

INFORMATION MEMORANDUM

# *Electricité de France (E.D.F.), Service National*

## PROGRAMME FOR THE ISSUANCE OF DEBT INSTRUMENTS

Application has been made to the Luxembourg Stock Exchange for debt instruments (the "**Instruments**") issued under the programme (the "**Programme**") described in the Information Memorandum (as defined on page 2 of this document) to be listed on the Luxembourg Stock Exchange during the period of twelve months after the date hereof. The maximum aggregate amount of Instruments outstanding at any one time under the Programme will not exceed € 11,000,000,000.

In addition, application may be made in certain circumstances to list Instruments on Euronext Paris S.A.

For the sole purpose of listing Instruments on Euronext Paris S.A., this Information Memorandum has been submitted to the clearance procedures of the Autorité des marchés financiers (the "**AMF**") and has been registered by the AMF under n° P04-160 on 3 August 2004.

The Issuer draws the attention of prospective investors to its auditors' report for the year ended 31 December 2003 appearing on pages 173 and 176 of this Information Memorandum.

The Issuer's Programme is currently rated "Aa3" with a negative outlook by Moody's Investors Service Ltd ("**Moody's**") and "AA-" with a negative outlook by Standard and Poor's Ratings Services ("**Standard and Poor's**"). Instruments issued pursuant to the Programme may be unrated or rated differently from the current ratings of the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

The Information Memorandum supersedes the information memorandum dated 24 October 2003.

Arranger for the Programme  
**MORGAN STANLEY**

**BNP PARIBAS**  
**GOLDMAN SACHS INTERNATIONAL**  
**MERRILL LYNCH INTERNATIONAL**  
**UBS INVESTMENT BANK**

Dealers

**DRESDNER KLEINWORT WASSERSTEIN**  
**JPMORGAN**  
**MORGAN STANLEY**

4 August 2004

Electricité de France (E.D.F.), Service National (the "Issuer") accepts responsibility for the information contained in the Information Memorandum and any Pricing Supplement (as defined herein). Morgan Stanley & Co. International Limited, Paris Branch as Paris Listing Agent accepts responsibility for the information contained in the Information Memorandum in relation to clearance procedures of the AMF. The Issuer confirms that the Information Memorandum is true, accurate and complete in all material respects and is not misleading in any material respect, that the opinions and intentions expressed therein are honestly held and based on reasonable assumptions, that there are no other facts in relation to the information contained or incorporated by reference in the Information Memorandum the omission of which would, in the context of the Programme or the issue of the Instruments, make any statement therein or opinions or intentions expressed therein misleading in any material respect, and that all reasonable enquiries have been made to verify the foregoing.

References herein to the "Programme Date" are to 4 August 2004.

The Information Memorandum should be read and construed in conjunction with any amendment or supplement thereto and with any other documents incorporated by reference (see "Documents incorporated by reference") and, in relation to any Series (as defined herein) of Instruments, should be read and construed together with the relevant Pricing Supplement(s) approved, as the case may be, by the AMF and/or the Luxembourg Stock Exchange, each of which shall be deemed incorporated in, and to form part of the Information Memorandum and which shall be deemed to modify or supersede the contents of the Information Memorandum to the extent that a statement contained in any such document is inconsistent with such contents.

References herein to the "Information Memorandum" are to this document.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with the Information Memorandum or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any dealer named under "Subscription and Sale" (the "Dealers").

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in the Information Memorandum. Neither the delivery of the Information Memorandum or any Pricing Supplement nor the offering, sale or delivery of any Instrument shall, in any circumstances, create any implication that the information contained in the Information Memorandum is true subsequent to the date thereof or the date upon which the Information Memorandum has been most recently amended or supplemented or that there has been no adverse change in the financial situation of the Issuer since the date thereof or, as the case may be, the date upon which the Information Memorandum has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which are deemed to be incorporated into the Information Memorandum by reference or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of the Information Memorandum and any Pricing Supplement and the offering, sale and delivery of the Instruments in certain jurisdictions may be restricted by law. No action has been taken by the Issuer or the Dealers which would permit a public offering of any Instruments or distribution of the Information Memorandum in any such jurisdiction where action for that purpose is required. Accordingly no Instruments may be offered or sold, directly or indirectly and neither the Information Memorandum nor any Pricing Supplement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in

**compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession the Information Memorandum or any Pricing Supplement comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions.**

**For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of the Information Memorandum or any Pricing Supplement and other offering material relating to the Instruments, see "Subscription and Sale". In particular, Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended, and may include Instruments in bearer form which are subject to U.S. tax law requirements. Under United States legislation, subject to certain exceptions, Instruments may not be offered, sold or delivered within the United States or to U.S. persons.**

**The Information Memorandum may only be used for the purpose for which it has been published.**

**Neither the Information Memorandum nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Instruments and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of the Information Memorandum or any Pricing Supplement should subscribe for or purchase any Instruments. Each recipient of the Information Memorandum or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.**

All references in the Information Memorandum to "€", "EUR" and "Euro" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, and all references to "U.S.\$", "U.S. dollars", "United States dollars" and "USD" are to the lawful currency of the United States of America.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents shall be deemed to be incorporated in, and to form part of, the Information Memorandum:

- (1) the most recently published audited annual financial statements and any interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements of the Issuer from time to time; and
- (2) all amendments and supplements to the Information Memorandum prepared by the Issuer from time to time, save that any statement contained in the Information Memorandum or in any of the documents incorporated by reference in, and forming part of, the Information Memorandum shall be deemed to be modified or superseded for the purpose of the Information Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement. As at the date hereof, the Issuer only publishes audited annual consolidated and non-consolidated financial statements and, with effect from 2 October 2003, semi-annual consolidated financial statements which have been the subject of a limited review by the Issuer's auditors.

The documents incorporated by reference in the Information Memorandum have not been submitted to the clearance procedures of the AMF.

For Euronext Paris S.A. listing purposes, the most recently published annual consolidated and non-consolidated financial statements of the Issuer and the semi-annual consolidated financial statements (whether audited or unaudited) published subsequently to such annual financial statements (if any) must be contained in a Pricing Supplement submitted to the clearance procedures of the AMF.

The Issuer has undertaken, in connection with the listing of the Instruments, that if, while Instruments of the Issuer are outstanding and listed on the Luxembourg Stock Exchange, there shall occur any adverse change in the financial or trading position of the Issuer and its fully consolidated subsidiaries that is material in the context of issuance under the Programme which is not reflected in the Information Memorandum (or any of the documents incorporated by reference in the Information Memorandum), the

Issuer will prepare or procure the preparation of an amendment or supplement to the Information Memorandum or, as the case may be, publish a new Information Memorandum for use in connection with any subsequent offering by the Issuer of Instruments to be listed on the Luxembourg Stock Exchange.

The Issuer will, at the specified offices of the Paying Agents, provide, free of charge, upon oral or written request therefor, a copy of the Information Memorandum (or any document incorporated by reference in the Information Memorandum). Written or oral requests for such documents should be directed to the specified office of any Paying Agent or the specified office of the Listing Agent in Luxembourg.

So long as any Instruments are listed on Euronext Paris S.A., copies of the Information Memorandum (and all documents incorporated by reference in the Information Memorandum) will be available from the principal office of the Paying Agent in Paris.

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**IN CONNECTION WITH THE ISSUE AND DISTRIBUTION OF ANY TRANCHE (AS DEFINED HEREIN) OF INSTRUMENTS UNDER THE PROGRAMME, THE DEALER (IF ANY) SPECIFIED AS THE STABILISING MANAGER IN THE APPLICABLE PRICING SUPPLEMENT (OR ANY PERSON ACTING FOR HIM) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE INSTRUMENTS OF THE SERIES (AS DEFINED HEREIN) OF WHICH SUCH TRANCHE FORMS PART AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER THERE MAY BE NO OBLIGATION ON THE STABILISING MANAGER (OR ANY AGENT OF THE STABILISING MANAGER) TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISING SHALL BE CONDUCTED IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.**

## SUMMARY OF THE PROGRAMME

*The following is a brief summary only and should be read in conjunction with the rest of the Information Memorandum and, in relation to any Instruments, in conjunction with the relevant Pricing Supplement and, to the extent applicable, the Terms and Conditions of the Instruments set out herein.*

Issuer:	Electricité de France (E.D.F.), Service National.
Arranger:	Morgan Stanley & Co. International Limited.
Dealers:	BNP Paribas, Dresdner Bank Aktiengesellschaft, Goldman Sachs International, J.P.Morgan Securities Ltd., Merrill Lynch International, Morgan Stanley & Co. International Limited, UBS Limited. The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint one or more additional dealers either generally in respect of the Programme or in relation to a particular Tranche (as defined below) of Instruments.
Fiscal Agent:	JPMorgan Chase Bank
Principal Registrar:	Crédit Agricole Investor Services Bank Luxembourg SA.
Paris Paying Agent:	Crédit Agricole Investor Services Corporate Trust.
Calculation Agent:	The Fiscal Agent unless an alternative Calculation Agent is appointed in relation to a particular issue of Instruments.
Luxembourg Listing Agent:	Société Générale Bank & Trust.
Paris Listing Agent:	Morgan Stanley & Co. International Limited, Paris Branch.
Initial Programme Amount	Up to €11,000,000,000 (and, for this purpose, any Instruments denominated in another currency shall be translated into Euros at the date of the agreement to issue such Instruments using the spot rate of exchange for the purchase of such currency against payment of Euros being quoted by the Fiscal Agent on the date on which the relevant agreement in respect of the relevant Tranche (as defined below) was made or such other rate as the Issuer and the relevant Dealer may agree) in aggregate principal amount of Instruments outstanding at any one time. The maximum aggregate principal amount of Instruments which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement as defined under " <b>Subscription and Sale</b> ".
Issuance in Series:	Instruments will be issued in series (each, a " <b>Series</b> "). Each Series may comprise one or more tranches (" <b>Tranches</b> " and each, a " <b>Tranche</b> ") issued on different issue dates. The Instruments of each Series will all be subject to identical terms, except that (i) the issue date and the amount of the first payment of interest may be different in respect of different Tranches and (ii) a Series may comprise Instruments in bearer form and Instruments in registered form and Instruments in more than one denomination. The Instruments of each Tranche will all be subject

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to identical terms in all respects save that a Tranche may comprise Instruments in bearer form and Instruments in registered form and may comprise Instruments of different denominations.

**Issue and Paying Agency Agreement** The Issue and Paying Agency Agreement (as defined in the "**Terms and Conditions of the Instruments**") entered into in relation to the Instruments principally contains provisions relating to the payments and administrative procedures relating to the Instruments. In addition, it contains the forms of the temporary global Instruments, permanent global Instruments, registered Instruments, definitive Instruments and provisions relating to meetings of holders of Instruments. The key provisions of the Issue and Paying Agency Agreement applicable to holders of Instruments are contained in the Terms and Conditions of the Instruments (see also "**General Information**") and are described below.

Under the Issuer and Paying Agency Agreement, the Issuer appoints each of the Paying Agents (as defined in the "**Terms and Conditions of the Instruments**"), the Principal Registrar and the Calculation Agent at their respective specified offices as its agent in relation to the Instruments for the purposes specified in (i) the Issue and Paying Agency Agreement, such as the preparation of Instruments, the issuing of replacement Instruments, the making of payments to holders of Instruments, the maintaining of records regarding the Instruments, the issuing of voting certificates and block voting instructions for meetings of holders of Instruments and the calculating of interest due on Instruments and (ii) the Terms and Conditions. The forms of the Instruments are set out in the Issuer and Paying Agency Agreement.

**Form of Instruments:** Instruments may be issued in bearer form or in registered form. In respect of each Tranche of Instruments issued in bearer form, the Issuer will deliver a temporary global Instrument or (if so specified in the relevant Pricing Supplement in respect of Instruments to which U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") applies (as so specified in such Pricing Supplement)) a permanent global Instrument. Such global Instrument will be deposited on or before the relevant issue date therefor with a depository or a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, société anonyme ("**Clearstream**") and/or any other relevant clearing system. Each temporary global Instrument will be exchangeable for a permanent global Instrument or, if so specified in the relevant Pricing Supplement, for Instruments in definitive bearer form and/or (in the case of a Series comprising both bearer and registered Instruments and if so specified in the relevant Pricing Supplement) registered form in accordance with its terms. Each permanent global Instrument will be exchangeable for Instruments in definitive bearer form and/or (in the case of a Series comprising both bearer and registered Instruments and if so specified in the relevant Pricing Supplement) registered form in accordance with its terms. Instruments in definitive bearer form will, if interest-bearing, either have interest coupons ("**Coupons**") attached and, if appropriate, a talon ("**Talon**") for further Coupons or have a grid for recording the payment of interest endorsed thereon and will, if the principal thereof is repayable by instalments, have a grid for recording the payment of principal endorsed thereon or, if so specified in the relevant Pricing Supplement, have payment receipts ("**Receipts**") attached. Instruments in registered form may not be exchanged for Instruments in bearer form.

**Currencies:** Instruments may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Instruments may, subject to compliance as

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aforsaid, be made in and/or linked to, any currency or currencies other than the currency in which such Instruments are denominated and based on rates of exchange for such other currency/ies.

- Status:** Instruments and, where applicable, any related Coupons and Receipts, will constitute direct, unconditional, unsubordinated and (subject to the Negative Pledge) unsecured obligations of the Issuer and will rank pari passu without any preference among themselves and at least pari passu with all other unsubordinated and unsecured obligations of the Issuer, present and future (save for certain mandatory exceptions provided by French law).
- Issue Price:** Instruments may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Pricing Supplement.
- Maturities:** Any maturity subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
- Redemption:** Instruments may be redeemable at par or at such other Redemption Amount (as defined in Condition 6.10) (detailed in a formula or otherwise) as may be specified in the relevant Pricing Supplement.  
Unless otherwise permitted by then current laws and regulations, Instruments (including Instruments denominated in Sterling) having a maturity of less than one year from the date of issue and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the Financial Services and Markets Act 2000 must have a minimum Redemption Amount of £100,000 (or its equivalent in other currencies).
- Optional Redemption:** The Pricing Supplement issued in respect of an issue of Instruments will state whether such Instruments may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders and, if so, the terms applicable to such optional redemption.
- Early Redemption:** Except as provided in the Terms and Conditions of the Instruments, Instruments will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "**Terms and Conditions of the Instruments - Redemption and Purchase**".
- Interest:** Instruments may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed or floating rate or be linked to an index or formula, and may vary during the lifetime of the relevant Series.
- Denominations:** Instruments will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.  
Unless otherwise permitted by then current laws and regulations, Instruments (including Instruments denominated in Sterling) having a maturity of less than one year from the date of issue and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in



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- other currencies).
- Redenomination: Where redenomination is specified in the relevant Pricing Supplement as being applicable, Instruments may be redenominated into euro, all as more fully provided in "**Terms and Conditions of the Instruments - Redenomination**" below.
- Consolidation: Instruments of one Series may be consolidated with Instruments of another Series as more fully provided in "**Terms and Conditions of the Instruments - Consolidation**".
- Further Issues: Further Instruments may be issued so as to form a single Series with the Instruments of any particular Series, all as more fully provided in "**Terms and Conditions of the Instruments - Further Issues**" below.
- Structured Instrument Risks: The following paragraph does not describe all the risks of an investment in the Instruments. Prospective investors should consult their own financial and legal advisers about risks associated with investment in a particular Series of Instruments and the suitability of investing in light of their particular circumstances.
- An investment in Instruments, the premium and/or the interest on or principal of which is determined by reference to one or more values of currencies, commodities, interest rates or other indices or formulae, either directly or indirectly, may entail significant risks not associated with similar investments in a conventional debt security, including the risks that the resulting interest rate will be less than that payable on a conventional debt security at the same time, and/or that an investor could lose all or a substantial portion of the principal of its Instrument.
- Neither the current nor the historical value of the relevant currencies, commodities, interest rates or other indices or formulae should be taken as an indication of future performance of such currencies, commodities, interest rates or other indices or formulae during the term of any Instrument.
- Taxation in respect of the Instruments: Subject to the exceptions set out in Condition 8.02, payments in respect of the Instruments will be made without withholding or deduction for, or an account of, taxes imposed by or on behalf of the Republic of France as provided by Article 131 quater of the French General Tax Code, to the extent that the Instruments are issued (or deemed to be issued) outside France and constitute obligations.
- Instruments constituting obligations under French law will be issued (or deemed to be issued) outside France (i) in the case of syndicated or non-syndicated issues of Instruments, if such Instruments are denominated in euro, (ii) in the case of syndicated issues of Instruments denominated in currencies other than euro, if, inter alia, the Issuer and the relevant Dealers agree not to offer the Instruments to the public in the Republic of France in connection with their initial distribution and such Instruments are offered in the Republic of France only through an international syndicate to qualified investors (investisseurs qualifiés) as described in Article L.411-2 of the French Code monétaire et financier or (iii) in the case of non-syndicated issues of Instruments denominated in currencies other than euro, if each of the subscribers of the Instruments is domiciled or resident for tax purposes outside the Republic of France in each case as more fully set out in the Circular of the Direction Générale des Impôts dated 30 September 1998.
- Instruments issued after the Transformation Date (as such expression is defined in

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"**Terms and Conditions - Taxation**") and, if so provided in the relevant Pricing Supplement, Instruments constituting obligations denominated in currencies other than Euro may be issued on a non-syndicated basis and placed with subscribers not all of whom are resident outside the Republic of France. In such cases, the Instruments will not benefit from the exemption from deduction at source provided by Article 131 quater of the French General Tax Code and payments under such Instruments made to a non-French resident will be exempt from withholding or deduction at source only if the beneficiary of the payment provides certification that he is not resident in the Republic of France, all in accordance with the provisions of Article 125 A III of the French General Tax Code, as more fully described in "**Terms and Conditions of the Instruments - Taxation**".

The tax regime applicable to Instruments which do not constitute obligations will be set out in the relevant Pricing Supplement.

- Governing Law: Unless otherwise specified in the relevant Pricing Supplement, the Instruments and all related contractual documentation will be governed by, and construed in accordance with, English law.
- General Principles: Each issue of index-linked Instruments listed on Euronext Paris S.A. must be made in compliance with the Principes Généraux published by the Commission des opérations de bourse ("**COB**") and the Conseil des Marchés Financiers ("**CMF**") or any other successor authority.
- Listing: Each Series may be listed on the Luxembourg Stock Exchange and/or listed on Euronext Paris S.A. and/or any other stock exchange as may be agreed between the Issuer and the relevant Dealer and specified in the relevant Pricing Supplement, or may be unlisted. Instruments listed on Euronext Paris S.A. will be issued pursuant to the regulations of Euronext Paris S.A. and the requirements of the AMF. The Guidelines provided by the letter dated 1 October 1998 from the French Minister of the Economy, Finance and Industry to the Président de l'Association française des Etablissements de crédit et des entreprises d'investissement (the "**Euro Guidelines**") strongly recommend the listing of Euro-denominated Instruments on Euronext Paris S.A.
- Terms and Conditions: A Pricing Supplement will be prepared in respect of each Tranche of Instruments a copy of which will, in the case of Instruments to be listed on a stock exchange, be delivered to the relevant stock exchange authorities on or before the date of issue of such Instruments in accordance with the procedures of the relevant authorities. The terms and conditions applicable to each Tranche will be those set out herein under "Terms and Conditions of the Instruments" as supplemented, modified or replaced by the relevant Pricing Supplement.
- Enforcement of Instruments in Global Form: In the case of Instruments in global form, individual investors' rights vis à vis the Issuer will be governed by a Deed of Covenant (as defined in the "**Terms and Conditions of the Instruments**") executed by the Issuer in relation to the Instruments, a copy of which will be available for inspection at the specified office of the Fiscal Agent. The key provisions of the Deed of Covenant applicable to holders of Instruments are contained in the "**Terms and Conditions of the Instruments - Form and Denomination**" and are described below.
- Deed of Covenant: In connection with the establishment of the Programme on 18 April 1996, the Issuer entered into a deed of covenant dated 18 April 1996 (the "**Original Deed**")

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of Covenant"). Given the changes in name of clearing systems since the date of the Original Deed of Covenant, the Issuer on 24 October 2003 entered into an amended and restated deed of covenant (as amended, supplemented or replaced, the "**Deed of Covenant**") in respect of Instruments issued after 24 October 2003. In respect of Instruments issued prior to 24 October 2003, the Original Deed of Covenant remains in force and unamended.

The Deed of Covenant contains provisions relating to the rights of holders of Instruments vis à vis the Issuer in respect of bearer Instruments issued in temporary global or permanent global form (a "**Global Instrument**"). In the event that a Global Instrument becomes void in accordance with its terms, subject to and in accordance with the terms of the Deed of Covenant, each holder will acquire against the Issuer all those rights which such holder would have had if, immediately prior to such Global Instrument becoming void, such holder were the holder of Definitive Instruments (as defined in the "**Terms and Conditions of the Instruments - Form of Denomination**") and/or (if the same had been requested by the bearer of the Global Instrument on behalf of such holder in exchange for its interest in such Global Instrument) Registered Instruments (as defined in the "**Terms and Conditions of the Instruments - Form and Denomination**") issued by the Issuer in exchange for its interest in the relevant Global Instrument in an aggregate principal amount equal to the principal amount of rights in respect of Instruments represented by such Global Instrument credited to its securities clearance (or any other) account, including, without limitation, rights to receive principal, interest or any other amount due at any time in respect of such Definitive Instruments and/or, as the case may be, Registered Instruments.

Clearing Systems: Euroclear, Clearstream and in relation to any Instruments, any other clearing system as may be specified in the relevant Pricing Supplement. Instruments in global form may be deposited with Euroclear France as central depository and may be cleared through Euroclear France.

Selling Restrictions: For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of offering material in the United States of America, the United Kingdom, the Republic of France, Japan, the Federal Republic of Germany and Switzerland, see under "**Subscription and Sale**".

In connection with the offering and sale of a particular Tranche, additional selling restrictions may be imposed which will be set out in the relevant Pricing Supplement.

Instruments will be issued in compliance with the U.S. Treasury Regulation TEFRA D Rules (as defined in "**Terms and Conditions of the Instruments - Form and Denomination**") unless the relevant Pricing Supplement states that such Instruments are issued in compliance with the TEFRA C Rules (as defined in "**Terms and Conditions of the Instruments - Form and Denomination**").

## TERMS AND CONDITIONS OF THE INSTRUMENTS

*The following are the Terms and Conditions of the Instruments which, as supplemented, modified or replaced in relation to any Instruments by the relevant Pricing Supplement, will be applicable to each Series of Instruments. All capitalised terms that are not defined in these Terms and Conditions shall have the meaning given in the relevant Pricing Supplement:*

The Instruments are issued pursuant to and in accordance with an amended and restated issue and paying agency agreement (as amended, supplemented or replaced, the "**Issue and Paying Agency Agreement**") dated 4 August 2004 and made between Electricité de France (E.D.F.), Service National (the "**Issuer**"), JPMorgan Chase Bank acting [through its London Branch] in its capacity as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor to JPMorgan Chase Bank in its capacity as such) and as calculation agent unless an alternative calculation agent is appointed in the pricing supplement in relation to a particular issue of Instruments (the "**Calculation Agent**") and Crédit Agricole Investor Services Bank Luxembourg SA in its capacity as principal registrar (the "**Principal Registrar**", which expression shall include any successor to Crédit Agricole Investor Services Bank Luxembourg SA in its capacity as such), and the paying agents named therein (the "**Paying Agents**", which expression shall include the Fiscal Agent and any substitute or additional paying agents appointed in accordance with the Issue and Paying Agency Agreement). The Instruments have the benefit of an amended and restated deed of covenant (as amended, supplemented or replaced, the "**Deed of Covenant**") dated 24 October 2003 executed by the Issuer in relation to the Instruments. Copies of the Issue and Paying Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents and the Principal Registrar, and any alternative registrar appointed in accordance with the Pricing Supplement (the "**Alternative Registrar**"). All persons from time to time entitled to the benefit of obligations under any Instruments shall be deemed to have notice of, and shall be bound by, all of the provisions of the Issue and Paying Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Instruments. The Registrar is as defined in Condition 2.02

The Instruments are issued in series (each, a "**Series**"), and each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Instruments. Each Tranche will be the subject of a pricing supplement (each, a "**Pricing Supplement**"), a copy of which will be available during normal business hours at the specified office of the Fiscal Agent and/or, as the case may be, the Registrar (as defined in Condition 2.02). In the case of a Tranche of Instruments in relation to which application has not been made for listing on any stock exchange, copies of the Pricing Supplement will only be available for inspection by a Holder (as defined in Condition 2.01 and Condition 2.02) of or, as the case may be, a Relevant Account Holder (as defined in the Deed of Covenant) in respect of, such Instruments.

References in these Terms and Conditions to Instruments are to Instruments of the relevant Series and any references to Coupons (as defined in Condition 1.06) and Receipts (as defined in Condition 1.07) and Talons (as defined in Condition 1.06) are to Coupons, Receipts and Talons relating to Instruments of the relevant Series.

References in these Terms and Conditions to the Pricing Supplement are to the Pricing Supplement or Pricing Supplement(s) prepared in relation to the Instruments of the relevant Tranche or Series.

In respect of any Instruments, references herein to these Terms and Conditions are to these terms and conditions as supplemented or modified or (to the extent thereof) replaced by the Pricing Supplement.

### **1. Form and Denomination**

**1.01** Instruments are issued in bearer form ("**Bearer Instruments**") or in registered form ("**Registered Instruments**"), as specified in the Pricing Supplement and are serially numbered. Registered Instruments will not be exchangeable for Bearer Instruments.

#### ***Bearer Instruments***

**1.02** The Pricing Supplement shall specify whether U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") or U.S. Treasury Regulation § 1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") shall apply. Unless the Pricing Supplement specifies that TEFRA C Rules are applicable in respect of Instruments, each Tranche of Bearer Instruments is represented upon issue by a temporary global Instrument (a "**Temporary Global Instrument**").

## Terms and Conditions of the Instruments

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Where the Pricing Supplement applicable to a Tranche of Bearer Instruments specifies that the TEFRA C Rules apply, such Tranche is (unless otherwise specified in the Pricing Supplement) represented upon issue by a permanent global Instrument (a "**Permanent Global Instrument**").

