	Reversals		
(in millions of euros)						
Provisions for risks related to investments	858	26	(1)	-	-	883
Provisions for tax liabilities	37	2	-	(2)	1	38
Other provisions for risks	1 354	130	(199)	(39)	(2)	1 244
Provisions for restructuring	88	1	(17)	-	11	83
Other provisions for expenses	1 175	262	(135)	(8)	18	1 312
Other provisions for risks and expenses	**3 512**	**421**	**(352)**	**(49)**	**28**	**3 560**

23.1 Provisions for risks related to investments

In 2003, a €45 million provision in respect of IEB shares and a €855 million provision for risks on share purchase commitments relating to the put and call options (see note 30.1 of the notes to the financial statements at 31 December 2003) were recognised.

During the first half-year of 2004, the calculations were revised in the light of available business plans. The provision for risks remained unchanged following this revision.

23.2 Other provisions for risks

This heading principally comprises provisions for litigation and onerous contracts.

As regards the EDF parent company, provisions for onerous contracts amount to €328 million, comprising:

- A provision for loss on an energy purchase contract with SNET equivalent to the difference over the life of the contract between the contractual purchase cost and the forecast price of electricity on the European market. At 30 June 2004 this provision amounts to €192 million. The decrease of €72 million in the first half of 2004 is essentially due to a reversal following application of the provision over the period. The annual estimation of this provision is particularly sensitive to the assumptions adopted concerning the electricity market price trends, the price of coal and the Euro/US dollar parity.

- A provision for loss on contracts for electricity sales representing the difference between the direct cost of nuclear production and the sale price of the quantities of energy to be supplied over the life of these contracts. A further provision of €34 million was booked at 30 June 2004 to reflect the €1.20 per MWh "regulated green tariff" decrease effective from 1 January 2004. At 31 December 2003 this provision amounted to €136 million.

The provisions for onerous contracts concerning subsidiaries amount to €203 million for EnBW and €248 million for EDF Energy.

23.3 Other provisions for charges

This heading essentially includes a provision of €333 million to cover EDF's share of the expenses relating to work programmes adopted by the Fund for Amortisation of Electrification Charges established for work to be done in future years.

23.4 Contingent liabilities

- Water emissions from the Saint Chamas power station into Berre lake: EDF's appeal before the European Court of Justice (ECJ)

Following the ruling by the European Court of Justice (ECJ) on 15 July 2004, a French Appeal Court is to be appointed to judge the substantive merits of the case.
Based on the information available to date, no provision has been established in connection with this matter.

24 Loans and other financial liabilities

24.1 Variation 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
31 December 2003	**13 268**	**4 073**	**11 432**	**255**	**576**	**29 604**
Increases	487	380	4 006	-	173	5 046
Decreases	(3 174)	(469)	(2 190)	(12)	(187)	(6 032)
Changes in scope of consolidation	(229)	25	22	1	1	(180)
Translation adjustements	229	58	288	-	-	575
Other	-	24	48	-	(72)	-
30 June 2004	**10 581**	**4 091**	**13 606**	**244**	**491**	**29 013**

Other financial liabilities are mainly carried by the EDF parent company for €9,471 million at 30 June 2004, and principally comprise Euro Medium Term Notes.

24.2 Net indebtedness

Changes in net indebtedness:

(in millions of euros)	30.06.2004	31.12.2003
EBITDA	**6 816**	**11 026**
Cancellation of non-monetary items included in EBITDA	(28)	28
Dividends received from companies accounted for under the equity method	51	79
Change in net working capital	(240)	17
Other items	(137)	(110)
Net cash flow from operations	**6 462**	**11 040**
Acquisitions of tangible and intangible assets, net of disposals	(1 994)	(4 621)
Interest and financial expenses	(592)	(1 007)
Income tax paid	(1 838)	(3 337)
Tax and interest paid following the decision of the European Commission	(1 224)	-
Free cash flow	**814**	**2 075**
Investments (including investments in consolidated companies)	(395)	284
Dividends paid	(355)	(271)
Increase in capital and variation in other equity	105	222
Other items	13	(109)
Monetary decrease in net indebtedness	**182**	**2 201**
Effect of change in scope of consolidation	22	(354)
Effect of exchange rate fluctuations	(533)	1 015
Effect of other non-monetary changes	(12)	(8)
(Increase) / Decrease in net indebtedness	**(341)**	**2 854**
Net indebtedness at beginning of period	**24 009**	**26 863**
Net indebtedness at end of period	**24 350**	**24 009**

25 Special purpose entities

Debt securitization operations (the mutual debt fund Titriwatt) have been discontinued.