Interests in a Temporary Global Instrument may be exchanged for:

- (i) interests in a Permanent Global Instrument; or
- (ii) if so specified in the Pricing Supplement, definitive Instruments in bearer form ("Definitive Instruments") and/or (in the case of a Series comprising both Bearer Instruments and Registered Instruments and if so specified in the Pricing Supplement) Registered Instruments.

Exchanges of interests in a Temporary Global Instrument for Definitive Instruments or, as the case may be, a Permanent Global Instrument will be made only on or after the Exchange Date (as specified in the Pricing Supplement) and (unless the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Instruments) provided certification as to the beneficial ownership thereof as required by U.S. Treasury Regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received. An exchange for Registered Instruments will be made at any time or from such date as may be specified in the Pricing Supplement, in each case, without any requirement for certification.

**1.03** The bearer of any Temporary Global Instrument shall not be entitled to receive any payment in respect of the Instruments represented by such Temporary Global Instrument which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date (unless, upon due presentation of such Temporary Global Instrument for exchange (in whole but not in part only) for a Permanent Global Instrument or for delivery of Definitive Instruments and/or Registered Instruments, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date).

**1.04** Unless the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Instruments and subject to Condition 1.03 above, if any date on which a payment of interest is due on the Instruments of a Tranche occurs whilst any of the Instruments of that Tranche are represented by a Temporary Global Instrument, the related interest payment will be made on the Temporary Global Instrument only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received by Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") or Clearstream Banking, société anonyme, ("Clearstream") or any other relevant clearing system. Payments of amounts due in respect of a Permanent Global Instrument or (subject to Condition 1.03 above) a Temporary Global Instrument (if the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Instruments) will be made through Euroclear or Clearstream, or any other relevant clearing system without any requirement for certification.

**1.05** Interests in a Permanent Global Instrument will be exchanged by the Issuer (in whole but not in part only) at the option of the Holder of such Permanent Global Instrument, for Definitive Instruments and/or (in the case of a Series comprising both Bearer and Registered Instruments and if so specified in the Pricing Supplement) Registered Instruments, (a) if an Event of Default occurs in respect of any Instrument of the relevant Series; or (b) if either Euroclear, Clearstream, or any other relevant clearing system is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so; or (c) if so specified in the Pricing Supplement, at the option of the Holder of such Permanent Global Instrument upon such Holder's request. In order to exercise the option contained in paragraph (c) of the preceding sentence, the Holder must, not less than 45 days before the date upon which the delivery of such Definitive Instruments and/or Registered Instruments is required, deposit the relevant Permanent Global Instrument with the Fiscal Agent at its specified office with the form of exchange notice endorsed thereon duly completed. If the Issuer does not make the required delivery of Definitive Instruments and/or Registered Instruments by 6.00 p.m. (London time) on the day on which the relevant notice period expires or, as the case may be, the thirtieth day after the day on which such Permanent Global Instrument becomes due to be exchanged and, in the case of (a) above, such Instrument is not duly redeemed (or the funds required for such redemption are not available to the Fiscal Agent for the purposes of effecting such redemption and remain available for such purpose) by 6.00 p.m. (London time) on the thirtieth day after the day at which such Instrument became immediately redeemable such Permanent

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Global Instrument will become void in accordance with its terms but without prejudice to the rights conferred by the Deed of Covenant.

**1.06** Interest-bearing Definitive Instruments have endorsed thereon a grid for recording the payment of interest or, if so specified in the Pricing Supplement, have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. Interest-bearing Definitive Instruments, if so specified in the Pricing Supplement, have attached thereto at the time of their initial delivery, a talon ("**Talon**") for further coupons and the expression "**Coupons**" shall, where the context so requires, include Talons.

**1.07** Instruments, the principal amount of which is repayable by instalments ("**Instalment Instruments**") which are Definitive Instruments, have endorsed thereon a grid for recording the repayment of principal or, if so specified in the Pricing Supplement, have attached thereto at the time of their initial delivery, payment receipts ("**Receipts**") in respect of the instalments of principal.

### ***Registered Instruments***

**1.08** In respect of each Tranche of Instruments issued in registered form, the Issuer will deliver to each Holder of such Instruments a Registered Instrument which will be recorded in the register which the Issuer shall procure to be kept by the Registrar. Registered Instruments will be in substantially the form (subject to amendment and completion) scheduled to the Issue and Paying Agency Agreement. Registered Instruments will not be exchangeable for Bearer Instruments.

### ***Denomination***

#### ***Denomination of Bearer Instruments***

**1.09** Bearer Instruments are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Pricing Supplement. Bearer Instruments of one denomination may not be exchanged for Bearer Instruments of any other denomination.

#### ***Denomination of Registered Instruments***

**1.10** Registered Instruments are in the minimum denomination specified in the Pricing Supplement or integral multiples thereof.

### ***Currency of Instruments***

**1.11** The Instruments are denominated in such currency as may be specified in the Pricing Supplement. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

### ***Partly Paid Instruments***

**1.12** Instruments may be issued on a partly paid basis ("**Partly Paid Instruments**") if so specified in the Pricing Supplement. The subscription moneys therefor shall be paid in such number of instalments ("**Partly Paid Instalments**") in such amounts, on such dates and in such manner as may be specified in the Pricing Supplement. The first such instalment shall be due and payable on the date of issue of the Instruments. For the purposes of these Terms and Conditions, in respect of any Partly Paid Instrument, "**Paid Up Amount**" means the aggregate amount of all Partly Paid Instalments in respect thereof as shall have fallen due and been paid up in full in accordance with the Terms and Conditions.

Not less than 14 days nor more than 30 days prior to the due date for payment of any Partly Paid Instalment (other than the first such Instalment) the Issuer shall publish a notice in accordance with Condition 14 stating the due date for payment thereof and stating that failure to pay any such Partly Paid Instalment on or prior to such date will entitle the Issuer to forfeit the Instruments with effect from such date ("**Forfeiture Date**") as may be specified in such notice (not being less than 14 days after the due date for payment of such Partly Paid Instalment), unless payment of the relevant Partly Paid Instalment together with any interest accrued thereon is paid prior to the Forfeiture Date. The Issuer shall procure that any Partly Paid Instalments paid in respect of any Instruments subsequent to the Forfeiture Date in respect thereof shall be returned promptly to the persons entitled thereto. The Issuer shall not be liable for any interest on any Partly Paid Instalment so returned.

Interest shall accrue on any Partly Paid Instalment which is not paid on or prior to the due date for payment thereof at the Rate of Interest (in the case of non-interest bearing Instruments, at the rate applicable to overdue payments) and shall be calculated in the same manner and on the same basis as if it were interest accruing on the Instruments for the period from and including the due date for payment of the relevant

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Partly Paid Instalment up to but excluding the Forfeiture Date. For the purpose of the accrual of interest, any payment of any Partly Paid Instalment made after the due date for payment shall be treated as having been made on the day preceding the Forfeiture Date (whether or not a Business Day as defined in Condition 5.08).

Unless an Event of Default (as defined in Condition 7.01) (or an event which with the giving of notice, the lapse of time or the making or giving of any determination or certification would constitute an Event of Default) shall have occurred and be continuing, on the Forfeiture Date, the Issuer shall forfeit all of the Instruments in respect of which any Partly Paid Instalment shall not have been duly paid, whereupon the Issuer shall be entitled to retain all Partly Paid Instalments previously paid in respect of such Instruments and shall be discharged from any obligation to repay such amount or to pay interest thereon, or (where such Instruments are represented by a Temporary Global Instrument or a Permanent Global Instrument) to exchange any interests in such Instrument for interests in a Permanent Global Instrument or to deliver Definitive Instruments or Registered Instruments in respect thereof, but shall have no other rights against any person entitled to the Instruments which have been so forfeited.

Without prejudice to the right of the Issuer to forfeit any Instruments, for so long as any Partly Paid Instalment remains due but unpaid, and except in the case where an Event of Default shall have occurred and be continuing (a) no interests in a Temporary Global Instrument may be exchanged for interests in a Permanent Global Instrument and (b) no transfers of Registered Instruments or exchanges of Bearer Instruments for Registered Instruments may be requested or effected.

Until such time as all the subscription moneys in respect of Partly Paid Instruments shall have been paid in full and except in the case where an Event of Default shall have occurred and be continuing or if any of Euroclear or Clearstream, or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so, no interests in a Temporary Global Instrument or a Permanent Global Instrument may be exchanged for Definitive Instruments or Registered Instruments.

### 2. Title and Transfer

**2.01** Title to Bearer Instruments, Receipts and Coupons passes by delivery. References herein to the "**Holders**" of Bearer Instruments or of Receipts or Coupons are to the bearers of such Bearer Instruments or such Receipts or Coupons.

**2.02** Title to Registered Instruments passes by registration in the register which the Issuer shall procure to be kept by the Registrar. For the purposes of these Terms and Conditions, "**Registrar**" means, in relation to any Series comprising Registered Instruments, the Principal Registrar or, as the case may be, the Alternative Registrar, as specified in the Pricing Supplement. References herein to the "**Holders**" of Registered Instruments are to the persons in whose names such Registered Instruments are so registered in the relevant register.

**2.03** The Holder of any Bearer Instrument, Receipt, Coupon or Registered Instrument will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

**2.04** A person who is not a Holder shall have no right to enforce any term or condition of any Instruments under the Contracts (Rights of Third Parties) Act 1999.

#### ***Transfer of Registered Instruments and exchange of Bearer Instruments for Registered Instruments***

**2.05** A Registered Instrument may, upon the terms and subject to the conditions set forth in the Issue and Paying Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum denomination specified in the Pricing Supplement) upon the surrender of the Registered Instrument to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Registered Instrument will be issued to the transferee and, in the case of a transfer of part only of a Registered Instrument, a new Registered Instrument in respect of the balance not transferred will be issued to the transferor.

**2.06** If so specified in the Pricing Supplement, the Holder of Bearer Instruments may exchange the same for the same aggregate principal amount of Registered Instruments upon the terms and subject to the

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conditions set forth in the Issue and Paying Agency Agreement. In order to exchange a Bearer Instrument for a Registered Instrument, the Holder thereof shall surrender such Bearer Instrument at the specified office outside the United States of the Fiscal Agent or of the Registrar together with a written request for the exchange. Each Bearer Instrument so surrendered must be accompanied by all unmatured Receipts and Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 2.07) where the exchange date would, but for the provisions of Condition 2.07, occur between the Record Date (as defined in Condition 9B.03) for such payment of interest and the date on which such payment of interest falls due.

**2.07** Each new Registered Instrument to be issued upon the transfer of a Registered Instrument or the exchange of a Bearer Instrument for a Registered Instrument will, within three Relevant Banking Days of the transfer date or, as the case may be, the exchange date be available for collection by each relevant Holder at the specified office of the Registrar or, at the option of the Holder requesting such exchange or transfer be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer or request for exchange received by the Registrar or the Fiscal Agent after the Record Date in respect of any payment due in respect of Registered Instruments shall be deemed not to be effectively received by the Registrar or the Fiscal Agent until the day following the due date for such payment.

For the purposes of these Terms and Conditions:

- (i) "**Relevant Banking Day**" means a day on which commercial banks are open for business (including the registration or transfer of Registered Instruments and dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Instrument for a Registered Instrument where such request for exchange is made to the Fiscal Agent, in the place where the specified office of the Fiscal Agent is located;
- (ii) the "**exchange date**" shall be the Relevant Banking Day following the day on which the relevant Bearer Instrument shall have been surrendered for exchange in accordance with Condition 2.06; and
- (iii) the "**transfer date**" shall be the Relevant Banking Day following the day on which the relevant Registered Instrument shall have been surrendered for transfer in accordance with Condition 2.05.

**2.08** The issue of new Registered Instruments on transfer or on the exchange of Bearer Instruments for Registered Instruments will be effected without charge by or on behalf of the Issuer, the Fiscal Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Fiscal Agent or the Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

**2.09** Upon the transfer, exchange or replacement of Registered Instruments bearing the private placement legend (the "**Private Placement Legend**") set forth in the form of Registered Instrument scheduled to the Issue and Paying Agency Agreement, the Registrar shall deliver only Registered Instruments that also bear such legend unless either (i) such transfer, exchange or replacement occurs three or more years after the later of (1) the original issue date of such Instruments or (2) the last date on which the Issuer or any affiliates (as defined below) of the Issuer as notified to the Registrar by the Issuer as provided in the following sentence, was the beneficial owner of such Instrument (or any predecessor of such Instrument) or (ii) there is delivered to the Registrar an opinion reasonably satisfactory to the Issuer of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States to the effect that neither such legend nor the restrictions on transfer set forth therein are required in order to maintain compliance with the provisions of such laws. The Issuer covenants and agrees that it will not acquire any beneficial interest, and will cause its "**affiliates**" (as defined in paragraph (a)(1) of Rule 144 under the United States Securities Act of 1933, as amended (the "**Securities Act**")) not to acquire any beneficial interest in any Registered Instrument bearing the Private Placement Legend unless it notifies the Registrar of such acquisition. The Registrar and all Holders shall be entitled to rely without further investigation on any such notification (or lack thereof).

**2.10** For so long as any of the Registered Instruments bearing the Private Placement Legend remain outstanding and are "**Restricted Securities**" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer covenants and agrees that it shall, during any period in which it is not subject to Section 13 or



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15(d) under the United States Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) under such Act, make available to any Holder of such Instruments in connection with any sale thereof and any prospective purchaser of such Instruments from such Holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

### 3. Status of the Instruments

The Instruments and, where applicable, any related Coupons and Receipts, constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present and future (save for certain mandatory exceptions provided by French law).

### 4. Negative Pledge

**4.01** So long as any of the Instruments remains outstanding, the Issuer will not create or have outstanding any mortgage, charge, pledge or other security interest upon the whole or any part of its undertaking, revenues or assets, present or future, in order to secure any Indebtedness, or any guarantee or indemnity in respect of any Indebtedness except for any mortgage, charge, pledge or other security interest granted by the Issuer on property purchased by the Issuer as security for all or part of the purchase price thereof or on nuclear fuel owned by it as security for the financing of the cost of acquisition and/or processing thereof, without at the same time according to the Instruments the same security.

**4.02** For the purposes of this Condition 4 and Condition 7.01, "**Indebtedness**" means any moneys borrowed and any indebtedness of the Issuer which, in each case, is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market).

### 5. Interest

#### *Interest*

**5.01** Instruments may be interest-bearing or non interest-bearing, as specified in the Pricing Supplement. Words and expressions appearing in this Condition 5 and not otherwise defined herein or in the Pricing Supplement shall have the meanings given to them in Condition 5.08.

#### *Interest-bearing Instruments*

##### **5.02** (i) *Interest on Fixed Rate Instruments*

Instruments which are specified in the Pricing Supplement as being Fixed Rate Instruments shall bear interest on their Outstanding Nominal Amount from their Interest Commencement Date at the relevant Rate of Interest payable in arrear on each Interest Payment Date.

If a Fixed Coupon Amount or a Broken Amount is specified in the Pricing Supplement, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the Pricing Supplement.

##### (ii) *Interest on Floating Rate Instruments and Index Linked Interest Instruments*

Each Floating Rate Instrument and Index Linked Interest Instrument bears interest on its Outstanding Nominal Amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are specified in the Pricing Supplement as Specified Interest Payment Date(s).

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### *Floating Rate Instruments and Index Linked Interest Instruments*

**5.03** The Rate of Interest in respect of Floating Rate Instruments for each Interest Accrual Period shall be determined in the manner specified in the Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the Pricing Supplement. The Rate of Interest in respect of Index Linked Interest Instruments for each Interest Accrual Period shall be determined in the manner specified in the Pricing Supplement.

(i) *ISDA Determination for Floating Rate Instruments*

Where ISDA Determination is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent, as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the Pricing Supplement) the Margin (if any) (as defined below in this Condition). For the purposes of this subparagraph (i), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the Pricing Supplement;
- (y) the Designated Maturity is a period specified in the Pricing Supplement; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the Pricing Supplement.

For the purposes of this sub-paragraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(ii) *Screen Rate Determination for Floating Rate Instruments*

Where Screen Rate Determination is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

The Pricing Supplement shall specify which page (the "**Relevant Screen Page**") on the Reuters Screen or Telerate or any other information vending service shall be applicable. If such a page is so specified, the Rate of Interest applicable to the relevant Instruments for each Interest Accrual Period shall be determined by the Calculation Agent on the following basis:

- (i) The Calculation Agent will determine the offered rate for deposits (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of the rates for deposits) in the relevant currency for a period of the Specified Duration (as defined in Condition 5.08) commencing on the relevant Interest Determination Date on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) if, on any Interest Determination Date, no such rate for deposits so appears at the Relevant Time (or, as the case may be, if fewer than two such rates for deposits so appear) or if the Relevant Screen Page is unavailable, the Calculation Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the Specified Currency are offered by four major Reference Banks (as defined in Condition 5.08) in the London interbank market or, where the basis for calculating the Floating Rate is EURIBOR, in the Euro-zone interbank market, selected by the Calculation Agent at approximately the Relevant Time on the Interest Determination Date to prime banks in the London interbank market or, where the basis for calculating the Floating Rate is EURIBOR, in the Euro-zone interbank market for a period of the Specified Duration commencing on the relevant Interest Determination Date and in an amount that is representative for a single transaction in the relevant market at the relevant time;
- (iii) if, on any Interest Determination Date, only two or three rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; or

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- (iv) if fewer than two rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by four major banks selected by the Calculation Agent, in the Relevant Financial Centre (or, in the case of Instruments denominated in euro, in the Euro-zone) at approximately 11.00 a.m. on the first day of the relevant Interest Accrual Period for loans in the relevant currency to leading European banks for a period of the Specified Duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time,

and the Rate of Interest applicable to such Instruments during each Interest Accrual Period will be the sum of the relevant margin (the "**Margin**"), if any, specified in the Pricing Supplement and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) so determined provided, however, that, if the Calculation Agent is unable to determine a rate (or, as the case may be, an arithmetic mean of rates) in accordance with the above provisions in relation to any Interest Accrual Period, the Rate of Interest applicable to such Instruments during such Interest Accrual Period will be the sum of the Margin, if any, and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) determined in relation to such Instruments in respect of the last preceding Interest Accrual Period.

*Condition 5.03 may be subject to amendment in respect of Instruments listed on Euronext Paris S.A., as disclosed in the relevant Pricing Supplement.*

### **Maximum or Minimum Rates of Interest**

**5.04** If any Maximum or Minimum Rate of Interest is specified in the Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

### **Accrual of Interest**

- 5.05** (i) Interest shall accrue on the Outstanding Nominal Amount of each Instrument during each Interest Accrual Period from the Interest Commencement Date. Interest will cease to accrue as from the due date for redemption therefor (or in the case of an Instalment Instrument (as defined in Condition 1.07), in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount (as defined in Condition 6.01) unless upon due presentation or surrender thereof (if required), payment in full of the Redemption Amount (as defined in Condition 6.10) or the relevant Instalment Amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue on the nominal amount in respect of which payment has been improperly withheld or refused or default has been made (as well after as before any demand or judgment) at the Rate of Interest then applicable or such other rate as may be specified for this purpose in the Pricing Supplement until the date on which, upon due presentation or surrender of the relevant Instrument or certificate (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant certificate is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Instruments in accordance with Condition 14 that the Fiscal Agent or, as the case may be, the Registrar has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).
- (ii) The Rate of Interest in respect of Index Linked Interest Instruments for each Interest Accrual Period shall be determined in the manner specified in the Pricing Supplement and interest will accrue by reference to an Index or Formula as specified in the Pricing Supplement.
- (iii) *Partly Paid Instruments*  
In the case of Partly Paid Instruments (as defined in Condition 1.12) (other than Partly Paid Instruments which are Zero Coupon Instruments), interest will accrue as aforesaid on the paidup nominal amount of such Instruments and otherwise as specified in the Pricing Supplement.
- (iv) *Dual Currency Instruments*  
In the case of Dual Currency Instruments, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange (as specified in the Pricing Supplement)

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or a method of calculating the Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the Pricing Supplement.

### *Interest Amount(s), Calculation Agent and Reference Banks*

**5.06** If a Calculation Agent is specified in the Pricing Supplement, the Calculation Agent, as soon as practicable after the Relevant Time on each Interest Determination Date (or such other time on such date as the Calculation Agent may be required to calculate any Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain any quote or make any determination or calculation) will determine the Rate of Interest and calculate the Interest Amount(s) in respect of each Specified Denomination of the Instruments for the relevant Interest Accrual Period, calculate the Redemption Amount (as defined in Condition 6.10) or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date or, as the case may be, the Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, each of the Paying Agents, the Registrar (in the case of Registered Instruments), the Issuer, the Holders in accordance with Condition 14 and, if the Instruments are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination or calculation but in no event later than the fourth London Banking Day thereafter or, if earlier in the case of notification to the stock exchange the time required by the rules of the relevant stock exchange. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements be made by way of adjustment) without notice in the event of an extension or shortening of an Interest Accrual Period or of the Interest Period. If the Instruments become due and payable under Condition 7, the Rate of Interest and the accrued interest payable in respect of the Instruments shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of each Rate of Interest, Interest Amount, Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon the Issuer and the Holders and neither the Calculation Agent nor any Reference Bank shall have any liability to the Holders in respect of any determination, calculation, quote or rate made or provided by it.

The Issuer will procure that there shall at all times be such number of Reference Banks as may be required for the purpose of determining the Rate of Interest applicable to the Instruments and a Calculation Agent, if provision is made therefore, in the relevant Pricing Supplement and for so long as any Instrument is outstanding.

If the Calculation Agent is incapable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Accrual Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint the London office of a leading bank engaged in the London interbank market to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

### *Calculations and Adjustments*

**5.07** The amount of interest payable in respect of any Instrument for any period shall be calculated by multiplying the product of the Rate of Interest and the Outstanding Nominal Amount by the Day Count Fraction, save that if the Pricing Supplement specifies a specific amount in respect of such period, the amount of interest payable in respect of such Instrument for such period will be equal to such specified amount. Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period will be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

For the purposes of any calculations referred to in these Terms and Conditions (unless otherwise specified in the Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States Dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded

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upwards and (e) all Euro amounts will be rounded to the nearest cent, being Euro 0.01, with Euro 0.005 being rounded upwards.

### *Definitions*

**5.08 "Applicable Business Day Convention"** means the "**Business Day Convention**" which may be specified in the Pricing Supplement as applicable to any date in respect of the Instruments. Where the Pricing Supplement specifies "**No Adjustment**" in relation to any date, such date shall not be adjusted in accordance with any Business Day Convention. Where the Pricing Supplement fails either to specify an applicable Business Day Convention or "**No Adjustment**" for the purposes of an Interest Payment Date or an Interest Period End Date, then in the case of Instruments which bear interest at a fixed rate, "**No Adjustment**" shall be deemed to have been so specified and in the case of Instruments which bear interest at a floating rate, the Modified Following Business Day Convention shall be deemed to have been so specified. Different Business Day Conventions may apply, or be specified in relation to, the Interest Payment Dates, Interest Period End Dates and any other date or dates in respect of any Instruments.

"**Banking Day**" means, in respect of any city, any day (other than a Saturday or a Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in that city.

"**Business Day**" means:

- (i) in the case of a currency other than Euro, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for each currency and/or
- (ii) in the case of Euro, a day on which the TARGET system is operating (a "**TARGET Business day**") and/or
- (iii) in the case of a currency and/or one or more additional business centres ("**Additional Business Centres**" as specified in the Pricing Supplement), a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional Business Centre(s) or, if no currency is indicated generally in each of the Additional Business Centres.

"**Business Day Convention**" means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the following Business Day Conventions, where specified in the Pricing Supplement in relation to any date applicable to any Instruments, shall have the following meanings:

- (i) "**Following Business Day Convention**" means that such date shall be postponed to the first following day that is a Business Day;
- (ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that such date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) "**Preceding Business Day Convention**" means that such date shall be brought forward to the first preceding day that is a Business Day; and
- (iv) "**Floating Rate Business Day Convention**" or "**Eurodollar Convention**" means that each such date shall be the date which numerically corresponds to the date of issue of the relevant Instruments or the preceding such date, as the case may be in the calendar month which is the number of months specified in the Pricing Supplement after the calendar month in which such date of issue or preceding such date occurred Provided that:
  - (a) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (b) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (c) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day

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in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred.

**"Day Count Fraction"** means, in respect of the calculation of an amount for any period of time (from and including the first day of such period to but excluding the last day of such period) whether or not constituting an Interest Period, (the **"Calculation Period"**), such day count fraction as may be specified in the Pricing Supplement and:

- (i) if **"Actual/365"** or **"Actual/Actual-ISDA"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **"Actual/Actual-ISMA"** is so specified, means:
  - (a) if the Calculation Period is equal to or shorter than the Determination Period (as defined below) during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (b) if the Calculation Period is longer than one Determination Period, the sum of:
    - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
    - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year where:

**"Determination Period"** means the period from and including an Interest Determination Date in any year to but excluding the next Interest Determination Date;
- (iii) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if **"30/360"**, **"360/360"** or **"Bond Basis"** is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if **"30E/360"** or **"Eurobond Basis"** is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

**"Early Redemption Amount"** means Early Redemption Amount (Tax) (as defined in Condition 6.02) or Early Termination Amount (as defined in Condition 7.02) as the case may be.

**"Euro"** means the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty.

**"Euro-zone"** means the zone comprising the Member States of the European Union that participate or are participating in European Economic and Monetary Union and that adopt or have adopted the Euro as their

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lawful currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam, as amended.

**"Interest Accrual Period"** means, in respect of an Interest Period, each successive period beginning on and including an Interest Period End Date and ending on but excluding the next succeeding Interest Period End Date during that Interest Period provided always that the first Interest Accrual Period shall commence on and include the Interest Commencement Date and the final Interest Accrual Period shall end on but exclude the date of final maturity.

**"Interest Amount"** means the amount of interest payable and, in the case of Fixed Rate Instruments, means the Fixed Coupon Amount (as defined in the relevant Pricing Supplement) or the Broken Amount (as defined in the relevant Pricing Supplement), as the case may be.

**"Interest Commencement Date"** means the date of issue of the Instruments (as specified in the relevant Pricing Supplement) or such other date as may be specified as such in the Pricing Supplement.

**"Interest Determination Date"** means, in respect of any Interest Accrual Period, the date falling such number (if any) of Banking Days in such city(ies) as may be specified in the Pricing Supplement prior to the first day of such Interest Accrual Period, or if none is specified:

- (i) if the Specified Currency is Pounds Sterling, the first day of such Interest Accrual Period; or
- (ii) if the Specified Currency is Euro, the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period; or
- (iii) if the Specified Currency is neither Pounds Sterling nor Euro, the date falling two London Banking Days prior to the first day of such Interest Accrual Period.

**"Interest Payment Date"** means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement and, if an Applicable Business Day Convention is specified in the Pricing Supplement, as the same may be adjusted in accordance with the Applicable Business Day Convention provided that if the Applicable Business Day Convention is the Floating Rate Business Day Convention and an interval of a number of calendar months is specified in the Pricing Supplement as being the Interest Period, each of such dates, as may occur in accordance with the Floating Rate Business Day Convention at such specified period of calendar months following the date of issue of the Instruments (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

**"Interest Period"** means each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date provided always that the first Interest Period shall commence on and include the Interest Commencement Date and the final Interest Period shall end on but exclude the date of final maturity.

**"Interest Period End Date"** means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement and, if an Applicable Business Day Convention is specified in the Pricing Supplement, as the same may be adjusted in accordance with the Applicable Business Day Convention or, if the Applicable Business Day Convention is the Floating Rate Business Day Convention and an interval of a number of calendar months is specified in the Pricing Supplement as the Interest Accrual Period, such dates as may occur in accordance with the Floating Rate Business Day Convention at such specified period of calendar months following the Interest Commencement Date (in the case of the first Interest Period End Date) or the previous Interest Period End Date (in any other case) or, if none of the foregoing is specified in the Pricing Supplement, means the date or each of the dates which corresponds with the Interest Payment Date(s) in respect of the Instruments.

**"ISDA Definitions"** means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Instruments of the relevant Series (as specified in the Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc).

**"Outstanding Nominal Amount"** means, in respect of an Instrument, its nominal amount less, in respect of any Instalment Instrument, any nominal amount on which interest shall have ceased to accrue in accordance with Condition 5.05 or, in the case of a Partly Paid Instrument (as defined in Condition 1.12), the Paid Up Amount (as defined in Condition 1.12) of such Instrument or otherwise as indicated in the Pricing Supplement except that the Paid Up Amount shall be deemed to be nil for Instruments which have been forfeited by the Issuer on or after the Forfeiture Date as provided for in Condition 1.12.

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**"Optional Redemption Amount"** means Early Redemption Amount (Call) (as defined in Condition 6.03) or Early Redemption Amount (Put) (as defined in Condition 6.06) as the case may be.

**"Rate of Interest"** means the rate of the interest payable from time to time in respect of an Instrument and that is either specified in or calculated in accordance with the provisions of the Pricing Supplement.

**"Reference Banks"** means such banks as may be specified in the Pricing Supplement as the Reference Banks or, if so provided, these Terms and Conditions or the Pricing Supplement, as selected by the Calculation Agent or, if none are so specified or if no such selection is provided for, **"Reference Banks"** has the meaning given in the ISDA Definitions, *mutatis mutandis*.

**"Relevant Financial Centre"** means with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date or with respect to the Fixed Rate, the relevant financial centre as may be specified as such in the Pricing Supplement or, if none is so specified, the relevant financial centre with which the relevant benchmark is most closely connected (which, in case of EURIBOR, shall be the Euro-zone) or, if not so connected, London.

**"Relevant Time"** means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the Pricing Supplement or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in specified currency in the interbank market in the Relevant Financial Centre and for this purpose **"local time"** means, with respect to Europe and the Euro-zone as Relevant Financial Centre, Central European Time.

**"Reuters Screen"** means, when used in connection with any designated page and any designated information, the display page so designated on the Reuters Markets 3000 (or such other page as may replace that page for the purpose of displaying such information), as disclosed in the Pricing Supplement, subject to amendment in respect of Instruments listed on Euronext Paris S.A., as disclosed in the Pricing Supplement.

**"Specified Currency"** means the currency specified as such in the Pricing Supplement or, if none is specified the currency in which Instruments are denominated.

**"Specified Denomination"** means the denomination specified in the Pricing Supplement.

**"Specified Duration"** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in the Pricing Supplement or, if none is so specified, a period of time equal to the relative Interest Accrual Period ignoring any adjustment pursuant to this Condition.

**"TARGET system"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

**"Telerate"** means, when used in connection with any designated page and any designated information, the display page so designated on Bridge/Telerate (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying such information). This provision may be subject to amendment in respect of Instruments listed on Euronext Paris S.A., as disclosed in the Pricing Supplement.

### *Zero Coupon Instruments*

**5.09** If any Redemption Amount (as defined in Condition 6.10) or Instalment Amount (as defined in Condition 6.01) in respect of any Instrument which is non-interest bearing is not paid when due, interest shall accrue on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the Amortisation Yield defined in, or determined in accordance with the provisions of, the Pricing Supplement or at such other rate as may be specified for this purpose in the Pricing Supplement until the date on which, upon due presentation or surrender of the relevant Instrument or certificate (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Instrument or certificate is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Instruments in accordance with Condition 14 that the Fiscal Agent or the Registrar has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder). The amount of any such interest shall be calculated in accordance



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with the provisions of Condition 5.07 as if the Rate of Interest was the Amortisation Yield, the Outstanding Nominal Amount was the overdue sum and the Day Count Fraction was as specified for this purpose in the Pricing Supplement or, if not so specified, 30E/360 (as defined in Condition 5.08).

### 6. Redemption and Purchase

#### *Redemption at Maturity*

**6.01** Unless previously redeemed, or purchased and cancelled or unless such Instrument is stated in the Pricing Supplement as having no fixed maturity date, each Instrument shall be redeemed at its final redemption amount (the "**Final Redemption Amount**") (which shall be its Outstanding Nominal Amount or such other redemption amount as may be specified in or determined in accordance with the Pricing Supplement) (or, in the case of Instalment Instruments, in such number of instalments and in such amounts ("**Instalment Amounts**") as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement) on the date or dates (or, in the case of Instruments which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the Pricing Supplement.

#### *Early Redemption for Taxation Reasons*

**6.02** If, in relation to any Series of Instruments:

- (a) the Issuer determines that it would, on the occasion of the next payment in respect of such Instruments, be required to pay additional amounts in accordance with Condition 8; or
- (b) the Issuer would, on the occasion of the next payment in respect of such Instruments, be prevented by French law or published regulations from making payment of the full amount then due and payable (notwithstanding the requirement to pay additional amounts in accordance with Condition 8),

then the Issuer may at its option in the case of (a) above, and shall forthwith in the case of (b) above, and provided

- (i) such obligations cannot be avoided by the Issuer taking reasonable measures available to it; and
- (ii) such circumstances are evidenced by the delivery by the Issuer to the Fiscal Agent of a certificate signed by an authorised officer of the Issuer stating that the said circumstances prevail and describing the facts leading thereto and an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail,

having given no less than 30 nor more than 60 days' notice (ending, in the case of Instruments which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of the Instruments in accordance with Condition 14 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Instruments comprising the relevant Series at their early tax redemption amount (the "**Early Redemption Amount (Tax)**") (which shall be their Outstanding Nominal Amount or, in the case of Instruments which are non-interest bearing, their Amortised Face Amount (as defined in Condition 6.11) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement), together with accrued interest (if any) thereon provided, however, that:

- in the case of redemption following either (a) or (b) above, no such notice of redemption may be given earlier than 90 days (or, in the case of Instruments which bear interest at a floating rate a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Instruments plus 60 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Instruments then due; and
- in the case of redemption following (a) above, the due date for redemption shall be a date which is not earlier than the latest practicable date on which the Issuer would be able to make the relevant payment in full without being required to pay additional amounts in accordance with Condition 8; or
- in the case of redemption following (b) above, the due date for redemption shall be a date which is the latest practicable date on which the Issuer would be able to make the

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relevant payment in full or, if that date cannot be achieved, within 60 days following the effective date of any French law or regulation by virtue of which the next payment due in respect of the Instruments would have to be made subject to deduction or withholding with respect to French taxes (or, if that date is passed, as soon as is practicable thereafter).

The Issuer may not exercise such option in respect of any Instrument which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Instrument under Condition 6.06.

### *Optional Early Redemption (Call)*

**6.03** If this Condition 6.03 is specified in the Pricing Supplement as being applicable, then the Issuer may having given the appropriate notice and subject to such conditions as may be specified in the Pricing Supplement, redeem all (but not, unless and to the extent that the Pricing Supplement specifies otherwise, some only) of the Instruments of the relevant Series at their call early redemption amount (the "**Early Redemption Amount (Call)**") (which shall be their Outstanding Nominal Amount or, in the case of Instruments which are non-interest bearing, their Amortised Face Amount (as defined in Condition 6.11) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement), together with accrued interest (if any) thereon on the date specified in such notice.

The Issuer may not exercise such option in respect of any Instrument which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Instrument under Condition 6.06.

**6.04** The appropriate notice referred to in Condition 6.03 is a notice given by the Issuer to the Holders of the Instruments of the relevant Series in accordance with Condition 14, which notice shall be irrevocable and shall specify:

- the Series of Instruments subject to redemption;
- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of and (except in the case of a Temporary Global Instrument or Permanent Global Instrument) the serial numbers of the Instruments of the relevant Series which are to be redeemed;
- the due date for such redemption, which shall be not less than 30 days (or such lesser period as may be specified in the relevant Pricing Supplement) after the date on which such notice is given and which shall be such date or the next of such dates ("**Call Option Date(s)**") or a day falling within such period ("**Call Option Period**"), as may be specified in the Pricing Supplement and which is, in the case of Instruments which bear interest at a floating rate, a date upon which interest is payable; and
- the Early Redemption Amount (Call) at which such Instruments are to be redeemed.

### *Partial Redemption*

**6.05** If the Instruments of a Series are to be redeemed in part-only on any date in accordance with Condition 6.03:

- in the case of Bearer Instruments (other than a Temporary Global Instrument or Permanent Global Instrument), the Instruments to be redeemed shall be drawn by lot in such European city as the Fiscal Agent may specify, or identified in such other manner or in such other place as the Fiscal Agent may approve and deem appropriate and fair;
- in the case of a Temporary Global Instrument or a Permanent Global Instrument, the Instruments to be redeemed shall be selected in accordance with the rules of Euroclear and/or Clearstream and/or any other relevant clearing system; and
- in the case of Registered Instruments, the Instruments shall be redeemed (so far as may be practicable) pro rata to their principal amounts, provided always that the amount redeemed in respect of each Instrument shall be equal to the minimum denomination thereof or an integral multiple thereof;

subject always to compliance with all applicable laws and the requirements of any stock exchange on which the relevant Instruments may be listed.

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In the case of the redemption of part only of a Registered Instrument, a new Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Conditions 2.05 to 2.10 which shall apply as in the case of a transfer of Registered Instruments as if such new Registered Instrument were in respect of the untransferred balance.

### *Optional Early Redemption (Put)*

**6.06** If this Condition 6.06 is specified in the Pricing Supplement as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Instrument of the relevant Series, redeem such Instrument on the date specified in the relevant Put Notice (as defined below) at its put early redemption amount (the "**Early Redemption Amount (Put)**") (which shall be its Outstanding Nominal Amount or, if such Instrument is non-interest bearing, its Amortised Face Amount (as defined in Condition 6.11) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than 45 days before the date on which such redemption is required to be made as specified in the Put Notice (which date shall be such date or the next of the dates ("**Put Date(s)**") or a day falling within such period ("**Put Period**") as may be specified in the Pricing Supplement), deposit the relevant Instrument (together, in the case of an interest-bearing Definitive Instrument, with all unmatured Coupons appertaining thereto other than any Coupon maturing on or before the date of redemption (failing which the provisions of Condition 9A.06 apply)) during normal business hours at the specified office of, in the case of a Bearer Instrument, any Paying Agent or, in the case of a Registered Instrument, the Registrar together with a duly completed early redemption notice ("**Put Notice**") in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar specifying, in the case of a Temporary Global Instrument or Permanent Global Instrument or Registered Instrument, the aggregate principal amount in respect of which such option is exercised (which must be the minimum denomination specified in the Pricing Supplement or an integral multiple thereof). No Instrument so deposited and option exercised may be withdrawn without the prior consent of the Issuer.

In the case of the redemption of part only of a Registered Instrument, a new Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Conditions 2.05 to 2.10 which shall apply as in the case of a transfer of Registered Instruments as if such new Registered Instrument were in respect of the untransferred balance.

The holder of an Instrument may not exercise such option in respect of any Instrument which is the subject of an exercise by the Issuer of its option to redeem such Instrument under either Condition 6.02 or 6.03.

### *Purchase of Instruments*

**6.07** The Issuer or any of its subsidiaries may at any time purchase Instruments in the open market or otherwise and at any price in accordance with applicable laws provided that all unmatured Receipts and Coupons appertaining thereto are purchased therewith. If purchases are made by tender, tenders must be available to all holders of Instruments alike.

### *Cancellation of Redeemed and Purchased Instruments*

**6.08** All unmatured Instruments and Coupons redeemed or purchased otherwise than in the ordinary course of business of dealing in securities or as a nominee in accordance with this Condition 6 must be cancelled and may not be reissued or resold.

### *Further Provisions applicable to Redemption Amount and Instalment Amounts*

**6.09** The provisions of Condition 5.06 and the last paragraph of Condition 5.07 shall apply to any determination or calculation of the Redemption Amount or any Instalment Amount required by the Pricing Supplement to be made by the Calculation Agent.

**6.10** References herein to "**Redemption Amount**" shall mean, as appropriate, the Final Redemption Amount, the final Instalment Amount, Early Redemption Amount (Tax), Early Redemption Amount (Call), Early Redemption Amount (Put) and Early Termination Amount (as defined in Condition 7.02) or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement.

**6.11** In the case of any Instrument which is non-interest bearing, the "**Amortised Face Amount**" shall be an amount equal to the sum of:

- (i) the Issue Price specified in the Pricing Supplement; and

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- (ii) the product of the Amortisation Yield (defined in, or determined in accordance with the provisions of the relevant Pricing Supplement) (compounded annually) being applied to the Issue Price from (and including) the Issue Date specified in the Pricing Supplement to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Instrument becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Fraction (as defined in Condition 5.08) specified in the Pricing Supplement for the purposes of this Condition 6.11.

**6.12** If any Redemption Amount (other than the Final Redemption Amount) is improperly withheld or refused or default is otherwise made in the payment thereof, the Amortised Face Amount shall be calculated as provided in Condition 6.11 but as if references in subparagraph (ii) to the date fixed for redemption or the date upon which such Instrument becomes due and repayable were replaced by references to the earlier of:

- (i) the date on which, upon due presentation or surrender of the relevant Instrument (if required), the relevant payment is made; and
- (ii) (except where presentation or surrender of the relevant Instrument is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Instruments in accordance with Condition 14 of that circumstance (except to the extent that there is a failure in the subsequent payment thereof to the relevant Holder).

## 7. Events of Default

**7.01** The following events or circumstances as modified by, and/or such other events as may be specified in, the Pricing Supplement (each an "**Event of Default**") shall be acceleration events in relation to the Instruments of any Series:

- (i) the Issuer fails to pay any amount of principal in respect of the Instruments of the relevant Series or any of them on the due date for payment thereof or fails to pay any amount of interest in respect of the Instruments of the relevant Series or any of them within 15 days of the due date for payment thereof; or
- (ii) the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Instruments of the relevant Series and (except in any case where such default is incapable of remedy when no such continuation or notice, as is hereinafter mentioned, will be required) such default remains unremedied for 30 days after written notice requiring such default to be remedied has been received by the Issuer at the specified office of the Fiscal Agent by the Holder of any such Instrument; or
- (iii) (a) any Indebtedness (as defined in Condition 4.02) of the Issuer (being Indebtedness having an outstanding aggregate principal amount in excess of €100,000,000 or its equivalent in any other currency) is not paid when due or (as the case may be) within any original applicable grace period, (b) any Indebtedness (being Indebtedness having an outstanding aggregate principal amount in excess of €100,000,000 or its equivalent in any other currency) becomes due and payable prior to its stated maturity as a result of a default thereunder which is not remedied within the relevant grace period or (c) the Issuer fails to pay when due any amount payable by it under any guarantee of Indebtedness (being Indebtedness having an outstanding aggregate principal amount in excess of €100,000,000 or its equivalent in any other currency); or
- (iv) the Issuer is dissolved prior to redemption in full of the Instruments unless, at that time, the obligations and liabilities of the Issuer pursuant to the Instruments are transferred to a French legal entity and, until the Instruments have been repaid in full, (a) at least 51% of the capital of such entity remains, directly or indirectly, controlled by the Republic of France, or (b) the Instruments are assigned by Moody's Investors Service and Standard & Poor's Rating Services, a division of The McGraw-Hill Group of Companies (or, in the event that either or both of such institutions cease to exist, at least two international rating

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agencies of comparable reputation), a rating equal to A+/A1 or more and the above-mentioned entity is an entity assuming all or part of the existing industrial activities of the Issuer and owning the assets corresponding with such activities, or (c) such entity's obligations and liabilities under the Instruments are unconditionally guaranteed by the Republic of France; or

- (v) the Issuer applies for the appointment of a conciliator (*conciliateur*) under French bankruptcy law or enters into an amicable settlement (*règlement amiable*) with creditors or a judgment is issued for judicial liquidation (*liquidation judiciaire*) or for a transfer of the whole of its business (*cession totale de l'entreprise*), or the Issuer is subject to proceedings to the same effect, or in the absence of legal proceedings the Issuer makes a conveyance, assignment or other arrangement for the benefit of its creditors or enters into a composition with its creditors.

**7.02** If any Event of Default shall occur and be continuing in relation to any Series of Instruments, any Holder of an Instrument of the relevant Series may, by written notice to the Issuer which shall be effective upon receipt, at the specified office of the Fiscal Agent, declare that such Instrument and (if the Instrument is interest-bearing) all interest then accrued on such Instrument shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the "**Early Termination Amount**") (which shall be its Outstanding Nominal Amount or, if such Instrument is non-interest bearing, its Amortised Face Amount (as defined in Condition 6.11) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Instruments to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Instruments of the relevant Series shall have been cured.

## 8. Taxation

**8.01** The Instruments which constitute *obligations* under French law and are being issued or deemed to be issued outside the Republic of France, interest and other revenues with respect to the Instruments will benefit from the exemption provided for in Article 131 *quater* of the *Code Général des Impôts* (General Tax Code) from deduction of tax at source. Accordingly, such payments do not give the right to any tax credit from any French source. The tax regime applicable to Instruments which do not constitute *obligations* will be set out in the relevant Pricing Supplement.

**8.02** All amounts payable (whether in respect of principal, interest or otherwise) in respect of the Instruments will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic of France or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the net amounts receivable by the Holder after such withholding or deduction shall equal the respective amounts which would have been receivable by such Holder in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Instrument or Coupon:

- (i) to, or to a third party on behalf of, a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Instrument or Coupon by reason of his having some connection with the Republic of France other than (a) the mere holding of such Instrument or Coupon or (b) the receipt of principal, interest or other amount in respect of such Instrument or Coupon; or
- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

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- (iii) by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Instrument or Coupon to another Paying Agent in a Member State of the European Union; or
- (iv) presented for payment more than 30 days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on or before the expiry of such period of 30 days; or
- (v) presented for payment in the Republic of France.

**8.03** For the purposes of these Terms and Conditions, the "**Relevant Date**" means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Fiscal Agent or, as the case may be, the Registrar on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Holders, notice to that effect shall have been duly given to the Holders of the Instruments of the relevant Series in accordance with Condition 14.

**8.04** If the Issuer becomes subject generally at any time to any taxing jurisdiction other than or in addition to the Republic of France references in Condition 6.02, Condition 8.02 and Condition 8.06 to the Republic of France shall be read and construed as references to the Republic of France and/or to such other jurisdiction(s).

**8.05** Any reference in these Terms and Conditions to "**principal**" and/or "**nominal**" and/or "**interest**" in respect of the Instruments shall be deemed also to refer to any additional amounts which may be payable under this Condition 8. Unless the context otherwise requires, any reference in these Terms and Conditions to "**principal**" and/or "**nominal**" shall include any premium payable in respect of an Instrument, any Instalment Amount or Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and "**interest**" shall include all amounts payable pursuant to Condition 5 and any other amounts in the nature of interest payable pursuant to these Terms and Conditions.

*The following provisions in square brackets will apply to Instruments issued on or after the Transformation Date:*

**8.06** Interest and other revenues with respect to Instruments issued by the Issuer which, if so specified in the relevant Pricing Supplement, are not being issued or deemed to be issued outside the Republic of France, only benefit from the exemption from deduction of tax at source provided by, and subject to, the provisions of Article 125 A III of the Code Général des Impôts, which requires, inter alia, certification of non-French residency.

**8.07** The holder of any Instrument referred to in 8.06 above shall be responsible for supplying certification of non-residency (in the form required by the French tax authorities from time to time) in accordance with the provisions of Article 125 A III of the Code Général des Impôts and the Issuer shall not be responsible for any deduction or withholding in respect of any payment made under any Instrument or Coupon resulting from the failure of such Holder to submit such certification.

For the purposes of these Terms and Conditions:

"**Transformation**" means the transformation or change by law of the legal status of the Issuer into a *société anonyme* (a "company") or another type of *personne morale de droit privé*.

"**Transformation Date**" means the date on which the Transformation becomes effective.]

## 9. Payments

### 9A Payments - Bearer Instruments

**9A.01** This Condition 9A is applicable in relation to Instruments in bearer form.

**9A.02** Payment of amounts (other than interest) due in respect of Bearer Instruments will be made against presentation and (save in the case of partial payment or payment of an Instalment Amount (other than the final Instalment Amount)) surrender of the relevant Bearer Instruments at the specified office of any of the Paying Agents.

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Payment of Instalment Amounts (other than the final Instalment Amount) in respect of an Instalment Instrument which is a Definitive Instrument with Receipts will be made against presentation of the Instrument together with the relevant Receipt and surrender of such Receipt.

The Receipts are not and shall not in any circumstances be deemed to be documents of title and if separated from the Instrument to which they relate will not represent any obligation of the Issuer. Accordingly, the presentation of an Instrument without the relative Receipt or the presentation of a Receipt without the Instrument to which it appertains shall not entitle the Holder to any payment in respect of the relevant Instalment Amount.

**9A.03** Payment of amounts in respect of interest on Bearer Instruments will be made:

- (i) in the case of a Temporary Global Instrument or Permanent Global Instrument, against presentation of the relevant Temporary Global Instrument or Permanent Global Instrument at the specified office of any of the Paying Agents outside (unless Condition 9A.04 applies) the United States and, in the case of a Temporary Global Instrument, upon due certification as required therein;
- (ii) in the case of Definitive Instruments without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Instruments at the specified office of any of the Paying Agents outside (unless Condition 9A.04 applies) the United States; and
- (iii) in the case of Definitive Instruments delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Definitive Instruments, in either case at the specified office of any of the Paying Agents outside (unless Condition 9A.04 applies) the United States.

**9A.04** Payments of amounts due in respect of interest on the Bearer Instruments and exchanges of Talons for Coupon sheets in accordance with Condition 9A.07 will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Instruments when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law. If paragraphs (a) and (b) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

**9A.05** If the due date for payment of any amount due in respect of any Bearer Instrument is not a Relevant Financial Centre Day and a Local Banking Day (each as defined in Condition 9C.03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by cheque on any local banking day, and will be entitled to payment by transfer to a designated account on any day which is a Local Banking Day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.05 or, if appropriate, Condition 5.09.

**9A.06** Each Definitive Instrument initially delivered with Coupons, Talons or Receipts attached thereto should be presented and, save in the case of partial payment of the Redemption Amount, surrendered for final redemption together with all unmatured Receipts, Coupons and Talons relating thereto, failing which:

- (i) if the Pricing Supplement specifies that this paragraph (i) of Condition 9A.06 is applicable (and, in the absence of specification, this paragraph (i) shall apply to Definitive Instruments which bear interest at a fixed rate or rates or in fixed amounts) and subject as hereinafter provided, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the Redemption Amount paid bears to the total Redemption Amount due) (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of

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- any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such Redemption Amount;
- (ii) if the Pricing Supplement specifies that this paragraph (ii) of condition 9A.06 is applicable (and, in the absence of specification, this paragraph (ii) shall apply to Definitive Instruments which bear interest at a floating rate or rates or in variable amounts) all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) relating to such Definitive Instruments (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them;
  - (iii) in the case of Definitive Instruments initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them; and
  - (iv) in the case of Definitive Instruments initially delivered with Receipts attached thereto, all Receipts relating to such Instruments in respect of a payment of an Instalment Amount which (but for such redemption) would have fallen due on a date after such due date for redemption (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 9A.06 notwithstanding, if any Definitive Instruments should be issued with a maturity date and a Rate of Interest or Rates of Interest such that, on the presentation for payment of any such Definitive Instrument without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the Redemption Amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Instrument, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the Redemption Amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Instrument to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

**9A.07** In relation to Definitive Instruments initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 9A.04 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10 below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

### **9B Payments - Registered Instruments**

**9B.01** This Condition 9B is applicable in relation to Instruments in registered form.

**9B.02** Payment of the Redemption Amount (together with accrued interest) due in respect of Registered Instruments will be made against presentation and, save in the case of partial payment of the Redemption Amount, surrender of the relevant Registered Instruments at the specified office of the Registrar. If the due date for payment of the Redemption Amount of any Registered Instrument is not a Relevant Financial Centre Day (as defined in Condition 9C.03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by cheque on any local banking day, and, will be entitled to payment by transfer to a designated account on any day which is a Local Banking Day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.05 or, as appropriate, Condition 5.09.

**9B.03** Payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Instruments will be paid to the Holder thereof (or, in the case of joint



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Holders, the first-named) as appearing in the register kept by the Registrar as at opening of business (local time in the place of the specified office of the Registrar) on the fifteenth Relevant Banking Day (as defined in Condition 2.07) before the due date for such payment (the "**Record Date**").