The Electra investment fund has been restructured and no longer meets the requirements for consolidation.

26 Financial instruments

EDF uses financial instruments to limit the impact of the foreign exchange rate risk on equity and the income statement, and to hedge its interest rate risk.

The main financial off-balance sheet commitments concern the EDF parent company. Details of its financial instruments, excluding swaps internal to the Group, are as follows:

(in millions of euros)		30.06.2004 To be received Notional	30.06.2004 To be given Notional	31.12.2003 To be received Notional	31.12.2003 To be given Notional
1-Transactions on interest rates in euro:					
Sales of EUREX contracts					569
Purchases of EUREX contracts option		80			
Sales of EUREX contracts option			730		
Sales of PIBOR contracts option		400			
Purchases of CAP contracts		2 750		2 750	
Sales of CAP contracts			100		100
Interest rate swaps - short-term		1 050	1 050		
In foreign currencies:					
Purchases of FLOOR contracts	HUF	169		162	
Sales of FLOOR contracts	HUF		169		162
Purchases of CAP contracts	HUF	169		162	
Sales of CAP contracts	HUF		169		162
Interest rate swaps - short-term		41	41		
Interest rate swaps - long-term					
in euros:		3 890	3 890	4 727	4 727
In foreign currencies:					
	CHF	262	262	257	257
	GBP	149	149		
	USD	247	247	238	238
Subtotal		**9 207**	**6 807**	**8 296**	**6 215**
2-Transactions on foreign exchange rate					
Forward transactions :					
Euro value of foreign currency commitments :					
	FRF				
	EUR	205	283	498	174
	USD	282	283	88	436
	Other	33		93	95
Currency swaps - long-term :					
Euro value of foreign currency commitments :					
	EUR	4 171	1 930	4 324	1 756
	JPY	78		37	
	USD	1 308	329	1 219	317
	GBP		3 351		3 331
	CHF	98	118	96	96
	HUF		217		208
	Other	157	20	74	19
Subtotal		**6 332**	**6 531**	**6 429**	**6 432**
3- Other transactions					
Securitisation swaps		1 392	1 392	1 927	1 927
Sales of investment contracts / bonds		474			
Sales of investment contracts / BTAN		203			
Subtotal		**2 069**	**1 392**	**1 927**	**1 927**
Financial off-balance sheet commitments		**17 608**	**14 730**	**16 652**	**14 574**

27 Off balance sheet commitments

The group's off balance sheet commitments, including the share purchase commitments described in the notes to the financial statements at 31 December 2003, have undergone no material changes during the first half-year of 2004.

These commitments at 30 June 2004 are summarised below:

	Maturity			
(In millions of euros)	**Total**	**less than 1 year**	**1 - 5 years**	**more than 5 years**
OFF-BALANCE SHEET COMMITMENTS GIVEN				
1/ Operating commitments				
Satisfactory performance, completion and bid guarantees	**806**	121	193	492
Commitments related to commercial contracts	**677**	240	103	334
Commitments related to orders for operating items and fixed assets	**5 847**	2 520	3 306	21
Other operating commitments	**1 828**	117	1 471	240
2/ Financing commitments				
Guarantees related to borrowings	**2 833**	52	1 590	1 191
Other financing commitments	**175**	61	1	113
3/ Investment commitments				
Purchasing and divestment commitments	**7 642**	140	5 153	2 350
Other investment commitments	**300**	0	27	273
OFF-BALANCE SHEET COMMITMENTS RECEIVED				
1/ Operating commitments	**353**	45	300	8
2/ Financing commitments	**7 178**	30	6 277	871
3/ Investment commitments	**451**	428	23	-

Concerning Italenergia Bis, since Italian Law 301 did not raise the 2% limit on voting rights, EDF's 18% share in the company continues to be included in non-consolidated investments.