**9B.04** Notwithstanding the provisions of Condition 9C.02, payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Instruments will be made in the currency in which such amount is due by cheque and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof (or, in the case of joint Holders, the first-named) on the Relevant Banking Day (as defined in Condition 2.07) not later than the relevant due date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first-named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Relevant Financial Centre Day, then the Holder thereof will not be entitled to payment thereof until the first day thereafter which is a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.05 or, as appropriate, Condition 5.09.

### **9C Payments - General Provisions**

**9C.01** Save as otherwise specified in these Terms and Conditions, this Condition 9C is applicable in relation to Instruments whether in bearer or in registered form.

**9C.02** Payments of amounts due (whether principal, interest or otherwise) in respect of Instruments will be made in the currency in which such amount is due (a) by cheque or (b) at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee. Payments will, without prejudice to the provisions of Condition 8, be subject in all cases to any applicable fiscal or other laws and regulations.

**9C.03** For the purposes of these Terms and Conditions:

- (i) "**Relevant Financial Centre Day**" means, in the case of any currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments in the financial centre ("**Financial Centre**") specified as such in the Pricing Supplement or in the case of payment in Euro, a day on which the TARGET System is operating; and
- (ii) "**Local Banking Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including the presentation and payment of bearer debt securities and dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Instrument or, as the case may be, Coupon.

**9C.04** No commissions or expenses shall be charged to the Holders of Instruments or Coupons in respect of such payments.

### **9D Redenomination**

**9D.01** Where Redenomination is specified in the relevant Pricing Supplement as being applicable, the Issuer, without the consent of the Holders of the Instruments, the Receipts or the Coupons, on giving at least 30 days' prior notice to the Holders of the Instruments, the Receipts or the Coupons in accordance with Condition 14, may elect that, with effect from the Redenomination Date specified in the notice, the Instruments shall be redenominated in Euro.

**9D.02** The election will have effect as follows:

- (i) each Specified Denomination (as defined below) and, in the case of Fixed Rate Instruments, each amount specified on the Coupons will be deemed to be denominated in such amount of Euro as is equivalent to its denomination or the amount of interest so specified in the Specified Currency (as defined below) at the Established Rate (as defined below), rounded down to the nearest Euro 0.01;
- (ii) after the Redenomination Date (as defined below), all payments in respect of the Instruments, the Receipts and the Coupons, other than payments of interest in respect of

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periods commencing before the Redenomination Date, will be made solely in Euro as though references in the Instruments to the Specified Currency were to Euro. Payments will be made in Euro by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee, or at the option of the payee, by a Euro cheque;

- (iii) if the Instruments are Fixed Rate Instruments and interest for any period ending on or after the Redenomination Date is required to be calculated for a period of less than one year, it will be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (i) the number of those days falling in a leap year divided by 366 and (ii) the number of those days falling in a non-leap year divided by 365);
- (iv) if the Instruments are Floating Rate Instruments the relevant Pricing Supplement will specify any relevant changes to the provisions relating to interest; and
- (v) such other changes shall be made to these Terms and Conditions as the Issuer may decide, after consultation with the Fiscal Agent, and as may be specified in the notice, to conform them to conventions then applicable to Instruments denominated in Euro or to enable the Instruments to be consolidated with Other Instruments (as defined below) whether or not originally denominated in the Specified Currency or Euro. Any such other changes will not take effect until after they have been notified to the Holders of the Instruments in accordance with Condition 14.

### 9E Exchangeability

Where Exchangeability is specified in the relevant Pricing Supplement as being applicable, the Issuer may without the consent of the Holders of the Instruments, the Receipts or the Coupons, on giving at least 30 days' prior notice to the Holders of the Instruments in accordance with Condition 14, elect that, with effect from the Redenomination Date or such later date for payment of interest under the Instruments as it may specify in the notice, the Instruments shall be exchangeable as the Issuer may decide, with the approval of the Fiscal Agent and as may be specified in the notice, including arrangements under which Receipts and Coupons unmaturing at the date so specified become void.

### 9F Consolidation

The Issuer may also from time to time, without the consent of the Holders of the Instruments, consolidate the Instruments with one or more issues of other Instruments ("**Other Instruments**") issued by it, whether or not originally issued in the relevant currency in which the Instruments are denominated or Euro, provided that such Other Instruments have been redenominated into Euro (if not originally denominated in Euro) and otherwise have, in respect of all periods subsequent to such consolidation, the same or substantially the same terms and conditions as the Instruments. The relevant issue and paying agency agreement(s) will be amended accordingly. The Fiscal Agent shall act as the consolidation agent (in such capacity, the "**Consolidation Agent**").

### 9G Definitions

In these Terms and Conditions, the following expressions have the following meanings:

- (i) "**Established Rate**" means the rate for conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into Euro established by the Council of the European Union pursuant to Article 123(4) of the Treaty;
- (ii) "**Other Instruments**" means, at any time, any one or more Series of other Instruments of the Issuer which have the same or substantially the same Terms and Conditions (as then in effect and which have not lapsed and/or the rights in respect of which have not been exercised) as the Instruments (other than in relation to the currency of original denomination and/or denomination and/or the Terms and Conditions relating to business days or interest accrual bases and/or the stock exchange(s), if any, on which such Instruments are listed and/or the clearing system(s) on which such Instruments are cleared and settled and/or Redenomination into Euro and/or notices);
- (iii) "**Redenomination Date**" means (in the case of interest bearing Instruments) any date for payment of interest under the Instruments or (in the case of non-interest bearing

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Instruments) any date, in each case specified by the Issuer in the notice given to the Holders of Instruments pursuant to Clause 9D.01 or Clause 9E above and which falls on or after such date as when the country of the Specified Currency has become a participating Member State in the single currency of the European Economic and Monetary Union as provided in the Treaty;

- (iv) "**Specified Currency**" means as defined in Condition 5.08;
- (v) "**Specified Denomination**" means as defined in Condition 5.08;
- (vi) "**Treaty**" means the Treaty establishing the European Community as amended from time to time.

### 10. Prescription

**10.01** Claims against the Issuer for payment of principal and interest in respect of Instruments will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date (as defined in Condition 8.03) for payment thereof.

**10.02** In relation to Definitive Instruments initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 9A.06 or the due date for the payment of which would fall after the due date for the redemption of the relevant Instrument or which would be void pursuant to this Condition 10 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Instrument.

### 11. The Paying Agents, the Registrars and the Calculation Agent

**11.01** The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent) or the Registrar or the Calculation Agent and to appoint additional or other Paying Agents or another Registrar or another Calculation Agent Provided that it will at all times maintain (i) a Fiscal Agent, (ii) in the case of Registered Instruments, a Registrar, (iii) a Paying Agent (which may be the Fiscal Agent) with a specified office in a continental European city, (iv) a Paying Agent in an EU Member State that will not oblige such Paying Agent to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, (v) so long as the Instruments are listed on the Luxembourg Stock Exchange and/or any other stock exchange, a Paying Agent (which may be the Fiscal Agent) and a Registrar each with a specified office in Luxembourg and/or in such other place as may be required by the rules of such other stock exchange, (vi) so long as the Instruments are listed on Euronext Paris S.A. and it is required by the applicable law, a Paying Agent and a Registrar each with a specified office in Paris, (vii) in the circumstances described in Condition 9A.04, a Paying Agent with a specified office in New York City, and (viii) a Calculation Agent where required by the Terms and Conditions applicable to any Instruments (in the case of (i), (ii), (iii) and (viii) with a specified office located in such place (if any) as may be required by the Terms and Conditions). The Paying Agents, the Registrar and the Calculation Agent reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of any Paying Agent, the Registrar or the Calculation Agent will be given promptly by the Issuer to the Holders in accordance with Condition 14.

**11.02** The Paying Agents, the Principal Registrar and the Calculation Agent act solely as agents of the Issuer and, save as provided in the Issue and Paying Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Instrument, Receipt or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Issue and Paying Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

### 12. Replacement of Instruments

If any Instrument, Receipt or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent or such Paying Agent or Paying Agents as may be specified for

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such purpose in the Pricing Supplement (in the case of Bearer Instruments and Coupons) or of the Registrar (in the case of Registered Instruments) ("**Replacement Agent**"), subject to all applicable laws and the requirements of any stock exchange on which the Instruments are listed, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Replacement Agent may require. Mutilated or defaced Instruments, Receipts and Coupons must be surrendered before replacements will be delivered therefor.

### 13. Meetings of Holders and Modification

The Issue and Paying Agency Agreement contains provisions (which shall have effect as if incorporated herein) for convening meetings of the Holders of Instruments of any Series to consider any matter affecting their interest, including (without limitation) the modification by Extraordinary Resolution (as defined below) of these Terms and Conditions and the Deed of Covenant insofar as the same may apply to such Instruments. The expression "**Extraordinary Resolution**" means a resolution passed at a meeting of the Holders of Instruments, duly convened and held, by a majority consisting of not less than three-fourths of the votes cast thereon. An Extraordinary Resolution passed at any meeting of the Holders of Instruments of any Series will be binding on all Holders of the Instruments of such Series, whether or not they are present at the meeting, and on all Holders of Coupons relating to Instruments of such Series.

Such a meeting may be convened by Holders of Instruments of the relevant Series holding not less than 10 per cent. of the Outstanding Nominal Amount of the Instruments of such Series. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in Outstanding Nominal Amount of the Instruments, or at any adjourned meeting two or more persons being or representing Holders whatever the Outstanding Nominal Amount of the Instruments held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to vary the date of maturity or any date of redemption of any of the Instruments or any date for payment of any principal or interest in respect thereof; or (ii) to reduce or cancel the principal amount of the Instruments of the relevant Series; or (iii) to vary (or to vary the method or basis of calculating or determining) the rate or amount of interest or to vary the rate of discount, rate of amortisation or any other rate of return applicable thereto; or (iv) to vary (or to vary the method or basis of calculating or determining) the amount payable on redemption of the Instruments, or in the case of any Instalment Instrument, any Instalment Amount; or (v) to modify any provision of the Deed of Covenant; or (vi) to modify the provisions concerning the quorum required at any meeting of Holders of the Instruments or any adjournment thereof or concerning the majority required to pass an Extraordinary Resolution; or (vii) to vary the currency in which any payment (or other obligation) in respect of the Instruments is to be made; or (viii) which would have the effect of giving any authority, direction or sanction which under the Terms and Conditions is required to be given pursuant to a meeting of the Holders of the Instruments to which the special quorum provisions apply; or (ix) to amend any of (i) to (viii) inclusive above in any manner, in which case the necessary quorum shall be two or more persons holding or representing not less than 50 per cent., or at any adjourned meeting two or more persons being or representing Holders whatever the Outstanding Nominal Amount of the Instruments held or represented.

The Issuer may, with the consent of the Fiscal Agent, but without the consent of the Holders of the Instruments of any Series or Coupons, amend these Terms and Conditions and the Deed of Covenant insofar as they may apply to such Instruments to correct a manifest error. Subject as aforesaid, no other modification may be made to these Terms and Conditions or the Deed of Covenant except with the sanction of an Extraordinary Resolution.

### 14. Notices

#### *To Holders of Bearer Instruments*

**14.01** Notices to Holders of Bearer Instruments will, save where another means of effective communication has been specified herein or in the Pricing Supplement, be deemed to be validly given if (i) published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*) and (ii) in the case of any Instruments which are listed on the Luxembourg Stock Exchange (so long as such Instruments are listed on the Luxembourg Stock Exchange and the applicable rules of that exchange so require), in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and (iii) in the case of any Instruments which are listed on Euronext Paris

## Terms and Conditions of the Instruments

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S.A. (so long as such Instruments are listed on Euronext Paris S.A. and the applicable rules of that exchange so require), in a leading daily newspaper having general circulation in Paris (which is expected to be *La Tribune*). If such publication is not practicable, in the case of (i) or (ii) above, if published in a leading English language daily newspaper having general circulation in Europe, and, in the case of (iii) above, if such publication is not practicable, if published in a leading French language daily newspaper having general circulation in the Republic of France, or, in the case of a Temporary Global Instrument or Permanent Global Instrument, if delivered to Euroclear and Clearstream for communication by them to the persons shown in their respective records as having interests, therein Provided that, in the case of Instruments admitted to listing on any stock exchange, the rules of such stock exchange have been complied with. Any notice so given will be deemed to have been validly given on the date of first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers) or, as the case may be, on the fourth day after the date of such delivery to Euroclear and Clearstream. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Instruments in accordance with this Condition.

### *To Holders of Registered Instruments*

**14.02** Notices to Holders of Registered Instruments will be deemed to be validly given if (i) sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth day after the date of such mailing or, if posted from another country, on the fifth such day, and (ii) in the case of Instruments which are listed on the Luxembourg Stock Exchange (so long as such Instruments are listed on the Luxembourg Stock Exchange and the rules of that exchange so require), if published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

## **15. Further Issues**

The Issuer may from time to time, without the consent of the Holders of any Instruments or Coupons, create and issue further Instruments, bonds or debentures having the same terms and conditions as such Instruments in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single Series with the Instruments of any particular Series.

## **16. Currency Indemnity**

The currency in which the Instruments are denominated or, if different, payable, as specified in the Pricing Supplement (the "**Contractual Currency**"), is the sole currency of account and payment for all sums payable by the Issuer in respect of the Instruments, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or an order of a court of any jurisdiction or otherwise) by any Holder of an Instrument or Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of an Instrument or Coupon in respect of such Instrument or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of an Instrument or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Instruments or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of an Instrument or Coupon and no proof or evidence of any actual loss will be required by the Issuer.

## Terms and Conditions of the Instruments

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### 17. Waiver and Remedies

No failure to exercise, and no delay in exercising, on the part of the Holder of any Instrument, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

### 18. Law and Jurisdiction

**18.01** The Instruments, the Issue and Paying Agency Agreement and the Deed of Covenant are governed by, and shall be construed in accordance with, English law.

**18.02** The Issuer irrevocably agrees for the benefit of the Holders of the Instruments that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Instruments (respectively, "Proceedings" and "Disputes") and, for such purposes, irrevocably submits to the jurisdiction of such courts.

**18.03** The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agrees not to claim that any such court is not a convenient or appropriate forum.

**18.04** The Issuer agrees that the process by which any proceedings in England are begun may be served on it by being delivered to The Law Debenture Trust Corporation p.l.c. at Princes House, 95 Gresham Street, London EC2V 7LY. If the appointment of the person mentioned in this Condition 18.04 ceases to be effective, the Issuer shall forthwith appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Fiscal Agent and, failing such appointment within fifteen days, any Holder of an Instrument shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent. Nothing contained herein shall affect the right of any Holder of an Instrument to serve process in any other manner permitted by law.

**18.05** The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of the Holders of the Instruments or any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

**18.06** The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings) provided that the properties and assets of the Issuer in France cannot be subject to any attachment or execution proceedings in France.

**18.07** To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), the Issuer agrees not to claim and irrevocably waive such immunity to the full extent permitted by the laws of such jurisdiction.

## USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Instruments will be applied by the Issuer to meet part of its general financing requirements.

## FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche is set out below:

### Pricing Supplement

[LOGO, if document is printed]

**ELECTRICITE DE FRANCE (E.D.F.),  
SERVICE NATIONAL**

### Programme for the Issuance of Debt Instruments

Issue of  
*[Aggregate Nominal Amount of Tranche]*  
*[Title of Instruments]*

Issue Price: [•] per cent

**[Name(s) of Dealer(s)]**  
The date of this Pricing Supplement is [•]

This Pricing Supplement, under which the instruments described herein (the "**Instruments**") are issued, is supplemental to, and should be read in conjunction with, the information memorandum (the "**Information Memorandum**") dated 4 August 2004 issued in relation to the €11,000,000,000 Programme for the Issuance of Debt Instruments of Electricité de France (E.D.F.), Service National (the "**Issuer**") and registered by the AMF under n° P04-160 on 3 August 2004. Terms defined in the Information Memorandum have the same meaning in this Pricing Supplement. The Instruments will be issued on the terms of this Pricing Supplement read together with the Information Memorandum. The Issuer [and the Paris Listing Agent]<sup>1</sup> accept[s] responsibility for the information contained in this Pricing Supplement which, when read together with the Information Memorandum, contains all information that is material in the context of the issue of the Instruments.

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer of, or an invitation by or on behalf of anyone to subscribe or purchase any of the Instruments.

[Except as disclosed in this document,] there has been no adverse change in the financial or trading position of the Issuer and its fully consolidated subsidiaries since [date of last published audited consolidated financial statements] that is material in the context of the issue and offering of the Instruments.<sup>2</sup>

The Information Memorandum, together with this Pricing Supplement, contains all information with respect to the Issuer and its fully consolidated subsidiaries and the Instruments which is material in the context of the issue and offering of the Instruments and nothing has happened which would require the Information Memorandum to be [further] supplemented or to be updated in the context of the issue and the offering of the Instruments.

#### **[LISTING APPLICATION]**

This Pricing Supplement comprises the details required to list the issue of Instruments described herein pursuant to the €11,000,000,000 Electricité de France (E.D.F.), Service National Programme for the Issuance of Debt Instruments.]

Signed:

Authorised Officer

The Instruments have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the US and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

1 For Euronext Paris S.A. listed Instruments only.

2 N.B. If any such change is disclosed in the Pricing Supplement, it will require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Information Memorandum rather than in the Pricing Supplement.



*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]*

1. Issuer: Electricité de France (E.D.F.), Service National
2. [(i)] Series Number: [ ]  
[(ii)] Tranche Number: [ ]  
*(If fungible with an existing Series, details of that series, including the date on which the Instruments become fungible).]*
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:  
[(i)] Series: [ ]  
[(ii)] Tranche: [ ]
5. (i) Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (in the case of fungible issues only, if applicable)]  
(ii) [Net Proceeds [ ] [(required only for listed Instruments)]]
6. Specified Denominations:<sup>1</sup> [ ]  
(Condition 1.09 or 1.10) [ ]
7. [(i)] Issue Date [and Interest Commencement Date] [ ]  
[(ii)] Interest Commencement Date (if different from Issue Date): [ ]
8. Maturity Date: *[Specify date or (for Floating Rate Instruments) Interest Payment Date falling in or nearest to the relevant month and year.]*  
(Condition 1.09 or 1.10)
9. Interest Basis: [Non-interest bearing] [●% Fixed Rate]  
(Condition 5) [[specify reference rate] +/- ●% Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Other (specify)]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at Outstanding Nominal Amount]  
[Index Linked Redemption]  
[Dual Currency]  
[Partly Paid]  
[Instalment]  
[Other (specify)]
11. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Instruments into another interest or redemption/payment basis]*
12. Put/Call Options: [Investor Put]  
(Condition 6.03 and [Issuer Call]  
Condition 6.06) [(further particulars specified below)]

<sup>1</sup> Instruments (including Instruments denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

13. Status of the Instruments: [Unsubordinated]<sup>2</sup>  
 14. Listing: [Luxembourg/Euronext Paris S.A./other (*specify*)/None]  
 15. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

16. **Fixed Rate Instrument Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate(s) of Interest: [ ] per cent per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]  
 (ii) Interest Payment Date(s): [ ] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Additional Business Centre(s) for the definition of "Business Day"*]/not adjusted]  
 (iii) Fixed Coupon Amount(s): [ ] per [ ] in Outstanding Nominal Amount  
 (iv) Broken Amount(s): [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s) and the Interest Payment Date(s) to which they relate*]  
 (v) Day Count Fraction [30/360/Actual/Actual (ISMA/ISDA)/other]  
 (vi) Other terms relating to the method of calculating interest for Fixed Rate Instruments: [Not Applicable/*give details, for example Interest Determination Date(s)*]
17. **Floating Rate Instrument Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate for Instruments denominated in Euro)*
- (i) Interest Period: As defined in Condition 5.08  
 (ii) Specified Period(s)/Specified Interest Payment Dates: [ ]  
 (iii) Business Day Convention: [Specify, unless no adjustment is required in which case specify "No Adjustment". If nothing is specified, Modified Following Business Day Convention shall be deemed to have been specified (See Condition 5.08) Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (*give details*)]  
 (iv) Additional Business Centre(s): [ ]  
 (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (*give details*)]  
 (vi) Party responsible for calculating the Rate(s) of Interest [ ]

<sup>2</sup> Date of Board of Directors approval for issuance of Instruments obtained:

- and Interest Amount(s) (if not the [Calculation Agent]):
- (vii) Screen Rate Determination:  
Condition 5.03
- Reference Rate: [       ]
- Interest Determination Date(s): [       ]  
(Condition 5.08)
- Relevant Screen Page: [Reuters Screen/Telerate/other]  
(Condition 5.03) page [   ]
- (viii) ISDA Determination:  
(Condition 5.03)
- Floating Rate Option: [       ]
- Designated Maturity: [       ]
- Reset Date: [       ]
- (ix) Margin(s): [+/-][       ] per cent per annum  
(Condition 5.03)
- (x) Minimum Rate of Interest: [       ] per cent per annum  
(Condition 5.04)
- (xi) Maximum Rate of Interest: [       ] per cent per annum  
(Condition 5.04)
- (xii) Day Count Fraction: [       ]  
(Condition 5.08)
- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Instruments, if different from those set out in the Conditions: [       ]
18. **Zero Coupon Instrument Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield: [       ] per cent per annum
- (ii) Reference Price: [       ]
- (iii) Any other formula/basis of determining amount payable: [       ]
19. **Index-Linked Interest Instrument Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: [       ]
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [       ]

- (iv) Interest Period(s)/Specified Interest Payment Dates: [       ]
- (v) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (vi) Additional Business Centre(s) [       ]
- (vii) Minimum Rate of Interest: [       ] per cent. per annum (Condition 5.04)
- (viii) Maximum Rate of Interest: [       ] per cent. per annum (Condition 5.04)
- (ix) Day Count Fraction: [       ]

20. **Dual Currency Instrument Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [       ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [       ]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [       ]

#### PROVISIONS RELATING TO REDEMPTION

21. **Call Option** [Applicable/Not Applicable]  
(Condition 6.03) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [*Specify Call Option Date(s)/Call Option Period*]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [Early Redemption Amount (Call)/Amortised Face Amount/other]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [       ]
- (b) Maximum Redemption Amount: [       ]
- (iv) Notice period (if other than as set out in the Conditions): [       ]
22. **Put Option:** [Applicable/Not Applicable]  
(Condition 6.06) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [*Specify Put Date(s)/Put Period*]

- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [Early Redemption Amount (Put)/Amortised Face Amount/other]
- (iii) Notice period (if other than as set out in the Conditions): [ ]
23. **Final Redemption Amount** [Outstanding Nominal Amount/other/see Appendix]
24. **Early Redemption Amount** [As set out in Condition 6 and Condition 7/give details]  
 Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):

**GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS**

25. (a) Form of Instruments: [Bearer/Registered]
- (b) Bearer Instruments exchangeable for Registered Instruments: [Yes/No]  
 If issued in Bearer Form:  
 (a) Initially represented by a Temporary Global Instrument or Permanent Global Instrument: (Condition 1.02) [Specify. If nothing is specified and this Pricing Supplement does not specify that the TEFRA C Rules apply, Instruments will be represented initially by a Temporary Global Instrument. If nothing is specified and this Pricing Supplement specifies that the TEFRA C Rules apply, the Instruments will be represented by a Permanent Global Instrument]
- (b) Temporary Global Instrument exchangeable for Permanent Global Instrument or for Definitive Instruments and/or [(if the relevant Series comprises both Bearer and Registered Instruments)] Registered Instruments: [Specify.] (Exchanges for a Permanent Global Instrument or Definitive Instruments will be made on or after the Exchange Date set out at 36 below).  
 Specify date from which exchanges for Registered Instruments will be made. (Condition 1.02) [Specify. If nothing is specified, exchanges will be made at any time.]
- (c) Permanent Global Instrument exchangeable at the option of the bearer for Definitive Instruments and/or [(if the relevant Series comprises both Bearer Instruments and Registered Instruments)] Registered Instruments: (Condition 1.05) [Yes/No]
- (d) Coupons to be attached to Definitive Instruments: (Condition 1.06) [Yes/No]

- (e) (i) Definitive Instruments to be security printed: [Yes/No]
- (ii) if the answer to (i) is yes, whether steel engraved plates will be used: [Yes/No]
- (f) Definitive Instruments to be in ISMA or successors format: [Yes/No If nothing is specified Definitive Instruments will be in ISMA or successors format]
26. Financial Centre(s) or other special provisions relating to Payment Dates: [Not applicable/give details.  
*Note that this item relates to the place of payment, and not interest payment dates and interest period end dates, to which items 16(iii), 17(iv) and 19(vi) relate*]
27. Talons for future Coupons or Receipts to be attached to Definitive Instruments (and dates On which such Talons mature): [Yes/No. *If yes, give details*]
28. Details relating to Partly Paid Instruments (Condition 1.12): amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Instruments and interest due on late payment: [Not Applicable/*give details*]
29. Details relating to Instalment Instruments: amount of each instalment, date on which each payment is to be made: (Condition 6.01) [Not applicable/*give details* (including whether Receipts will be attached (Condition 1.07))]
30. Redenomination and exchangeability provisions: [Not Applicable/The provisions in Conditions 9D and 9E apply]
31. Consolidation provisions: [Not Applicable/Condition 9F applies/The provisions annexed to this Pricing Supplement apply]
32. Other terms or special conditions: [Not Applicable/*give details, for example Business Day Conventions applicable to any other dates (see Condition 5.08)*]

## **DISTRIBUTION**

33. (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilising Manager (if any): [Not Applicable/*give names*]
34. If non-syndicated, name of Dealer [Not Applicable/*give name*]
35. Additional selling restrictions: [Not applicable/*give details/Specify any modifications of or additions to selling restrictions contained in Dealership Agreement*]
36. United States of America: Category 2 restrictions apply to the Instruments  
[Specify whether the Instruments are subject to TEFRA C or TEFRA D Rules. In the absence of specification TEFRA D Rules will apply]  
[Specify whether Instruments are Rule 144A eligible]

[Specify Exchange Date]

**OPERATIONAL INFORMATION**

37. ISIN Code: [ ]
38. Common Code: [ ]
39. Common Depository: [ ]
40. Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
41. Delivery: Delivery [against/free of] payment
42. Additional Paying Agent(s) (if any): [ ]
43. Registrar: [Principal Registrar/Alternative Registrar - *Specify*]
44. If Paris listed: insert:
- (a) Secured or unsecured: [Not applicable]
- (b) Rating: [ ]
- (c) Means of representation of Instrument holders: [ ]
- (d) Applicable law and jurisdiction: English law, English courts
- (e) the number of Instruments to be issued in each Specified Denomination: [ ]
- (f) Paying Agent and/or Registrar in France: [*insert name and address*]
- (g) (i) address in Paris where relevant documents will be made available for inspection: [*insert address*]
- (ii) list of such documents available for inspection: [*insert list*]
- (h) Specialist market participant: [ ]

## RÉSUMÉ DE LA NOTE D'OPÉRATION<sup>1</sup>

### Responsabilité du prospectus

Visa n° [●]-[●] en date du [●] 200[●] [s'il y a lieu, indication d'un avertissement].

Le présent prospectus sera disponible aux heures habituelles d'ouverture des bureaux, un quelconque jour de la semaine (à l'exception des samedis, dimanches et jours fériés) dans les bureaux de l'agent financier [et/,] de l'agent payeur à Paris [et de l'agent payeur à Luxembourg]<sup>2</sup>.

### A - CONTENU ET MODALITES DE L'OPERATION

#### 1. Montant de l'émission

Nombre et valeur nominale des Titres : [●]

Montant nominal de l'émission: [●]

#### 2. Caractéristiques des Titres émis

2.1 Prix de souscription/Prix d'émission : [●]

Coupon couru (s'il y a lieu) : [●]

Modalité de paiement (paiement fractionné...): [●]

2.2 Jouissance des Titres :

Date d'entrée en jouissance des Titres : [●]

2.3 Date de règlement/Date d'assimilation : [●]

2.4 Intérêts et/ou taux nominal (facial) ou [●]

caractéristiques nominales (faciales) et  
le cas échéant, leurs modalités de calcul :

2.5 Amortissement : [●]

Remboursement : [●]

2.6 Durée de l'émission : [●]

2.7 Clause d'assimilation : [●]

2.8 Rang de créance : [●]

2.9 Notation : [●]

2.10 Mode de représentation des porteurs des Titres, [●]  
le cas échéant :

2.11 Liste des établissements chargés du service [●]  
financier de l'émetteur en France :

2.12 Droit applicable et tribunaux compétents en cas [●]  
de litige :

<sup>1</sup> If the Instruments are listed on Euronext Paris S.A., the *Résumé de la Note d'Opération* should be completed.

<sup>2</sup> Si les Titres font également l'objet d'une demande d'admission en bourse du Luxembourg.



**B - ORGANISATION ET ACTIVITE DE L'EMETTEUR**

**1 Renseignements de caractère général concernant l'émetteur, ses organes d'administration, de direction et de surveillance**

1.1 Dénomination, siège social et principal siège administratif si celui-ci est différent du siège social :

Electricité de France (E.D.F.), Service National  
22-30 avenue de Wagram

75382 Paris Cedex 08

1.2 Forme juridique de l'émetteur et nature des organes d'administration, de direction et de surveillance :

Electricité de France (E.D.F.), Service National ("**EDF**"), a été créé par la loi n°46-628 du 8 avril 1946 sur la nationalisation de l'électricité et du gaz ("**Loi de Nationalisation**") qui a nationalisé un certain nombre de sociétés d'électricité détenues par le secteur privé. EDF est un établissement public à caractère industriel et commercial ("**EPIC**") soumis au contrôle du Gouvernement français (le "**Gouvernement**") et doté d'une autonomie financière.

EDF est désormais aussi régi par la loi n°2000-108 du 10 février 2000 relative à la modernisation et au développement du service public de l'électricité (la "**Loi de Modernisation**") qui a transposé en droit français la directive 96/92/CE du parlement européen et a libéralisé le marché français de l'électricité.

EDF est dirigé par un Conseil d'administration composé de 18 membres : six de ces membres sont des représentants du Gouvernement désignés par décret du Conseil des Ministres ; six sont élus par le personnel de EDF ; et six autres sont désignés pour leurs compétences technologiques, scientifiques ou techniques ou pour leurs connaissances régionales, technologiques ou opérationnelles. Les membres sont élus ou désignés pour des périodes de cinq années.

Le comité exécutif ("**Comex**") d'EDF est présidé par François Roussely (Président) et compte trois autres membres : Daniel Camus, Gérard Creuzet et Yann Laroche. Dans le cadre d'une nouvelle structure organisationnelle, le groupe EDF ("**Groupe**" ou "**Groupe EDF**") est divisé en neuf branches correspondant à des activités ou des zones géographiques. Les six réseaux d'activité sont responsables du développement de synergies entre les branches. En mars 2004, une nouvelle branche a été créée pour assurer une meilleure articulation entre ses activités de production et de commercialisation : la branche Equilibre Commercialisation-Production.

**Au 31 décembre 2003, les membres du Conseil d'administration<sup>1</sup> étaient les suivants :**

**Conseil d'administration**

François Roussely

*Président du Conseil*

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<sup>1</sup> Le mandat des membres du Conseil d'Administration est arrivé à échéance le 12 juillet 2004. Conformément à l'article 3 du décret 83-1160 du 26 décembre 1983 portant application de la loi 675 du 26 juillet 1983 relative à la démocratisation du secteur public, le Conseil d'Administration reste en fonction jusqu'à la première réunion du nouveau Conseil d'Administration mis en place ou renouvelé.

## Résumé de la Note d'Opération

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### Administrateurs représentants de l'Etat français

Pierre-Mathieu Duhamel	<i>Directeur du Budget, Ministère de l'Economie, des Finances et de l'Industrie</i>
Alain Bugat <sup>1</sup>	<i>Administrateur Général du Commissariat à l'Energie Atomique (CEA)</i>
Jean-Michel Charpin	<i>Directeur Général de l'Institut National de la Statistique et des Etudes Economiques (INSEE), Ministère de l'Economie, des Finances et de l'Industrie</i>
Bruno Bézard	<i>Responsable des Titres de Participation et du Financement, Département du Trésor, Ministère de l'Economie, des Finances et de l'Industrie</i>
Jean-François Stoll	<i>Trésorier Payeur Général de la Seine Saint-Denis, Ministère de l'Economie, des Finances et de l'Industrie</i>
André Aurengo (professeur)	<i>Responsable de Département, Hôpital La Pitié Salpêtrière</i>

### Personnes qualifiées

Daniel Foundoulis	<i>Membre du Conseil National de la Consommation (CNC)</i>
Jean Gaubert	<i>Vice-Président du Conseil Général pour le Département des Côtes d'Armor</i>
Yvon Montané	<i>Maire de Mauvezin en Gascogne</i>
Louis Schweitzer	<i>Président-Directeur Général, Renault SA</i>

### Administrateurs représentant les salariés

Laurence Drouhin-Hoeffling  
Alain Martin  
Jean-Marc Mauchauffée  
Robert Pantaloni  
Catherine Nedelec  
Marie-Catherine Polo

**Au 31 décembre 2003, les membres du Comité Exécutif étaient les suivants :**

### Comité Exécutif

François Roussely	<i>Président-Directeur Général</i>
Daniel Camus	<i>Directeur Général, Finances</i>
Gérard Creuzet	<i>Directeur Général, Opérations</i>
Yann Laroche	<i>Directeur Général, Ressources Humaines</i>

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<sup>1</sup> Monsieur Pascal Colombani, démissionnaire de son poste d'administrateur au 31 août 2003 a été remplacé par Monsieur Alain Bugat

## **Résumé de la Note d'Opération**

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Le Conseil d'administration s'est réuni 10 fois en séance plénière en 2003. Il existe au sein du Conseil d'administration des Commissions permanentes et des Comités.

Les Commissions permanentes au sein du Conseil d'administration examinent les activités de l'entreprise et les principaux projets de marchés :

- (i) Commission d'exploitation : elle s'est réunie trois fois en 2003 ;
- (ii) Commission des investissements : elle s'est réunie neuf fois en 2003.

Les Comités ont pour mission d'approfondir et de préparer les débats et questions soumis au Conseil d'administration :

- (i) Comités d'audit : il comprend quatre administrateurs et il donne notamment son avis sur les comptes, la gestion financière, la politique de maîtrise des risques et le programme d'audit (il s'est réuni six fois en 2003).
- (ii) Comité de la stratégie : il comprend sept administrateurs et il donne son avis sur les grandes orientations stratégiques de l'entreprise, la politique de développement, la politique industrielle et commerciale (il s'est réuni sept fois en 2003).
- (iii) Comité d'éthique : il comprend six administrateurs et il donne notamment son avis sur la charte éthique, le rapport annuel, la notation sociétale, les engagements de service public (il s'est réuni six fois en 2003).

Le Groupe s'est également doté d'un Conseil environnement, d'un Conseil scientifique et d'un Conseil médical, tous trois ouverts à des personnalités de la société civile qui apportent leur expérience et leur expertise, pour aider à intégrer ces dimensions dans les grandes orientations stratégiques du Groupe.

### 1.3 Nom et statut des contrôleurs légaux :

**Au 31 décembre 2003, les représentants du Gouvernement étaient les suivants :**

#### **Commissaire du Gouvernement**

Michèle Rousseau

*Directrice de l'Energie, Division des Ressources Minérales du Directoire des Matières Premières et de l'Energie, Ministère de l'Economie, des Finances et de l'Industrie*

#### **Commissaire Adjoint du Gouvernement**

Jean-Pierre Falque-Pierrotin

*Responsable des Industries de Base et de Biens d'Équipement, Ministère de l'Economie, des Finances et de l'Industrie*

#### **Administration économique et financière**

Gilbert Venet

*Contrôleur en chef*

Bruno Rossi

*Contrôleur du Gouvernement*

## **Résumé de la Note d'Opération**

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Les commissaires aux comptes pour l'exercice 2003 sont les suivants :

Deloitte Touche Tohmatsu

Ernst & Young Audit

Mazars & Guérard

### 1.4 Date de constitution et date d'expiration de l'émetteur :

EDF, créé par la Loi de Nationalisation, est un établissement constitué sans limitation de durée.

### 1.5 Indication des lieux où peuvent être consultés les documents juridiques relatifs à l'émetteur (statuts, procès verbaux d'assemblées générales, rapports des contrôleurs légaux).

Aussi longtemps que le Programme restera en vigueur ou que des Titres demeureront en circulation des copies et, le cas échéant, des traductions en anglais des documents suivants pourront être obtenues aux heures habituelles d'ouverture des bureaux, un quelconque jour de la semaine (à l'exception des samedis, dimanches et jours fériés), dans les bureaux de chaque Agent Payeur :

- (i) les documents officiels attestant de la création de l'Emetteur ;
- (ii) le Document de Base et tout document ajouté par référence à celui-ci ;
- (iii) le Contrat de Service Financier ;
- (iv) l'Acte d'Engagement ;
- (v) le Contrat de Placement ;
- (vi) les comptes audités les plus récemment publiés de l'Emetteur et ses comptes semestriels ; et
- (vii) toute Note d'Opération relative à des Titres cotés en bourse. Dans le cas de Titres qui ne sont pas cotés en bourse, des copies de la Note d'Opération concernée ne pourront être consultées que par un Titulaire ou, selon le cas, un Titulaire de Compte Concerné (tel que défini dans l'Acte d'Engagement de tels Titres).

## **2 Renseignements de caractère général concernant le capital**

### 2.1 Montant du capital :

Au 31 décembre 2003, le capital d'EDF s'élève à 395 millions d'Euros et les dotations reçues de l'Etat à 7 734 millions d'Euros, soit un total de 8 129 millions d'Euros. Il se compose principalement de la valeur estimée de l'actif net des sociétés nationalisées pour constituer EDF et qui ont été cédées à EDF par le Gouvernement conformément aux termes de la Loi de Nationalisation de 1946 et des apports de capital effectués par le Gouvernement dont le plus récent est intervenu en 1981.

### 2.2 Principal(aux) actionnaire(s) mentionné(s) dans le Document de Base :

EDF étant un EPIC, il n'a pas d'actionnaires. Il est détenu à 100% par l'Etat français.

## **3 Renseignements concernant l'activité de l'émetteur**

### 3.1 Bref descriptif de l'activité de l'émetteur et de son évolution :

## Résumé de la Note d'Opération

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### (i) L'activité d'EDF

L'objet d'EDF en France est la production, le transport, la distribution, la fourniture, l'exportation et l'importation d'électricité. Sous réserve d'un nombre limité d'exceptions énoncées, dans la Loi de Nationalisation, EDF avait le monopole de ces activités en France. La Loi de Modernisation du 10 février 2000 a libéralisé partiellement le marché de l'électricité dans les domaines de la production et de la fourniture d'électricité. En effet, au-delà d'un certain seuil d'éligibilité (dont le niveau est fixé par décret), les clients deviennent "éligibles" et peuvent ainsi choisir librement leurs fournisseurs. Par un décret en date du 5 février 2003, le niveau d'éligibilité a été abaissé à 7 GWh par an, ce qui a permis à environ 3200 sites de choisir leurs fournisseurs d'électricité. En revanche, le monopole d'EDF est maintenu s'agissant de la fourniture aux clients ne répondant pas aux conditions d'éligibilité.

La Loi de Modernisation a aussi confirmé les missions de service public assignées à EDF. Le "principe de spécialité", qui encadre strictement l'objet d'EDF et ses possibilités de diversification, est cependant assoupli envers les clients éligibles. Il convient enfin de souligner qu'EDF continue à être l'exploitant exclusif du réseau de transport conformément à la Loi de Modernisation ; à cet égard, une entité interne indépendante a été créée au sein d'EDF pour assurer l'exploitation et la gestion du réseau de transport d'électricité ("**RTE**").

### (ii) Clients, Chiffres d'affaires

EDF exploite le plus grand réseau public de distribution d'électricité en Europe et également le premier réseau britannique. A fin 2003, 27 millions de clients en France (soit 32,5 millions de sites) et 14,6 millions de clients dans 22 pays à travers l'Europe et le reste du monde se sont fournis en énergie auprès d'EDF. A cette date, le Groupe employait dans son ensemble 167 309 personnes et enregistrait un chiffre d'affaires consolidé de 44,9 milliards d'Euros ainsi qu'un bénéfice net de 857 millions d'Euros en part du Groupe.

L'ouverture progressive des marchés de l'énergie à la concurrence en Europe et la perspective d'une perte de ses parts de marché en France ont naturellement poussé EDF à en acquérir hors de ses frontières. Si sa stratégie de développement s'est recentrée sur l'Europe au cours des deux années écoulées, le Groupe n'en conserve pas moins des relais de croissance dans les PECO et en Asie, par le biais notamment d'une collaboration forte avec la Chine dans le domaine du nucléaire. Ses actifs en Europe de l'Ouest sont concentrés sur l'Allemagne (3<sup>ème</sup> acteur via EnBW), le Royaume-Uni (EDF Energy) et l'Italie (Edison). En 2003, environ 96% de son chiffre d'affaires consolidé était réalisé en Europe. Le Groupe, qui avait pour objectif de réaliser 50% de son chiffre d'affaires en dehors du marché français de l'électricité en 2005, a vu ce chiffre atteindre 37% en 2003 (données pro forma)(35% en 2002 en données pro-forma).

### Chiffres clés consolidés (en millions d'Euros)

Au 31 décembre

	2003	2002 Pro forma	2002
Chiffre d'affaires	44 919	41 817	48 359
Excédant brut d'exploitation (EBITDA)	11 026	10 585	11 025
Résultat d'exploitation (EBIT)	6 833	5 147	5 504
Résultat net part EDF	857	231	481
Actif total	146 900	150 885	144 775
Capitaux propres	18 924	19 286	13 883
Dettes financières nettes	24 009	26 863	25 764

### (iii) Etendue géographique des activités

## Résumé de la Note d'Opération

Les opérations françaises d'EDF et d'EDF Trading Ltd ("**EDF Trading**"), représentent environ 64% du chiffre d'affaires consolidé du Groupe et 72% de l'excédent brut d'exploitation en fin d'année 2003. Les filiales et sociétés affiliées d'EDF sont détenues directement ou au travers de sociétés holding. EDF International ("**EDFI**"), EDF Développement Environnement ("**EDEV**") et EDF Capital Investissement ("**EDFCI**") sont des sociétés holding qui n'exercent aucune activité d'exploitation. Le Groupe consolide 77 sociétés et groupes de sociétés, dont notamment London Electricity renommée EDF Energy au 30 juin 2003 au Royaume-Uni ("**RU**"), EnBW en Allemagne, Light au Brésil et Edenor en Argentine. La liste complète de ces sociétés figure dans la note 37 des comptes consolidés.

### Décomposition géographique des contributions aux revenus du Groupe au 31 décembre 2003 (en millions d'Euros)

	Total	France Maison mère	RU	Allemagne	Autres pays européens	Amérique Latine	EDF Trading	Autres
Chiffre d'affaires	44 919	28 397	5 222	4 863	2 220	1 763	295 *	2 159
EBITDA	11 026	7 767	1 127	539	456	380	214	543
EBIT	6 833	5 434	926	(66)	275	(344)	207	401
Résultat net part EDF	857	1 480	296	(612)	86	(865)	143	329

Au 31 décembre 2003, les principales filiales d'EDF en charge de la production et de la distribution étaient les suivantes :

#### Production

Dénomination	Pays	% d'intérêts 31/12/2003	Puissance totale (MWe) Données brutes	Puissance consolidée (MWe)
EnBW	Allemagne	45,81%	15 191	6 959
Semobis	Belgique	100,00%	481	481
Light	Brésil	94,79%	852	852
Figlec	Chine	60,00%	720	720
Azito ENERGIE	Côte d'Ivoire	32,85%	300	99
Port Suez	Egypte	100,00%	683	683
Port Saïd	Egypte	100,00%	680	680
Cerga	France	50,00%	96	48
Chatelot	France	50,00%	30	15
Emosson	France	50,00%	360	180
RKI	France	50,00%	108	54

\* Marge brute

## Résumé de la Note d'Opération

SIIF Energies	France	50,00%	280	140
T.I.R.U	France	51,00%	222	222
Bert	Hongrie	95,57%	327	327
FENICE	Italie	100,00%	282	282
Altamira	Mexique	51,00%	495	495
Anahuac	Mexique	100,00%	495	495
Saltillo	Mexique	100,00%	248	248
ECK Cracovie	Pologne	66,08%	460	460
ECW	Pologne	49,19%	353	353
Kogeneracja	Pologne	35,42%	395	395
Rybnik	Pologne	76,63%	1 775	1 775
EDF Energy <sup>1</sup>	RU	100,00%	4 942	4 942
EnXco	USA	50,00%	210	105

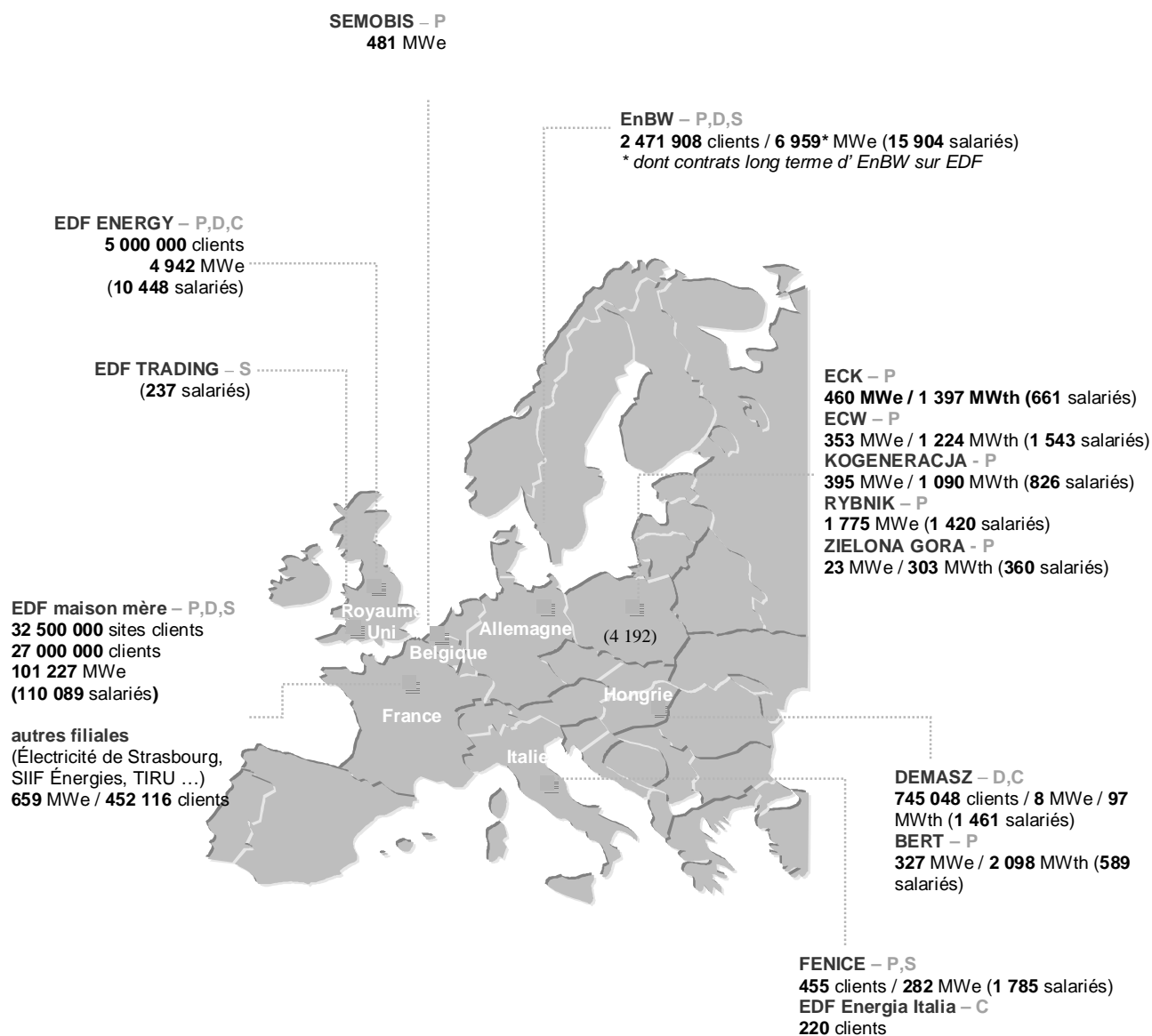
### Distribution et/ou transport

Dénomination	Pays	% d'intérêts	Total des clients	Clients consolidés <sup>2</sup>
			<i>Elec + gaz</i> (données brutes)	<i>Elec + gaz</i>
EnBW	Allemagne	45,81 %	5 396 000	2 471 908
Edemsa	Argentine	22,95%	313 007	313 007
Edenor	Argentine	90,00%	2 310 464	2 310 464
Light	Brésil	94,79%	3 350 037	3 350 037
Electricité de Strasbourg	France	74,86%	452 116	452 116
Demasz	Hongrie	60,91%	745 048	745 048
EDF Energy <sup>1</sup>	RU	100,00%	5 000 000	5 000 000

<sup>1</sup> Précédemment London Electricity Group

<sup>2</sup> En 2003, les chiffres du Groupe, tels que le nombre de clients ou la puissance installée, ont été calculés selon les critères de consolidation utilisés pour les données financières.