Key indicators for Edison at 30 June 2004, established in accordance with Italian accounting principles, are the following:

	1st half-year 2004	**1st half-year 2003**
Net revenues	3 184	3 277
EBITDA	625	606
EBIT	311	241
Income before taxes	188	70

28 Subsequent events

- Edemsa

On 29 June 2004, EDF International and Iadesa signed a protocol for the sale of the Argentinean subsidiary Edemsa. Completion of the sale remains subject to fulfilment of certain conditions such as approval of the transaction by the relevant authorities. Based on the agreed timetable, the final deed should be signed during the fourth quarter of 2004.

Unrealised foreign exchange gains related to Edemsa (€99 million at 30 June 2004) will be included in the income statement upon the company's deconsolidation.
A €25 million provision has been booked at 30 June 2004 to cover the unrealised loss corresponding to losses on assignment of receivables.

- HidroCantabrico

On 29 July 2004, the German electricity group EnBW sold its investment (34.58%) in the Spanish company HidroCantabrico to the Portuguese electricity supplier Electricidade de Portugal (EDP) for €649 million.
Completion of this sale is subject to verification by the European Commission that the transaction complies with antitrust laws, and finalisation of EDP's financing arrangements via the capital markets.

REVIEW REPORT OF THE STATUTORY AUDITORS
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2004

Electricité de France

22-30, avenue de Wagram
75008 Paris

Deloitte Touche Tohmatsu | Ernst & Young Audit | Mazars & Guérard

Electricité de France

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75008 Paris

Review Report of the Statutory Auditors
Interim Consolidated Financial Statements
for the six-month period ended June 30, 2004
(Free translation of the French original)

Following your request and as statutory auditors of Electricité de France, we have reviewed the accompanying interim consolidated financial statements of Electricité de France for the six-month period ended June 30, 2004.

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

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

We express a qualification concerning the following matter :

EDF's current and retired statutory employees in France benefit from a special pension scheme for Electricity and Gas Industries personnel, and other employee benefits. EDF's corresponding obligation is not covered by a provision, and no actual figure is disclosed in the notes to the financial statements. Under the current scheme, this obligation represents an unrecognized amount well above the Group's equity.

As explained in note 3.3 to the interim consolidated financial statements as of June 30, 2004, the valuation of this obligation has been deeply modified by the reform for the special Electricity and Gas Industries pension scheme financing introduced by the French Law of 9 August 2004 on Public Electricity and Gas Services and Electricity and Gas Companies. The valuation of the remaining obligation for the Group at January 1, 2005 will result from the financial agreements currently under negotiations with the standard national pension funds and the implementation decrees to be finalised.

Based on our review, except for the matter described in the paragraph above, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements, do not present fairly in all material respects, the financial position of the Group as at June 30, 2004 and the results of its operations for the period then ended, in accordance with accounting principles generally accepted in France.

Without affecting the conclusion expressed above, we draw your attention to the uncertainty related to nuclear provisions and to the notes to the financial statements related to the Group accounting policies and the comparability of periods :

- The valuation of provisions related to nuclear electricity production, as described in note 1.22 to the consolidated financial statements as of December 30, 2003 and in notes 21 and 22 to the interim consolidated financial statements for the six-month period ended June 30, 2004, is sensitive to the assumptions used concerning costs, inflation rates, long-term discount rates, forecast cash outflows and the results of current negotiations with Areva. Any change in these parameters could lead to a significant revision of the amounts of provisions,

- Note 1.1 describes the Group accounting policies,

- Note 2 describes the main items that affect the comparability of periods disclosed in the interim consolidated financial statements as of June 30, 2004.

September 16, 2004

The Statutory Auditors

Deloitte Touche Tohmatsu

Philippe VASSOR   Amadou RAIMI

Ernst & Young Audit

Patrick GOUNELLE   Claire NOURRY

Mazars & Guerard

Jean-Louis LEBRUN   Guy ISIMAT-MIRIN