**Présence d'EDF en Europe**  
Données consolidées au 31 décembre 2003  
117 891 MW – 6 209 MWth- 35 669 777 clients



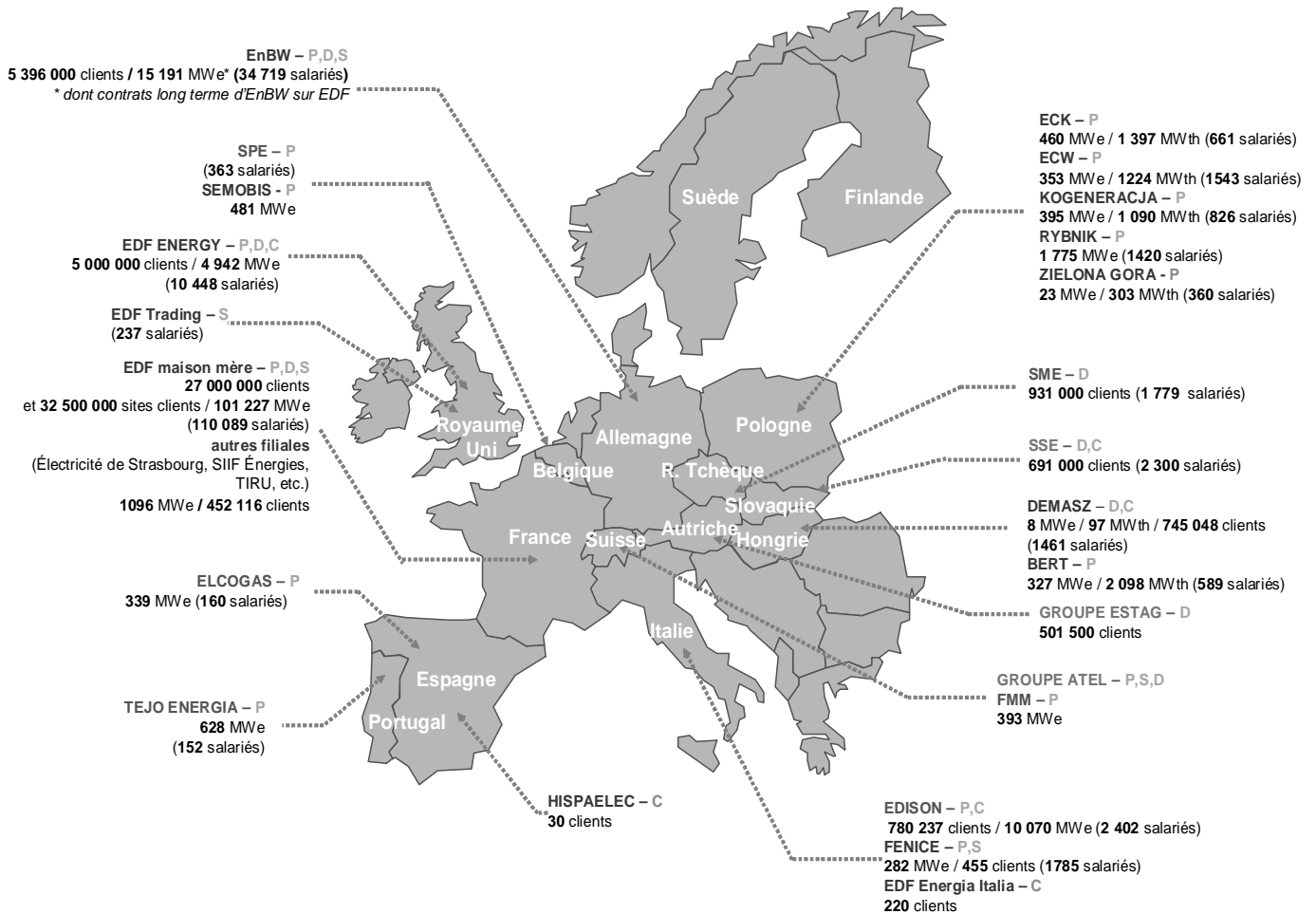
MWe : MW électrique  
MWth : MW thermique

P : Production  
D : Distribution  
C : Commercialisateur  
S : Services



**Présence d'EDF en Europe**  
(données brutes) au 31 décembre 2003

MWe : MW électrique  
MWth : MW thermique



P : Production  
D : Distribution  
C : Commercialisateur  
S : Services

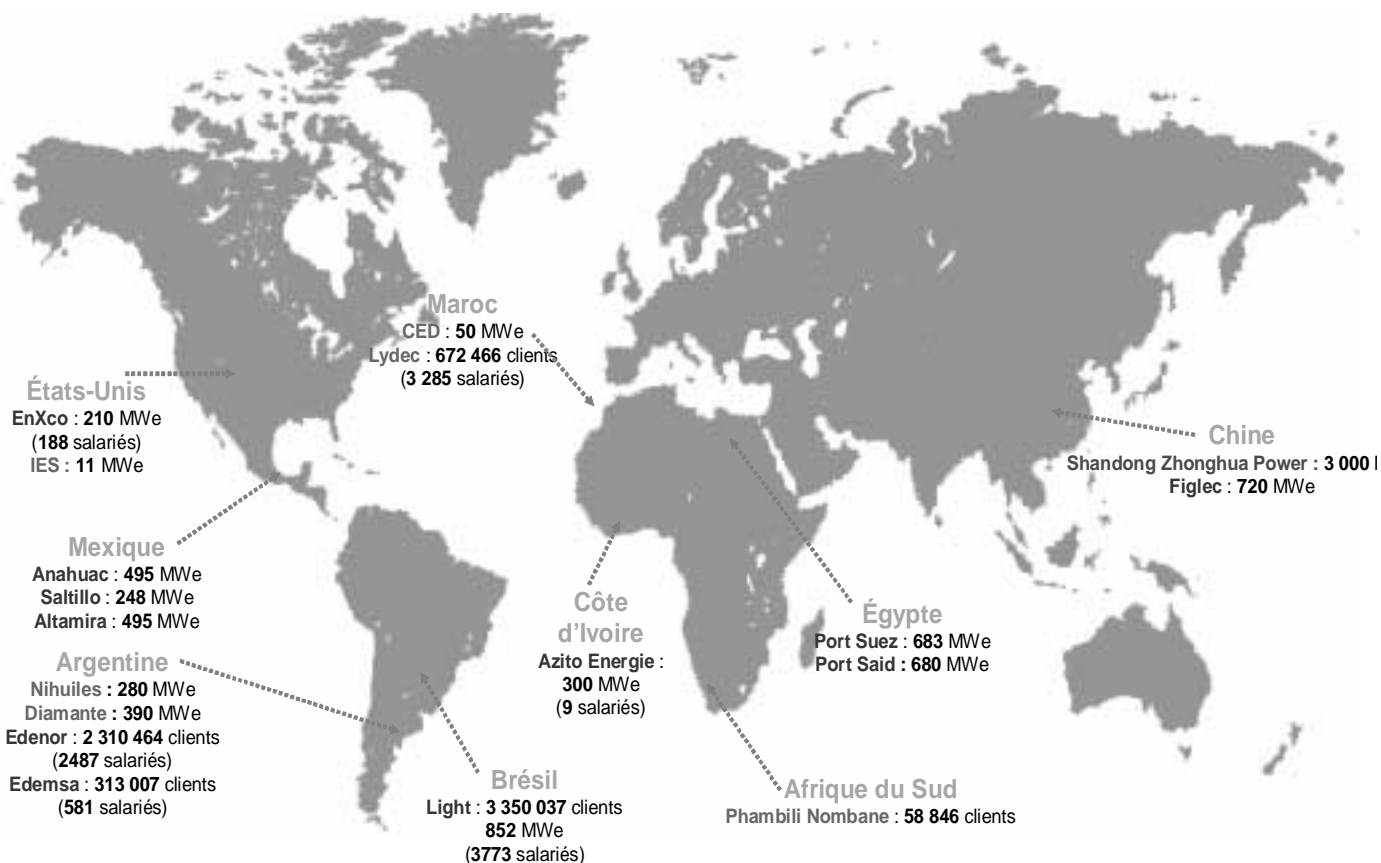
**Sociétés intégrées (à l'exception des sociétés mises en équivalence)**  
Sociétés mises en équivalence  
Sociétés en dehors du périmètre de consolidation

**Présence d'EDF hors Europe**  
Données consolidées au 31 décembre 2003.  
4.377 MWe – 5,9 millions de clients



**Présence d'EDF hors Europe**  
(Données brutes) au 31 décembre 2003.

MWe : MW électrique  
MWth : MW thermique



**Sociétés intégrées (à l'exception des sociétés mises en équivalence)**  
**Sociétés mises en équivalence**  
**Sociétés en dehors du périmètre de consolidation**

## Résumé de la Note d'Opération

(iv) Au 31 décembre 2003, les filiales cotées du Groupe EDF étaient les suivantes :

<i>Sociétés</i>	<i>Pays de cotation</i>
EnBW	Allemagne
Light SA	Brésil
Electricité de Strasbourg	France
Demasz	Hongrie
Kogeneracja	Pologne
Groupe Atel	Suisse
Motor Columbus	Suisse

(v) Opérations

(1) Production d'électricité :

En 2003, la production d'électricité d'EDF en France s'est élevée à 490,9 TWh grâce à une puissance installée de 101 227 MWe en France (63 130 MWe pour le nucléaire; 20 597 MWe pour l'hydroélectrique et 17 500 MWe pour les centrales thermiques à flamme). Au travers de filiales ou de participations localisées à l'extérieur du territoire français, EDF contrôle également 21 GW de puissance installée supplémentaire. La puissance installée consolidée du groupe EDF dans le monde s'élève ainsi à 122 568 MWe à travers le monde.

Les coûts de production d'EDF sont très compétitifs étant donné que 94,9 % de sa production en France découle de la production nucléaire ou hydroélectrique. La France produit 85,6 % de son électricité à partir de l'énergie nucléaire, à la suite d'une politique énergétique à long terme mise en œuvre dans les années 1970 pour garantir l'autonomie énergétique de la France.

### Décomposition géographique de la puissance installée du Groupe EDF au 31 décembre 2003 (MW) Données consolidées

Pays	Société	Puissance installée	Nucléaire	Thermique à flammes	Hydraulique	Autres
Maison Mère	EDF	101 227	63 130	17 500	20 597	
<b>Autres en France</b>						
France/Suisse	Emosson	180			180	
France	SIIF Energies	140		31	55	55
France	T.I.R.U.	222				222
France/Allemagne	RKI	54			54	
France/Allemagne	Cerga	48			48	

## Résumé de la Note d'Opération

Pays	Société	Puissance installée	Nucléaire	Thermique à flammes	Hydraulique	Autres
France/Suisse	Chatelot	15			15	
<b>Total France</b>		<b>101 886</b>	<b>63 130</b>	<b>17 531</b>	<b>20 949</b>	<b>277</b>
<b>Reste de l'Europe</b>						
Allemagne	EnBW	6 959	2 355	3 078	1 478	49
RU	EDF Energy <sup>1</sup>	4 942		4 938		4
Pologne	Rybnik	1 775		1 775		
Belgique	Semobis	481	481			
Pologne	ECK Cracovie	460		460		
Pologne	Kogeneracja	395		395		
Pologne	ECW (Gdansk)	353		353		
Pologne	Zielona Gora	23		23		
Italie	FENICE	282		282		
Hongrie	Bert	327		327		
Hongrie	Demasz	8		8		
<b>Total reste de l'Europe</b>		<b>16005</b>	<b>2 836</b>	<b>11639</b>	<b>1 478</b>	<b>53</b>
<b>Reste du monde</b>						
Brésil	Light	852			852	
Chine	Figlec	720		720		
Egypte	Port Suez	683		683		
Egypte	Port Saïd	680		680		
Mexique	Central Anahuac SA de CV	495		495		
Mexique	Altamira	495		495		
Mexique	Central Saltillo SA de CV	248		248		
Côte d'Ivoire	Azito Energie	99		99		
USA	EnXco	105				105
<b>Total Reste du monde</b>		<b>4 377</b>	<b>0</b>	<b>3 420</b>	<b>852</b>	<b>105</b>
<b>TOTAL</b>		<b>122 268</b>	<b>65 966</b>	<b>32 590</b>	<b>23 279</b>	<b>435</b>

<sup>1</sup> Précédemment London Electricity Group.

## Résumé de la Note d'Opération

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### (2) Transport :

EDF est propriétaire en France du réseau de transport et en est l'opérateur à travers sa division RTE en France. RTE est responsable du libre accès au réseau de transport pour tous les opérateurs sous le contrôle de la Commission de Régulation de l'Energie ("CRE"). Les tarifs d'accès au réseau sont fixés conjointement par les Ministres de l'Economie, des Finances et de l'Industrie et de l'Energie sur proposition du régulateur. Le réseau est constitué de 100 000 km de lignes, à haute ou très haute tension. Il inclut un réseau de 64 000 à 400 000 volts, constituant une plate-forme au sein du marché européen qui permet des échanges énergétiques entre les différentes zones régionales françaises ainsi qu'entre la France et les pays étrangers.

### (3) Distribution :

L'activité de distribution fournit de l'énergie issue des réseaux de transport aux usagers finaux. Le réseau de distribution français s'étend sur 1,2 million de km. EDF détient des concessions à long terme de la plupart des collectivités locales françaises. Il existe, par ailleurs, en France, quelques distributeurs dits non-nationalisés (DNN). A l'extérieur du territoire français, EDF exploite plusieurs infrastructures de distribution, principalement au Royaume-Uni, en Allemagne, en Argentine et au Brésil.

### (4) Négoce :

EDF Trading, filiale d'EDF créée en 1999, est devenu l'un des leaders européens dans le domaine du négoce énergétique (électricité, charbon, gaz et pétrole). EDF a créé EDF Trading en partenariat avec Louis Dreyfus (qui en détenait 12 % à l'origine contre 88% pour EDF).

EDF Trading est rapidement devenu un outil privilégié pour le Groupe au cœur de sa stratégie d'optimisation de ses actifs de production amont et aval, lui permettant de tirer avantage des opportunités offertes par le marché de gros, en garantissant, à tout moment, un équilibre entre la production et la fourniture.

En juin 2003, Louis Dreyfus a cédé à EDF sa participation de 12 %, rendant de fait EDF propriétaire de 100 % de cette société. La Commission Européenne a autorisé cette transaction le 26 août 2003, à la suite de quoi l'opération a été effectivement réalisée.

Au 30 juin 2004, EDF Trading est notée A3 par Moody's.

### Chiffres clés d'EDF Trading en 2001 - 2003 Au 31 décembre

	2003	2002 (publié)	2001
Chiffres d'affaires contributif (en milliards d'Euros)	0,295*	7,2	2,5
<i>olumes ayant fait l'objet de transactions :</i>			
Electricité en TWh	970	603	279
Gaz naturel en milliards de mètres cubes	134	79	42
Charbon en millions de tonnes	161	107	43
Pétrole en millions de barils	348	168	248
Effectifs	237	245	200

\* Marge brute (proforma 2002 : 0,214 millions d'Euros)

## Résumé de la Note d'Opération

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(5) *Ventes aux clients finaux :*

En France, EDF Maison-mère approvisionne 27 millions de clients au 31 décembre 2003. EDF continue d'occuper une position importante en France : elle conserve une part de marché auprès des clients éligibles finaux de 81% dans un contexte d'ouverture accrue du marché depuis le 10 février 2003 (37% du marché ouvert). Au Royaume-Uni, EDF Energy<sup>1</sup> compte environ 5 millions de clients. En Allemagne, EnBW compte environ 5 millions de clients. Au total, selon ses critères de consolidation, le Groupe EDF a 41,6 millions de clients à fin 2003.

**Décomposition géographique des clients du Groupe EDF au 31 décembre 2003  
(données consolidées)**

Pays	Société	Clients	Clients %	Participation %	Méthode de consolidation
France	EDF maison mère	27 000 000	64,8	100	Maison Mère
France	Autres filiales	452 116	1,1	74,86	Globale
<b>Total France</b>		<b>27 452 116</b>	<b>65,9</b>		
Reste de l'Europe					
Allemagne	EnBW	2 471 908	5,9	45,81	Proportionnelle
Hongrie	Demasz	745 048	1,8	60,91	Globale
RU	EDF Energy <sup>1</sup>	5 000 000	12	100	Globale
<b>Total Reste de l'Europe</b>		<b>8 216 956</b>	<b>19,7</b>		
Reste du Monde					
Argentine	Edenor	2 310 464	5,6	90	Globale
Argentine	Edemsa	313 007	0,7	22,95	Globale
Brésil	Light	3 350 037	8	94,79	Globale
<b>Total reste du monde</b>		<b>5 973 508</b>	<b>14,3</b>		
<b>TOTAL</b>		<b>41 642 580</b>	<b>100</b>		

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<sup>1</sup> Précédemment London Electricity Group.

## Résumé de la Note d'Opération

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(vi) *Effectifs moyens d'EDF et leur évolution au cours des trois derniers exercices*

### Répartition des effectifs

*Au 31 décembre*

<i>Filière</i>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Production	38 655	38 149	37 047
Réseau transport énergie (RTE)	8 044	8 082	8 164
Distribution	57 960	51 244	49 632
Autres (dont commercialisation)	11 018	15 253	15 246
<b>Total</b>	<b>115 677</b>	<b>112 728</b>	<b>110 089</b>

*Au 31 décembre*

<i>Effectifs Moyens Annuels</i>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Effectifs moyens annuels statutaires en équivalent temps plein	113 827	110 806	107 756
<b>Total effectifs moyens annuels en équivalent temps plein (y compris non-statutaires)</b>	<b>115 063</b>	<b>111 907</b>	<b>108 773</b>

(vii) *Contrôle*

EDF est soumis à divers contrôles du Ministère de l'Economie, des Finances et de l'Industrie. Les comptes d'EDF sont soumis à l'examen des commissaires aux comptes français qui sont nommés pour six exercices par le Ministre de l'Economie, des Finances et de l'Industrie. Ces comptes doivent être approuvés par le Conseil d'administration dans les six mois suivant la fin de chaque année fiscale. Ils sont, comme le rapport des commissaires aux comptes, soumis au contrôle de la Cour des comptes, organe administratif qui contrôle les dépenses publiques. Cette dernière publie son rapport dans les six mois qui suivent la présentation des comptes. Les comptes et les rapports respectifs des commissaires aux comptes et de la Cour des comptes sont déposés chaque année au Parlement français.

EDF est également soumis au contrôle de la CRE, régulateur institué par la Loi de Modernisation.

Conformément à l'article 4 de la Loi de Modernisation, les tarifs d'utilisation des réseaux publics de transport sont fixés conjointement par les Ministres de l'Economie, des Finances et de l'Industrie et de l'Energie sur proposition de la CRE.

(viii) *Déréglementation*

La directive 2003/54/CE du Parlement Européen et du Conseil concernant des règles communes pour le marché intérieur de l'électricité prévoit, en particulier, les dispositions suivantes :

- (1) éligibilité des clients non résidentiels au 1er juillet 2004 et éligibilité de tous les clients à partir du 1er juillet 2007 ;



## Résumé de la Note d'Opération

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(2) indépendance sur le plan de la forme juridique, de l'organisation et de la prise de décision, des gestionnaires de réseaux de transport et de distribution (au plus tard le 1er juillet 2007).

(ix) *Compétitivité*

EDF s'appuie sur un parc de production essentiellement nucléaire et hydraulique dont les faibles coûts de production renforcent sa compétitivité. Les tarifs d'EDF sur le marché français font partie des moins élevés en Europe. EDF est le plus grand exportateur d'électricité en Europe avec un total de 60,2 TWh en 2003 contre 79,8 TWh en 2002. En outre, plus de 90% de la production d'EDF s'effectue sans émission de CO2 en France.

Sur le marché français, EDF qui reste, mois après mois, l'entreprise préférée des Français, a réussi, après trois ans d'ouverture du marché français, à conserver plus de 81 % des clients éligibles à la concurrence.

<i>Au 31 décembre</i>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Nb de sites potentiellement éligibles	3200	1600	1540
Parts de marché sur le marché libre (en %)	79	83	88,3
(ouvert à la concurrence au seuil de 7GWh)	81		
	sur les clients finaux		

(x) *Changement de forme juridique*

EDF est un EPIC détenu par l'Etat français. Le Gouvernement a saisi le Parlement le 19 mai d'un projet de loi "relatif au service public de l'électricité et du gaz et aux entreprises électriques et gazières" ayant notamment pour objet de transformer EDF en société anonyme. Ce texte a été adopté par le Parlement le 22 juillet 2004 et a fait l'objet d'un recours devant le Conseil Constitutionnel le 27 juillet 2004. La transformation effective d'EDF en société anonyme n'interviendra toutefois qu'à la publication du décret fixant les statuts initiaux d'EDF. Le changement de statut juridique de l'entreprise d'EPIC en société anonyme détenue majoritairement par l'Etat est un préalable à une ouverture de capital, qui ne pourra être que partielle et minoritaire.

(xi) *Evènements récents 2004 :*

- **Mouvements tarifaires**

La loi n°2003-8 du 3 janvier 2003 relative aux marchés du gaz et de l'électricité et au service public de l'énergie a modifié et élargi le mécanisme de compensation du coût des missions de service public supporté par les opérateurs français et instauré par la Loi de Modernisation. Elle instaure une "Contribution au Service Public de la Production d'Electricité" ("**CSPE**"), en remplacement du Fonds du Service Public de la Production d'Electricité ("**FSPPE**"), mécanisme de compensation créé le 1er janvier 2002.

Cette contribution est due par le consommateur final (éligible ou non) et est recouvrée par les opérateurs de réseau ou les fournisseurs d'électricité qui sont collecteurs de la contribution et procèdent à sa liquidation.

## Résumé de la Note d'Opération

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A compter du 1er janvier 2004, la CSPE est passée de 0,33 à 0,45 centimes d'euros par kWh. Cette hausse de la contribution n'a pas d'incidence sur la facture des clients non éligibles ou n'ayant pas fait valoir leur éligibilité car, par décision du Gouvernement, EDF réduit dans le même temps ses tarifs de vente de 0,12 centimes d'euros par kWh.

- Cession par EDF de EDEMSA

Le 30 juin 2004, le Groupe EDF a signé un accord de cession de sa filiale EDEMSA qui devrait se traduire dans les comptes 2004 par la constatation d'une moins value d'environ 100 millions d'Euros. La réalisation effective de cette cession est encore soumise à différentes autorisations de nature administrative en Argentine et en France.

- Mouvements sociaux

Le projet de loi a généré au printemps 2004 un certain nombre d'inquiétudes de la part des agents EDF et GDF.

A l'appel de quatre organisations syndicales, plusieurs mouvements de grèves ont été organisés, particulièrement les 27 Mai, 15 juin et 29 Juin 2004 ; la participation aux mouvements a décliné régulièrement : taux de grévistes respectivement de 41, 33 et 12%.

Durant cette période, des initiatives isolées, telles que l'occupation de postes de transformation, des baisses de charge ont eu lieu sans impact notable sur l'activité de l'entreprise.

### (xii) Perspectives

Dans un contexte de libéralisation progressive du marché de l'électricité, EDF se prépare à l'ouverture totale du marché français de l'électricité et s'appuie sur son organisation par secteur d'activités en France afin d'optimiser les dynamiques de marges et de parts de marchés.

A l'échelon international et principalement en Europe de l'Ouest, EDF s'attachera à consolider les actifs existants, à améliorer le rendement de ses actifs et à développer des synergies avec le reste du Groupe EDF.

- 3.2 Indication de tout évènement exceptionnel ou d'opération prévue de toute nature aussi que tout litige susceptible d'avoir ou ayant eu dans un passé récent une incidence significative sur la situation financière de l'émetteur, son activité, ou le cas échéant sur son groupe, et qui ont été présentés comme tels dans le prospectus.

[●]

## C - SITUATION FINANCIERE DE L'EMETTEUR

- 1 **Chiffres clés du bilan:** tableau synthétique de l'endettement et des fonds propres établi, le cas échéant sur une base consolidée, et disponible à la date de la situation la plus récente établie ou à défaut à la date du dernier bilan présenté.

Le tableau suivant indique la capitalisation consolidée d'EDF au 31 décembre 2002 et 2003:

## Résumé de la Note d'Opération

### Capitalisation consolidée d'EDF (en millions d'Euros)

	<i>Au 31 décembre</i>		
	<b>2003</b>	<b>2002 Pro forma <sup>(1)</sup></b>	<b>2002</b>
Capital et dotations en capital	8 129	8 129	8 129
Réserve et résultats consolidés	10 795	11 157	5 754
<b>Capitaux propres</b>	<b>18 924</b>	<b>19 286</b>	<b>13 883</b>
Intérêts minoritaires	915	943	986
Comptes spécifiques des concessions	19 743	20 822	20 822
Provisions pour fin de cycle du combustible nucléaire	14 658	14 182	14 182
Provisions pour déconstruction et dernier cœur	12 101	14 537	14 537
Provisions pour avantages du personnel	2 185	2 150	2 150
Provisions pour renouvellement des immobilisations en concession	13 939	12 451	12 451
Autres provisions pour risques et charges	3 512	3 867	6 670
Impôts différés	5 853	6 199	4 129
Emprunts et dettes financières	29 604	31 544	29 542
dont:			
Emprunts obligataires	13 268	13 545	13 771
Emprunts auprès des établissements de crédit	4 073	5 411	5 411
Autres dettes financières <sup>(2)</sup>	11 432	11 931	9 842
Emprunts liés aux biens reçus en location financement	255	159	20
Intérêts courus	576	498	498
Fournisseurs et comptes rattachés	8 164	6 353	6 353
Autres créditeurs	17 302	18 551	19 070
<b>Total Passif</b>	<b>146 900</b>	<b>150 885</b>	<b>144 775</b>

<sup>(1)</sup> 2002 Pro forma : réel 2002 avec application des nouvelles règles et méthodes comptables 2003.

<sup>(2)</sup> Les autres dettes financières se composent principalement d'emprunts dits EMTN (Euro Medium Term Notes), de billets de trésorerie et de la trésorerie reçue au titre de la cession de créances.

Aucun changement important n'est intervenu dans la capitalisation consolidée de EDF depuis le 31 décembre 2003 à l'exception de la distribution d'un dividende à l'Etat de 321.311.000 d'Euros le 17 mai 2004 au titre de l'exercice 2003.

## **Résumé de la Note d'Opération**

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- 2 Le cas échéant, observations, réserves ou refus de certifications des contrôleurs légaux :** si les certifications sur les derniers comptes présentés dans le prospectus ont été refusées par les contrôleurs légaux ou si elles comportent des réserves ou des observations, ce refus, ces réserves ou ces observations doivent être reproduites intégralement.

Extrait du rapport des commissaires aux comptes sur les comptes consolidés relatifs à l'exercice clos le 31 décembre 2003:

"Nous formulons une réserve sur le point suivant :

- Le personnel statutaire actif et inactif d'EDF en France bénéficie du régime spécial de retraite des Industries Electriques et Gazières ainsi que d'autres avantages. Les engagements d'EDF à ce titre ne font l'objet ni d'une provision au bilan, ni d'une information chiffrée dans l'annexe. Ces engagements représentent, sur la base du système actuel, un passif latent dont le montant est largement supérieur aux capitaux propres du Groupe. Comme expliqué dans la note 28.3 de l'annexe, l'évaluation de ces engagements devrait être fortement modifiée par la réforme envisagée du financement du régime spécial des Industries Electriques et Gazières.

Sous cette réserve, nous certifions que les comptes consolidés sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du patrimoine, de la situation financière, ainsi que du résultat de l'ensemble constitué par les entreprises comprises dans la consolidation.

Sans remettre en cause l'opinion exprimée ci-dessus, nous attirons votre attention sur l'incertitude relative aux provisions nucléaires et sur l'importance des changements comptables intervenus en 2003 :

- L'évaluation des provisions liées à la production nucléaire, telle que décrite en notes 1.22, 26 et 27 de l'annexe, est sensible aux hypothèses retenues en termes de coûts, de taux d'inflation, de taux d'actualisation à long terme, d'échéanciers de décaissements, ainsi qu'à l'issue des négociations en cours avec Cogema. Compte tenu des éléments de sensibilité évoqués, la modification de certains paramètres pourrait conduire à une révision significative des montants provisionnés.
- Les notes 1.1 et 1.3 de l'annexe décrivent, d'une part, le référentiel comptable du groupe qui s'inscrit dans la perspective de l'application en 2005 des normes comptables de l'IASB et, d'autre part, les changements comptables et de présentation qui résultent en particulier de l'application anticipée à compter du 1<sup>er</sup> janvier 2003 du règlement CRC n° 2002-10 relatif à l'amortissement et à la dépréciation des actifs, ainsi que les changements d'estimation liés à l'allongement de la durée de vie des centrales nucléaires."

**INFORMATIONS RELATIVES A L'ADMISSION A LA CÔTE D'EURONEXT PARIS S.A.**

**Personnes qui assument la responsabilité du Prospectus composé du Document de Base enregistré par l'Autorité des marchés financiers sous le n°P04-160 le 3 août 2004 et de la présente Note d'Opération.**

**1. Au nom de l'Émetteur**

*A la connaissance de L'Émetteur, les données de la présente Note d'Opération sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.*

*Aucun élément nouveau (autres que ceux mentionnés dans la présente Note d'Opération) intervenu depuis :*

- *le 3 août 2004, date de l'enregistrement n°P04-160 apposé par l'Autorité des marchés financiers sur le Document de Base ;*
- *[le [●], date du visa n°. [●] apposé par l'Autorité des marchés financiers sur la Note d'Opération en date du [●].]*

*n'est susceptible d'affecter de manière significative la situation financière de l'Émetteur dans le contexte de la présente émission.*

*Electricité de France (E.D.F), Service National*

*Par : .....*

*[Name and title of signatory]*

**2. Au nom de la banque présentatrice**

*A la connaissance de la banque présentatrice, les données de la présente Note d'Opération sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.*

*Personne assumant la responsabilité de la Note d'Opération.*

*[Name of the Relevant Dealer/Lead Manager or any other Paris Listing Agent]*

*Par : .....*

*[Name and title of signatory]*

**Autorité des marchés financiers**

*En application des articles L.412-1 et L.621-8 du Code monétaire et financier, l'Autorité des marchés financiers a apposé le visa n°[●]-[●] du [●] sur la présente Note d'Opération, conformément aux dispositions du Règlement 98-01 de la Commission des opérations de bourse. La Note d'Opération a été établie par l'Émetteur et engage la responsabilité des ses signataires. Le visa n'implique ni approbation de l'opportunité de l'opération ni authentification des éléments comptables et financiers présentés. Il a été attribué après examen de la pertinence et la cohérence de l'information donnée dans la perspective de l'opération proposée aux investisseurs.*

*La notice légale sera publiée au Bulletin des Annonces légales obligatoires (BALO) du [●].*

## DESCRIPTION OF ELECTRICITÉ DE FRANCE (E.D.F.), SERVICE NATIONAL

Electricité de France (E.D.F.), Service National (“EDF”) was created by a law n° 46-628 dated 8 April 1946 (the “**Nationalisation Law**”), which nationalised certain privately owned electrical power companies. EDF is a public industrial and commercial enterprise with financial autonomy (“*Etablissement public à caractère industriel et commercial*”) (“**EPIC**”) controlled by the French government (the “**Government**”). Today, EDF is subject to the law n° 2000-108 on the “modernisation and development of electricity public service” (the “**Modernisation Law**”), which entered into force on 10 February 2000. The Modernisation Law implemented the Electricity Directive (96/92/EEC) and liberalised the French electricity market.

### (1) Headquarters

The headquarters of EDF are located at 22-30, Avenue de Wagram, 75382 Paris Cedex 08, France.

### (2) Management

EDF is administered by a Board of Directors consisting of 18 members: six are representatives of the Government appointed by a decree of the Council of Ministers; six are elected by the personnel of EDF; and six are chosen either for their technical, scientific or technological ability, or for their operational, technological or regional knowledge. Members are appointed or elected for terms of five years.

The executive committee (“**Comex**”) of EDF is chaired by François Roussely (President) and it has three other members: Daniel Camus, Gérard Creuzet and Yann Laroche. Under a new organisational structure, the EDF group (“**Group**” or “**EDF Group**”) is divided into nine branches corresponding to businesses or geographic areas. The six business networks are responsible for developing synergies between the branches. In March 2004, a new branch was created to ensure an improved link between its production and marketing activities: the Marketing Production Balance branch.

As of 31 December 2003, the members of the Board of Directors<sup>(1)</sup> were:

#### Board of Directors

François Roussely *Chairman of the Board*

#### Appointees of the French State

Pierre-Mathieu Duhamel *Director of Budget, Ministry of Economy, Finance and Industry*

Alain Bugat<sup>(2)</sup> *Director General of the Atomic Energy Commission (AEC)*

Jean-Michel Charpin *Director General of the National Institute for Statistics and Economic Studies (INSEE), Ministry of Economy, Finance and Industry*

Bruno Bézard *Head of Equity Interest and Financing, Treasury Department, Ministry of Economy, Finance and Industry*

Jean-François Stoll *General Tax receiving Officer for Seine St-Denis, Ministry of Economy, Finance and Industry*

André Aurengo (professor) *Head of Department, La Pitié Salpêtrière Hospital*

Daniel Foundoulis *Member of the National Consumers Council (CNC)*

Jean Gaubert *Vice President of the General Council for the Department of Côtes d'Armor*

Yvon Montané *Mayor of Mauvezin in Gascogne*

Louis Schweitzer *Chairman and Chief Executive Officer, Renault SA*

## Description of Electricité de France (E.D.F.), Service National

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(1) the mandate of the members of the Board of Directors expired on 12 July 2004. Pursuant to article 3 of decree n°83-1160 dated 26 December 1983 implementing law n°675 dated 26 July 1983 on the democratisation of the public sector, the Board of Directors will remain in office until the first meeting of the newly appointed or reconfirmed Board of Directors.

(2) Pascal Colombani, who resigned on 31 August 2003, was replaced by Alain Bugat.

### Employees' Representatives

Laurence Drouhin-Hoeffling  
Alain Martin  
Jean-Marc Mauchauffée  
Robert Pantaloni  
Catherine Nedelec  
Marie-Catherine Polo

As of 31 December 2003, the members of the Executive Committee were:

### The Executive Committee

François Roussely	<i>Chairman and Chief Executive Officer</i>
Daniel Camus	<i>Chief Financial Officer</i>
Gérard Creuzet	<i>Chief Operating Officer</i>
Yann Laroche	<i>Chief Human Resources</i>

The Board of Directors held ten meetings in 2003 and is composed of Committees and Permanent Commissions.

The Permanent Commissions comprise of:

- (a) Operating Commission (met three times in 2003); and
- (b) Investments Commission (met nine times in 2003);

and the purpose of these Commissions is to supervise EDF's activities the main market projects.

The Committees develop and prepare debates and questions which are then submitted to the Board of Directors.

These comprise of:

- (a) the Audit Committee, composed of four directors, which mainly gives its opinion on the accounts, financial management, risk policy and the audit programme (and held six meetings in 2003);
- (b) the Strategy Committee, composed of seven directors, which gives its opinion on EDF strategy, development policy, and industrial and commercial policy (and held seven meetings in 2003); and
- (c) the Ethics Committee composed of six directors, which gives its opinion on conduct, the annual report, the company rating and public service commitments (and held six meetings in 2003).

The Group also includes three new councils: the Environment Council, the Scientific Council and the Medical Council all of which are accessible by the general public who may contribute their experience and expertise, to assist the integration of these domains into the Group's strategical fields of specialisation.

As of 31 December 2003, the Government representatives and the statutory auditors were:

### Government Commissioner

Michèle Rousseau	<i>Director of Energy, Mineral Resource Division of the Energy and Raw Materials Directorate, Ministry of Economy, Finance and Industry</i>
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### Deputy Government Commissioner

Jean-Pierre Falque-Pierrotin	<i>Head of Basic Industries and Capital Goods, Ministry of Economy, Finance and Industry</i>
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## Description of Electricité de France (E.D.F.), Service National

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### Financial and Economic Management

Gilbert Venet  
Bruno Rossi

*Chief controller*  
*Government Controller*



## Description of Electricité de France (E.D.F.), Service National

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### Statutory Auditors for the financial year 2003 are as follows:

Deloitte Touche Tohmatsu  
Ernst & Young Audit  
Mazars & Guérard

### (3) Duration

The duration of EDF which was created by the Nationalisation Law is without limitation.

### (4) Capitalisation

As of 31 December 2003, the shareholders' equity of EDF was Euro 395 million and the contribution of the French State was equal to Euro 7,734 million, for a total of Euro 8,129 million. This consists mainly of the estimated value of the net assets of the companies nationalised to form EDF in 1946 and capital contributions made by the Government subsequent to its nationalisation, the most recent being in 1981.

### Dividend

EDF pays the French State an annual dividend that represents 37.5% of consolidated net income and that cannot be neither inferior to 1.5% nor superior to 4.5% of the Group net equity. On 17 May 2004, EDF paid to the French State a dividend totalling Euro 321,311,000.00 for the financial year 2003.

<u>Financial year</u>	<u>Fixed rate</u>	<u>Floating rate</u>	<u>Dividend</u>	<u>Total</u>
1998 .....	232,033,489.70	212,056,582.98	—	444,090,072.68
1999 .....	232,033,489.70	232,027,404.24	—	464,060,893.94
2000 .....	162,358,203.36	217,849,645.63	—	380,207,848.99
2001 .....	—	—	315,353,000.00	315,353,000.00
2002 .....	—	—	208,252,000.00	208,252,000.00
2003 .....	—	—	321,311,000.00	321,311,000.00

The amounts indicated correspond to amounts effectively paid to the French State for the related financial years. Before the financial year 2001, the dividend paid to the French State constituted a charge on the income statements.

### (5) The Activity of EDF

The Purpose of EDF in France is the generation, transmission, distribution, supply, export and import of electricity. Subject to limited exceptions set forth in the Nationalisation Law, EDF had the monopoly over these activities in France. The Modernisation Law dated 10 February 2000 phased out part of the EDF monopoly as to production and supply in France. Indeed, eligible customers (the eligibility level is set out by decree) may henceforth freely choose their suppliers. By a Decree dated 5 February 2003, the eligibility level was lowered to 7 GWh per year, allowing about 3,200 sites to choose their electricity suppliers. Concerning the supply of non-eligible customers EDF's monopoly is however maintained.

Moreover, the Modernisation Law confirmed the public service missions assigned to EDF. The so-called "*principe de spécialité*", or specialisation principle, to which EDF must strive and within which it is constrained is relaxed as regards eligible customers. It should finally be stressed that EDF will continue to be the exclusive operator of the transmission system. Therefore, an independent management of the electrical network. "*Réseau de transport d'Electricité*" ("**RTE**"), has been created within EDF which operates and maintains the network in application of the Modernisation Law.

## Description of Electricité de France (E.D.F.), Service National

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### (6) Clients and Sales

EDF operates the largest public electricity network in Europe and the leading British network. At the end of 2003, EDF sold power to 27 million clients in France (on 32.5 million clients sites) and 14.6 million clients in 22 countries across Europe and the rest of the world. At the date hereof, EDF Group employs 167,309 people and generated consolidated sales of Euro 44.9 billion and Group Share net income of Euro 857 million.

European deregulation and the prospect of losing some of its market share in France has naturally encouraged EDF to acquire market share beyond its existing boundaries. Although this development strategy has been focused on Europe in the past two years, the EDF Group has the potential for growth in Central and Eastern Europe, and in Asia by way of a strong partnership with China in the nuclear sector. Its assets in Western Europe are concentrated in Germany (3rd largest operator through EnBW), the United Kingdom (EDF Energy) and Italy (Edison). In 2003, about 96% of its consolidated sales were achieved in Europe. The EDF Group, which had as an objective to achieve 50% of its consolidated sales outside the French electricity market in 2005, achieved a figure of 37% in 2003 (on pro forma data) (and 35% in 2002 on pro forma data).

Key consolidated numbers (in millions of Euros)	At 31 December		
	2003	2002	2002
		<i>Pro forma</i>	
Sales (including trading margin)	44,919	41,817	48,359
EBITDA <sup>1</sup>	11,026	10,585	11,025
Operating profit	6,833	5,147	5,504
Group share net income	857	231	481
Total assets	146,900	150,885	144,775
Equity Group Share	18,924	19,286	13,883
Net Financial debt	24,009	26,863	25,764

### (7) Geographic spread of business

The French operations of EDF and of EDF Trading Ltd (“**EDF Trading**”) represent approximately 64% of the Group’s consolidated turnover and 72% of the consolidated EBITDA<sup>(1)</sup> as of the end of 2003. EDF’s subsidiaries and affiliates are held directly or through holding companies. EDF International (“**EDFI**”), EDEV and EDF Capital Investissement (“**EDFCI**”) are pure holding companies and have no operational activities. The Group is made of 77 consolidated companies and groups of companies, the most important of which being London Electricity recently renamed EDF Energy as of 30 June 2003, in the United Kingdom (“**UK**”), EnBW in Germany, Light in Brazil and Edenor in Argentina. A comprehensive list of these companies can be found in note 37 of EDF’s consolidated accounts.

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<sup>1</sup> EBITDA is defined as Operating Profit Before Depreciation Amortisation and other Expenses.

## Description of Electricité de France (E.D.F.), Service National

### (8) Geographic breakdown of Group earnings contributions as of 31 December 2003 (in millions of Euros)

	<i>Total</i>	<i>France Parent Company</i>	<i>UK</i>	<i>Germany</i>	<i>Other European Countries</i>	<i>Latin America</i>	<i>EDF Trading</i>	<i>Rest of the world</i>
Sales	44,919	28,397	5,222	4,863	2,220	1,763	295 <sup>2</sup>	2,159
EBITDA <sup>1</sup>	11,026	7,767	1,127	539	456	380	214	543
Operating profit	6,833	5,434	926	(66)	275	(344)	207	401
Group Share Net Income	857	1,480	296	(612)	86	(865)	143	329

(1) EBITDA is defined as Operating Profit Before Depreciation, Amortisation and Other Expenses.

(2) Gross Margin

As of 31 December 2003, EDF's main subsidiaries for production and distribution were:

#### Production

<i>Name</i>	<i>Location</i>	<i>% of interests</i>	<i>Total capacity (MW)</i>	<i>Consolidated Capacity (MW)</i>
EnBW .....	Germany	45.81%	15,191	6,959
Semobis .....	Belgium	100.00%	481	481
Light .....	Brazil	94.79%	852	852
Figlec .....	China	60.00%	720	720
Azito Energy .....	Ivory Coast	32.85%	300	99
Port Suez .....	Egypt	100.00%	683	683
Port Saïd .....	Egypt	100.00%	680	680
Cerga .....	France	50.00%	96	48
Chatelot .....	France	50.00%	30	15
Emosson .....	France	50.00%	360	180
RKI .....	France	50.00%	108	54
SIIF Energies .....	France	50.00%	280	140
T.I.R.U .....	France	51.00%	222	222
Bert .....	Hungary	95.57%	327	327
FENICE .....	Italy	100.00%	282	282
Altamira .....	Mexico	51.00%	495	495
Anahuac .....	Mexico	100.00%	495	495
Saltillo .....	Mexico	100.00%	248	248
ECK Cracovie .....	Poland	66.08%	460	460
ECW .....	Poland	49.19%	353	353
Kogeneracja .....	Poland	35.42%	395	395
Rybnik .....	Poland	76.63%	1,775	1,775
EDF Energy <sup>1</sup> .....	UK	100.00%	4,942	4,942
EnXco .....	USA	50.00%	210	105

<sup>1</sup> Formerly London Electricity Group.

## Description of Electricité de France (E.D.F.), Service National

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### Distribution and/or transport

<i>Name</i>	<i>Location</i>	<i>% of interests</i>	<i>Total Customers Electricity and gas (Gross figures)</i>	<i>Consolidated Customers Electricity and gas<sup>(2)</sup> (Gross figures)</i>
EnBW .....	Germany	45.81%	5,396,000	2,471,908
Edemsa.....	Argentina	22.95%	313,007	313,007
Edenor.....	Argentina	90.00 %	2,310,464	2,310,464
Light.....	Brazil	94.79%	3,350,037	3,350,037
Electricité de Strasbourg.....	France	74.86%	452,116	452,116
Demasz .....	Hungary	60.91%	745,048	745,048
EDF Energy <sup>(1)</sup> .....	UK	100.00%	5,000,000	5,000,000

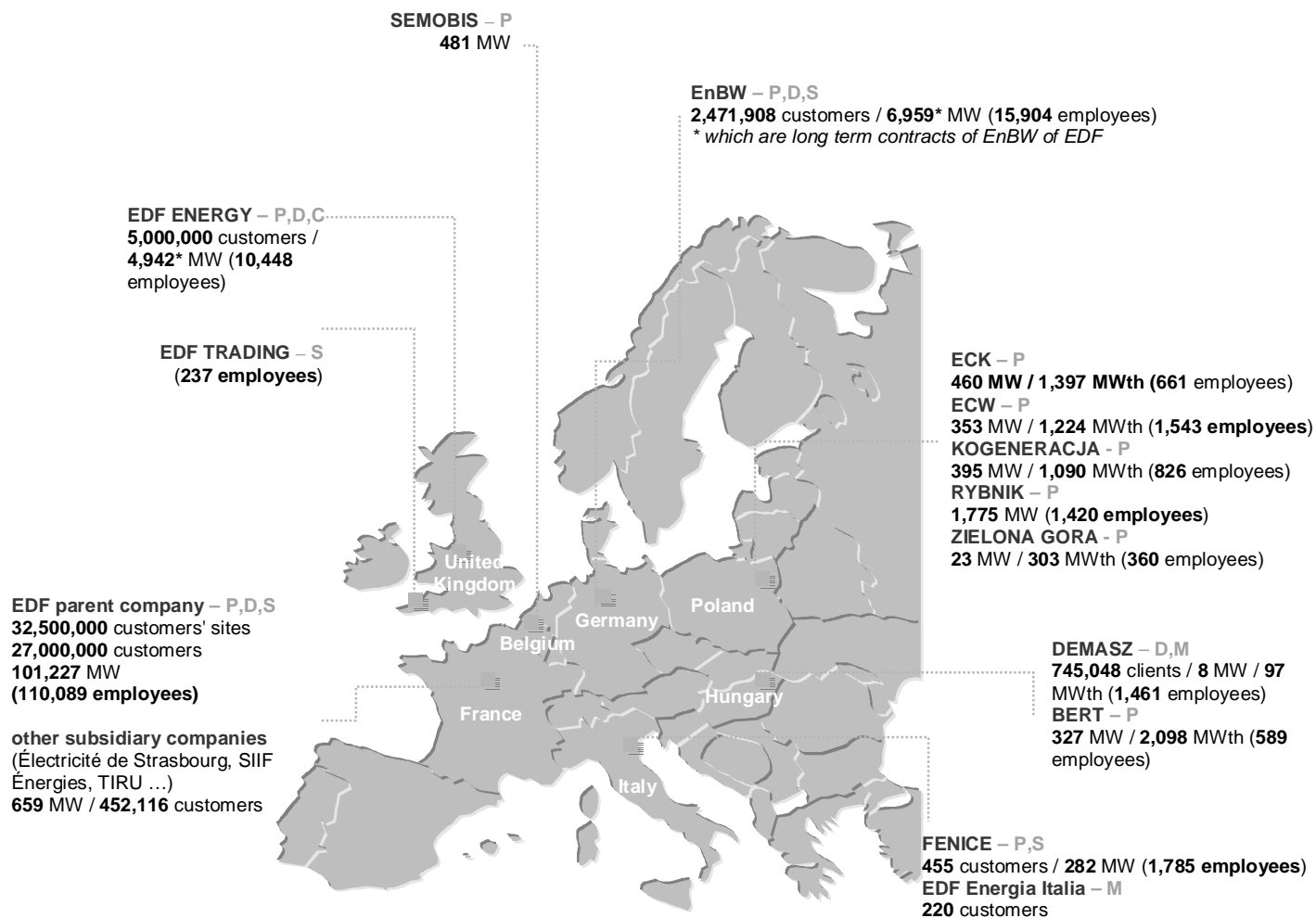
(1) Previously London Electricity Group

(2) In 2003, Group figures such as the number of customers or installed capacity have been calculated according to consolidation criteria used for financial data.

## Description of Electricité de France (E.D.F.), Service National

### EDF's presence in Europe

Consolidated data as of 31 December 2003  
 117,891 MW – 6,209 MWth – 35,669,777 customers



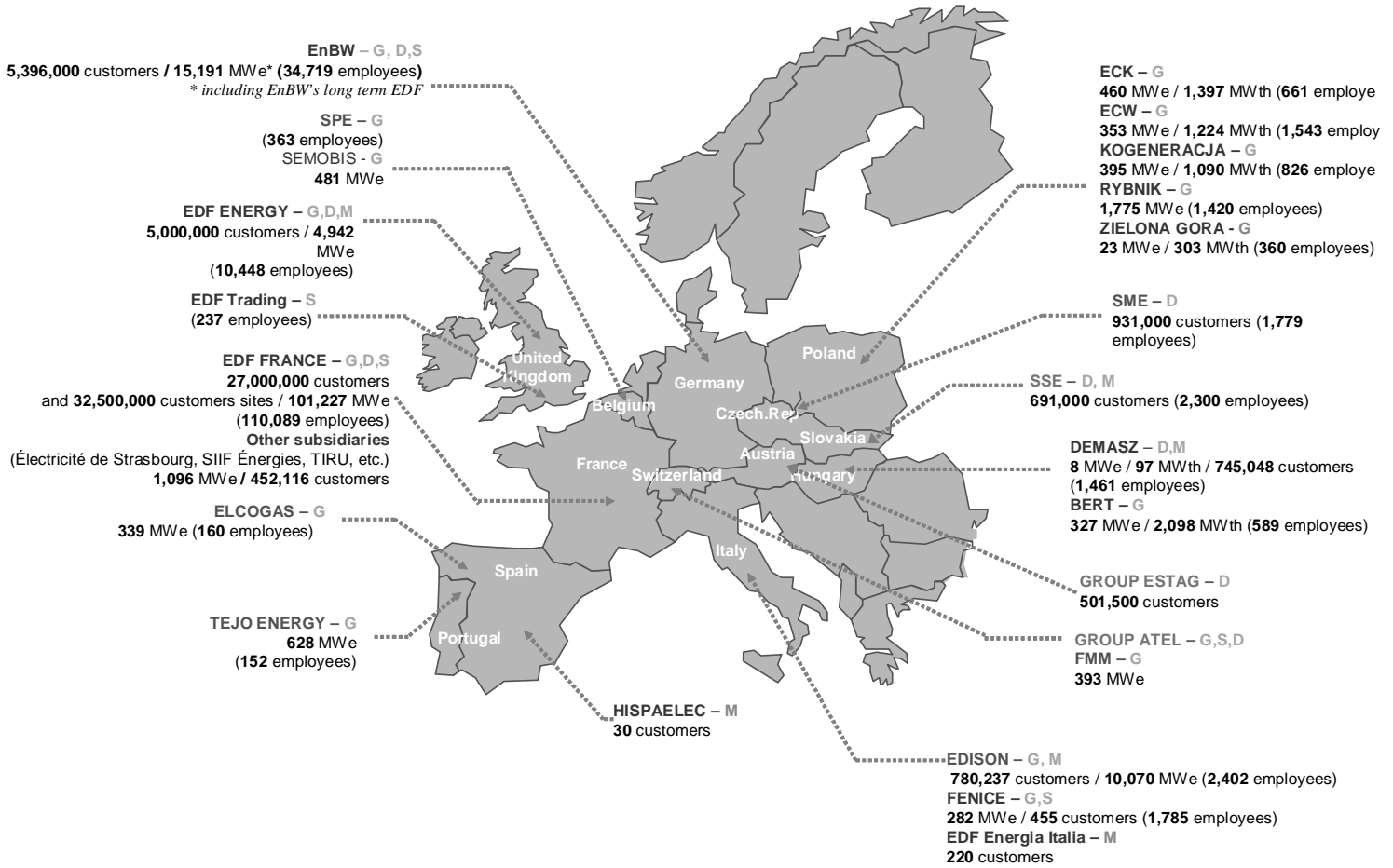
MW: MW electric  
 MWth: MW thermic

P: Production  
 D: Distribution  
 M: Marketing  
 S: Services

**Description of Electricité de France (E.D.F.), Service National**

**EDF's presence in Europe  
(Raw data) as of 31 December 2003**

MWe: electric MW  
MWth: thermal MW

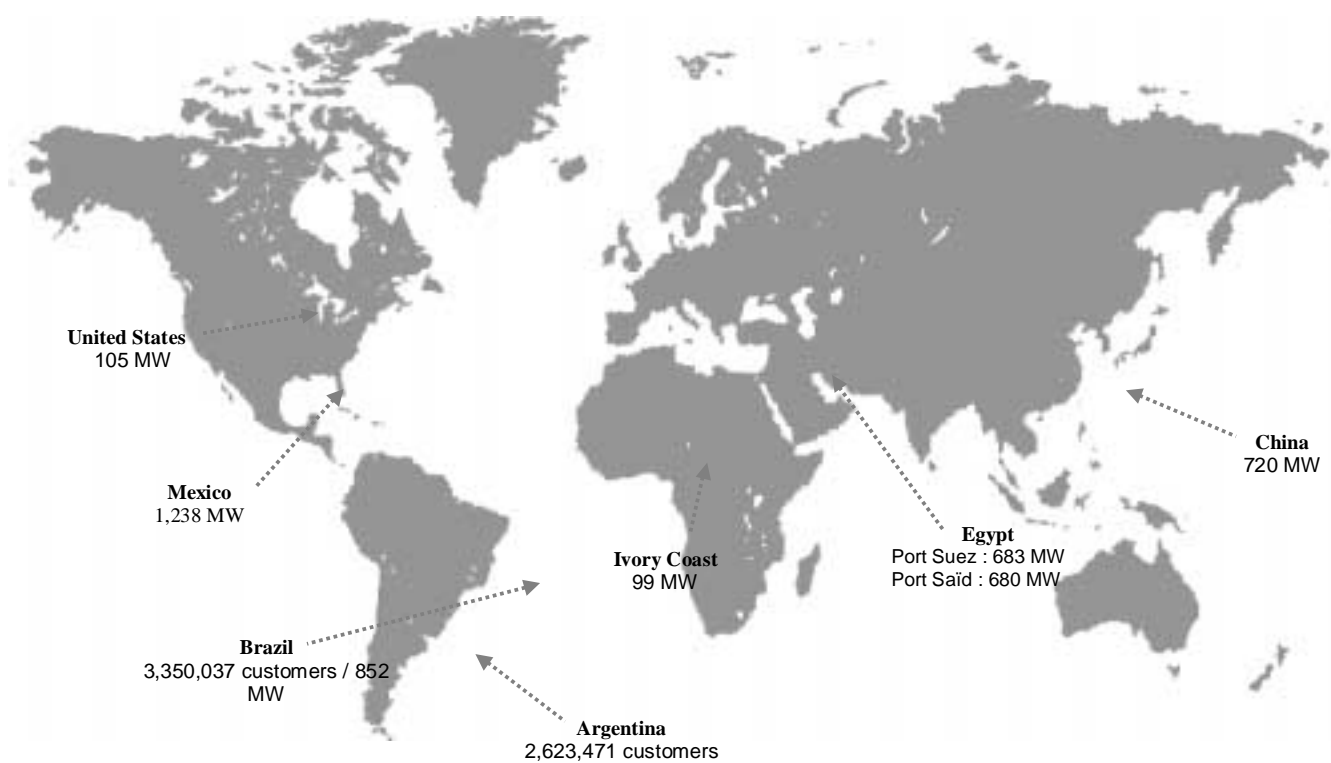


G : Generation  
D : Distribution  
M : Marketing  
S : Services

**Integrated companies (except for equity-accounted companies)**  
**Equity-accounted companies**  
**Companies not included in the consolidation scope**

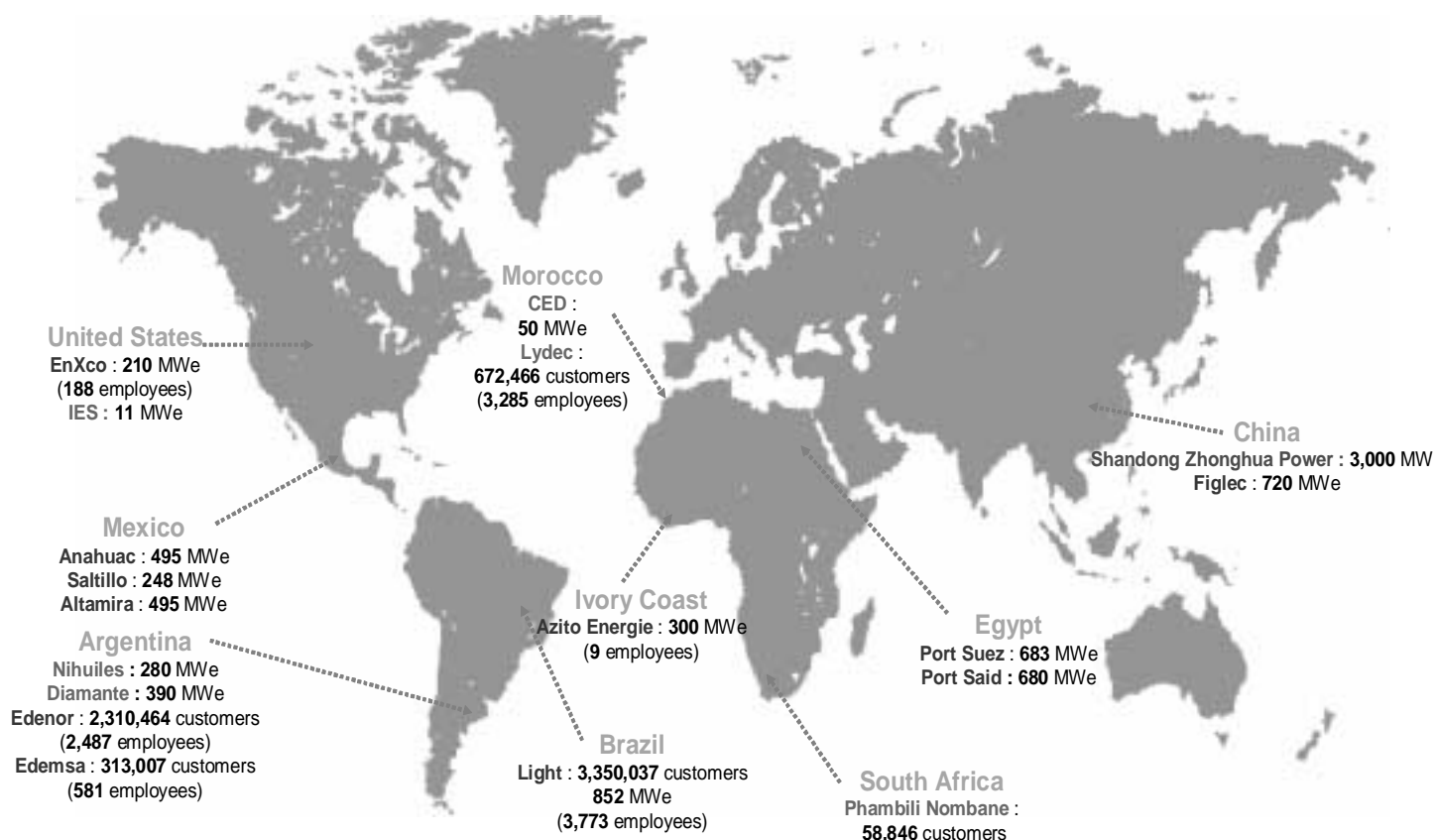
**EDF's presence outside of Europe**  
**Consolidated data as of 31 December 2003**  
**4,377 MW – 5.9 millions of customers**

MW: electric MW



**EDF's presence outside of Europe  
(Raw data) as of 31 December 2003**

MWe: electric MW  
MWth: thermal MW



**Integrated companies (except for equity-accounted companies)**  
**Equity-accounted companies**  
**Companies not included in the consolidation scope**



## Description of Electricité de France (E.D.F.), Service National

### (9) As of 31 December 2003, the listed subsidiaries of the EDF Group were the following:

<i>Companies</i>	<i>Listing Place</i>
EnBW .....	Germany
Light SA .....	Brazil
Electricité de Strasbourg .....	France
Demasz .....	Hungary
Kogeneracja.....	Poland
Groupe Atel.....	Switzerland
Motor Columbus.....	Switzerland

### (10) Operations

#### (i) Electricity Generation

In 2003, the electricity output of EDF in France was 490.9 TWh thanks to an installed capacity of 101,227 MW in France (63,130 MW nuclear, 20,597 MW hydroelectric and 17,500 MW for the non nuclear thermal units). Through subsidiaries or equity interests in a range of companies outside France, EDF controls an additional 21 GW of installed capacity. EDF Group's consolidated installed capacity is 122,568 MW worldwide.

EDF's production costs are very competitive as 94.9% of its output in France is derived from nuclear or hydroelectric generation. France generates 85.6% of its electricity from nuclear power as a result of a long-term energy policy implemented in the 1970s to guarantee the energy autonomy of France.

#### Geographic breakdown of EDF Group installed capacity as of 31 December 2003 (MW)

<i>Country</i>	<i>Company</i>	<i>Installed capacity</i>	<i>Nuclear</i>	<i>Coal</i>	<i>Hydro</i>	<i>Other s</i>
Parent company.....	EDF	101,227	63,130	17,500	20,597	
<b>Others France</b>						
France/Switzerland.....	Emosson	180			180	
France.....	SIIF Energies	140		31	55	55
France.....	T.I.R.U.	222				222
France/Germany .....	RKI	54			54	
France/Germany .....	Cerga	48			48	
France/Switzerland.....	Chatelot	15			15	
<b>Total France.....</b>		<b>101,886</b>	<b>63,130</b>	<b>17,531</b>	<b>20,949</b>	<b>277</b>
<b>Rest of Europe</b>						
Germany.....	EnBW	6,959	2,355	3,078	1,478	49
UK.....	EDF Energy <sup>(1)</sup>	4,942		4,938		4
Poland.....	Rybnik	1,775		1,775		
Belgium.....	Semobis	481	481			
Poland.....	ECK Cracovie	460		460		
Poland.....	Kogeneracja	395		395		
Poland.....	ECW (Gdansk)	353		353		
Poland.....	Zielona Gora	23		23		
Italy .....	FENICE	282		282		
Hungary.....	Bert	327		327		
Hungary.....	Demasz	8		8		
<b>Total rest of Europe .....</b>		<b>16,005</b>	<b>2,836</b>	<b>11,639</b>	<b>1,478</b>	<b>53</b>

## Description of Electricité de France (E.D.F.), Service National

<b>Rest of the world</b>				
Brazil.....	Light	852		852
China.....	Figlec	720	720	
Egypt.....	Port Suez	683	683	
Egypt.....	Port Saïd	680	680	
Mexico.....	Central Anahuac SA de CV	495	495	
Mexico.....	Altamira	495	495	
Mexico.....	Central Saltillo SA de CV	248	248	
Ivory Coast.....	Azito Energie	99	99	
USA.....	EnXco	105		105
<b>Total rest of the world.....</b>		<b>4,377</b>	<b>0</b>	<b>3,420</b>
<b>TOTAL.....</b>		<b>122,268</b>	<b>65,966</b>	<b>32,590</b>
				<b>23,279</b>
				<b>435</b>

(1) Previously London Electricity Group

### (ii) *Transmission*

EDF owns the transmission grid in France, which it operates through its division RTE. RTE is responsible for ensuring free access to the transmission grid for all operators subject to the control of the regulator for the energy sector, the *Commission de Régulation de l'Energie* ("CRE"). The rates for the access to the network are set by the Minister of Economy, Finance and Industry and the Minister of Energy, as proposed by CRE. The grid consists of 100,000 km of lines, at a high or very high voltage. It includes a 64,000 to 400,000-volt grid, which is a hub within the European market and allows exchanges of energy between the French regional areas and between France and other countries.

### (iii) *Distribution*

The distribution business delivers energy from the transmission networks to the end customers. The French distribution network spans over 1.2 million km. EDF holds long-term concessions for most French local authorities. In France, there exist a few non-nationalised distributors ("DNN"). Outside France, EDF owns and operates a number of distributing assets including mainly in the UK, in Germany, in Argentina and in Brazil.

### (iv) *Trading*

EDF Trading, a subsidiary of EDF created in 1999, has become one of Europe's leaders in energy trading (electricity, coal, gas and petrol). EDF created EDF Trading in partnership with Louis Dreyfus (which at the outset held 12% of the shares as against 88% held by EDF).

EDF Trading rapidly became the Group's preferred entity at the heart of its upstream and downstream production assets optimization strategy, allowing it to take advantage of available opportunities on the wholesale market, ensuring, at all times, a balance between production and supply.

In June 2003, Louis Dreyfus sold its 12% shareholding to EDF, thereby resulting in EDF owning 100% of the company. The European Commission authorised this transaction on 26 August 2003, pursuant to which the transaction took effect.

At 30 June 2004, EDF Trading is rated A3 by Moody's.

## Description of Electricité de France (E.D.F.), Service National

### Key numbers on EDF Trading in 2001 – 2003

	At 31 December		
	2003	2002 <i>published</i>	2001
Reported Contributory Sales (in billions of Euros) .....	0.295*	7.2	2.5
Traded volumes:			
Electricity in TWh.....	970	603	279
Natural gas in billion cubic-meters .....	134	79	42
Coal in millions of tonnes.....	161	107	43
Oil in millions of barrels .....	348	168	248
Staff .....	237	245	200

(\*) Gross margin (pro forma data 2002: € 0.214 million).

#### (v) Sales to final customers

In France EDF parent company has 27 million customers as at 31 December 2003. EDF continues to have the dominant position in France: it retains a part of the market for its eligible end-users of 81% in the context of an opening-up of the market since 10 February 2003 (37% of open market). In the UK, EDF Energy<sup>(1)</sup> has approximately 5 million customers. In Germany, EnBW has approximately 5 million customers. In total, using consolidation criteria, EDF Group has 41.6 million customers at the end of 2003.

### Geographic breakdown of EDF Group clients as of 31 December 2003 (consolidated datas)

<u>Country</u>	<u>Company</u>	<u>Clients</u>	<u>% Clients</u>	<u>% Interest</u>	<u>Consolidation Method</u>
France .....	EDF parent company	27,000,000	64.8	100	Parent company
France .....	Other subsidiaries	452,116	1.1	74.86	Full
<b>Total France.....</b>		<b>27,452,116</b>	<b>65.9</b>		
<b>Rest of Europe</b>					
Germany .....	EnBW	2,471,908	5.9	45.81	Proportional
Hungary.....	Demasz	745,048	1.8	60.91	Full
United Kingdom .....	EDF Energy <sup>(1)</sup>	5,000,000	12	100	Full
<b>Total rest of Europe.....</b>		<b>8,216,956</b>	<b>19.7</b>		
<b>Rest of the world</b>					
Argentina.....	Edenor	2,310,464	5.6	90	Full
Argentina.....	Edemsa	313,007	0.7	22.95	Full
Brazil .....	Light	3,350,037	8	94.79	Full
<b>Total rest of the world...</b>		<b>5,973,508</b>	<b>14.3</b>		
<b>TOTAL.....</b>		<b>41,642,580</b>	<b>100</b>		

(1) Formerly London Electricity Group.

## Description of Electricité de France (E.D.F.), Service National

### (11) Workforce of EDF and its evolution over the last three years

#### Allocation of workforce

	At 31 December		
	2001	2002	2003
<i>Business</i>			
Production .....	38,655	38,149	37,047
Transmission .....	8,044	8,082	8,164
Supply .....	57,960	51,244	49,632
Others (including trading) .....	11,018	15,253	15,246
<b>Total</b> .....	<b>115,677</b>	<b>112,728</b>	<b>110,089</b>

	At 31 December		
	2001	2002	2003
<i>Average annual workforce</i>			
Average permanent workforce, expressed in full time staff equivalents	113,827	110,806	107,756
<b>Total average annual workforce, expressed in full time staff equivalents (including temporary staff)</b> .....	<b>115,063</b>	<b>111,907</b>	<b>108,773</b>

### (12) Control

EDF is subject to various controls by the Ministry of Economy, Finance and Industry.

EDF accounts are subject to examination by French statutory auditors who are designated for six accounting periods by the Ministry of Economy, Finance and Industry. These accounts should be approved by the Board of Directors, and within the six month periods following the end of the tax year, the accounts and the statutory auditors' report are subject to inspection by the Government auditors (*Cour des comptes*) who control public expenses. The Government auditors then publish their report within the six month periods following the presentation of accounts. The accounts and respective reports of the statutory auditors and the Government auditors are filed with the Parliament each year.

EDF is subject to the control of the CRE, the regulator for the energy sector created by the Modernisation Law.

Pursuant to article 4 of the Modernisation Law, rates for the use of the public transportation network are set by the Minister of Economy, Finance and Industry and the Minister of Energy, as proposed by CRE.

### (13) Risks of the Issuer

#### (i) General Organisation and risk management process of EDF Group

For many years, the EDF Group has pursued an active risk management policy on three levels: on an operational level, through action plans to identify, evaluate and reduce risks (prevention and protection, in order to reduce the impact and likelihood of risks); on a financial level, by putting the necessary coverage in place (in particular, insurance policies to minimise the potential consequences of certain events on the Group's accounts) and finally on an organisational level, by setting up effective crisis management systems (so that any incidents may be identified and dealt with as soon as possible).

Since April 2003, in an effort to reinforce these measures in the context of the accelerated deregulation of the energy markets, the Group has set up a dedicated corporate risk management division aimed at meeting five priority objectives:

- to ensure the exhaustiveness and consistency of the control of the most significant risks in order to protect the value of the Group's tangible and intangible assets: industrial units, investments/disposals, energy and financial markets, skills, corporate and societal interests, information systems, client portfolios, trade marks, corporate image, etc... ;
- to consolidate and periodically update the Group's risk policy ;

## Description of Electricité de France (E.D.F.), Service National

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- to build and periodically update the mapping of principal risks on the Group level ;
- to anticipate future evolution: the requirement of dedicated risk control structure is already a regulatory requirement in Germany and the United Kingdom ;
- to assume risk management surveillance for the Group as a whole.

The risk control department carries out its work in total independence from the operational branches. Its scope and reach is Group-wide: it includes the activities of EDF and those of its French and foreign subsidiaries. It relies on the risk control network, which is made up of risk controllers of the operational branches as well as the expert and control structures at Group level dedicated to transverse or specific risks.

### (ii) *Risk factors to which the EDF Group is exposed*

#### (1) Market risk

##### (a) *Financial Market and Counterparty Risks*

Financial management is governed by a framework which defines its policy and principles in the area of financial risk management, including liquidity risk, foreign exchange risk and interest rate risk. The principles set forth are subject to steering and limit indicators enabling such risks to be controlled, with a view to limiting the volatility of the Group's financing costs. This framework is reviewed annually by the Audit Committee and the Board of Directors to adapt, where necessary, the limits and the target financial ratios. The indicators mainly used are the Value at Risk and the Earning at Risk. Earning at Risk means the statistical measurement of risk, which evaluates the impact on the profits of a company in comparison with its budgeted profits in case of unfavorable evolutions in the market within a given time period and assuming a certain level of confidence. Value at Risk means the statistical measurement of risk, which evaluates loss of economic value (market value or mark to market) which has been suffered by a portfolio of financing where there is an unfavourable evolution in the market within a given time and with a given interval.

##### *Liquidity risk*

EDF should have available at all times sufficient financial resources not only to finance its current activity and the investments required for its future development but also to enable it to overcome any exceptional circumstances. The liquidity risk is the risk of not being able to meet payments when they fall due. The management of liquidities means seeking resources at their best cost and ensures the capacity to obtain them at any time. This management uses three specific levers:

- the active management of EDF's unique identity and prestige on the markets.
  - the market and the diversification of sources of financing programmes: EDF has access to short term resources on the different markets by way of the issue of French domestic commercial paper, US CP or Euro CP, which are regularly used and are under their ceiling limits (respectively Euro 3.8 billion, U.S.\$ 3 billion and U.S.\$ 1.5 billion). EDF also regularly taps the bond markets through its EMTN programme which is updated annually and which is subject to registration with the Luxembourg Stock Exchange, the Paris Stock Exchange and in Japan;
  - issue contracts contain a certain number of early repayment provisions as is usual in such documentation. The majority of these contracts provide early repayment provisions where interest or principal has not been paid after a grace period. Standard cross default clauses often exist whereby the non payment of a debt under one contract may lead to the early repayment of an amount due under another loan. However these clauses generally only apply above a high threshold;

## Description of Electricité de France (E.D.F.), Service National

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- Moreover, EDF manages its liquidity risk by smoothing the duration of payment dates and has at its regular disposal a portfolio of liquid securities or securities which can be easily included in a securities lending transaction, has developed its cash pooling and has daily access to banking resources.
- Finally, EDF has contracted in February 2003 a syndicated credit facility of Euro 6 billion with its relationship banks comprising:
  - a tranche of Euro 2 billion with a 364 day maturity with options for the borrower to renew this initial maturity; it conducted a first renewal of this tranche in February 2004;
  - a tranche of Euro 4 billion with a 5 year maturity.

This credit facility has not yet been drawn down.

A table of EDF's debt instruments at 12 May 2004 can be found at paragraph (14).

### *Foreign exchange risk*

The policy objective is to minimise the impact of exchange risk on shareholders' equity and on the results, by the negative effect of foreign exchange adjustments on balance sheet entries or by increases in the Group's financing costs.

EDF in particular has used derivative financial instruments to manage its foreign exchange exposure. These financial instruments are only intended to cover firm or highly probable commitments and are not geared towards mere speculative use.

### *Interest rate risk*

The Group's exposure to interest rate variations involves two types of risks:

- the risk of change in the value of the fixed rate financial assets and liabilities ;
- the risk of change in payment flows relating to the variable rate financial assets and liabilities.

Within the context of the Group's general policy, the Group defines principles limiting the risk of variation in the value of assets invested or the possible increase in financial charges using the Value at Risk and Earning at Risk ratios.

The risk of potential loss in the economic value of loans, investments and fixed rate off-balance sheet instruments in the short term treasury market is measured by a calculation of the Value at Risk. This calculation which was carried out in December 2003 showed a potential risk of loss of Euro 2.1 million with an interval of 99% and a given time period of one day.

The risk of potential loss from which the company's financial results may suffer due to variable rate interest on loans and off-balance sheet instruments due to an unfavourable evolution of rates is measured by a calculation of Earning at Risk. This calculation was carried out at the end of December 2003, with a given time period of one month and an interval of 95%, on a debt horizon of more than one year. It shows a risk of negative variation in the forecast profits of Euro 13.8 million for 2004 and Euro 27.6 million for the subsequent years with a maximum of Euro 13.7 million per year.

EDF uses interest rate derivatives in the management of its own allocations between fixed and variable rates.

### *Counterparty risk*

The Group is exposed to credit risk in the event of a default by a counterparty. The Group entities having a significant role in the energy and financial markets have set up a limit allocation methodology for each counterparty based on multiple criteria (rating agency

## Description of Electricité de France (E.D.F.), Service National

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assessments, indebtedness, auto-financing capacity, assets, shareholders' equity) while taking into account the nature and duration of the transactions.

Regular monitoring of these limits occurs at the company level while an active watch is maintained over its major counterparties at the Group level, to produce and keep up-to-date a consolidated risk assessment of the Group to counterparty risk and to adopt rules and consolidated risk management procedures regarding counterparty risk.

### *Organisation of financial risk control*

The Group's recent international development led to the establishment of a special organisational structure in 2001 dedicated to managing financial risk at the Group level, by the development of policy and principles (governance framework) and by ensuring that such policy and principles are properly applied. This special structure is the Department of Supervision of Financial Risks (*Département Contrôle des Risques Financiers*). It is part of the Management of Group Control (*Direction Controlling Groupe*) and has complete hierarchical independence from the Management of Corporate Finance and Cash Flow (*Direction Corporate Finance et Trésorerie*) responsible for the proposal and implementation of financial transactions.

This structure first focuses on formalising the framework and the conditions of control for the Group head. In particular, reports are produced on a regular basis to verify compliance with the established limits. This structure is independent from the teams responsible for proposing and carrying out the financial operations. Appointed bodies have been given responsibility for the validation and follow-up of the policy, principles and limits that have been defined.

Each year the Audit Committee and the Board of Directors examine a risk management report, the conformity of transactions effected within the scope of management as well as the compliance to limits and associated targeted ratios. Every three weeks the strategic Committee of Financial Management (*Comité stratégique de la Direction Financière*) inspects compliance with limits and decides on modifications to the specific limits necessary. A weekly report is made to the Committee of Operational Coordination. Reports of the daily analysis of risk indicators are sent to the Director of the Financial Controlling Division, to the Director of the Financial Markets Division, the Director of the *Salle des Marchés* and to the Director of the Department for the Supervision of Financial Risks. Where limits are exceeded, the same individuals are immediately informed by the Supervisor of Risks in order to decide upon appropriate action.

### (b) *Energy Market Risks*

The EDF Group is exposed to risks in the energy markets through various entities operating on various different activity platforms, including production, trading and marketing. They trade or stock up on the European electricity, gas, coal and petroleum markets.

To manage this risk, the EDF Group has implemented an energy markets risk management policy in order to ring fence and control its exposure to the energy markets.

### *Organisation of energy market risk control*

EDF have implemented an Energy Markets risk management control to allow the Group's management to:

- Monitor the management of the Group's energy markets risk within the framework of operational delegation of energy markets risk management in the various entities;
- Control the adherence to the structure through the establishment of risk and limit indicators: Value at Risk and/or Earning at Risk, and stop losses to limit the maximum loss;
- Monitor consolidated exposure of the Group.

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The energy markets risk control procedure is organised on two levels.

(i) The energy markets risk control procedure of the Group which is directly supervised by the Group Risks Control Director is responsible for:

- drawing up and developing the policy for the Group's energy markets risk control;
- to ensure that the policy is adhered to by all the entities;
- to validate the risk analysis required for establishing the mandates and risk limits of the entities;
- to notify any instances of where risk limits are exceeded to the General Operations Director and to the Group Risks Control Director and to adopt corrective measures;
- to measure the Group's consolidated exposure to the energy markets.

(ii) The first level of risk control, with a practical link to the control of Group risk, is responsible in each entity for:

- measuring risks and producing risk performance indicators;
- developing the entity's Risk Policy in tandem with Group policy;
- notifying without delay the entity's Management and the Group's Risk Control of any instances of limits being exceeded and more general of any failure to adhere to the Group's Energy Markets Risk policy.

### (2) Legal Risks

The EDF Group consists of: EDF, a French public industrial and commercial enterprise (EPIC) and its subsidiaries and shareholding interests, each being subject to the local laws of its country and the specific regulations which govern the exercise of the Group's activities in that country.

#### (a) *Regulatory Framework*

EDF, due to its activity as a producer, supplier, operator and distributor of electricity, is subject to specific laws and implementing texts, both under European and French law. These texts apply to EDF in the exercise of its electricity-related activities (and in particular as a nuclear energy producer), and also in relation to the opening of the electricity and gas markets to competition. The main texts (this list not being exhaustive) include:

- Law no. 46-628 of 8 April 1946, as amended, on the nationalisation of electricity and gas (the "Nationalisation Law");
- Law no. 68-943 of 30 October 1968, as amended, on public liability in the nuclear energy sector;
- Law no. 2000-108 of 10 February 2000 as amended, on the modernisation and development of the electricity utilities (the "Modernisation Law"), which in particular introduced the concept of the eligible customer (able to choose among electricity providers) and the concept of electrical public service appointed a regulator for the energy sector, the CRE, provided for full compensation of charges attributable to public service assignments which electrical operators were appointed to carry out and imposed on such operators the requirement of separate accounts for each activity (production, transportation, distribution, other) ;
- Directive 2003/54/EC of the European Parliament and the Council concerning common regulations for the internal electricity market (in abrogation of Directive 96/92/CE), providing in particular that non-residential customers shall become eligible customers as from 1<sup>st</sup> July 2004 (and all customers as from 1<sup>st</sup> July 2007), independence of transport network managers in terms of legal form, organisation and decision-making ability (by no later than 1<sup>st</sup> July 2004) and in terms of distribution (by no later than 1<sup>st</sup> July 2007).

EDF is also subject to regulatory decisions made by the CRE.

Finally, due to its nature as a public entity, EDF is subject to administrative, legislative and



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regulatory texts that apply to these types of entities which, in particular, are under the economic and financial supervision of the French State.

(b) *Legal, regulatory and administrative authorisations necessary for EDF to carry on its activity*

Under the multi-year investment programme established at the national level, every new production facility requires an exploitation licence from the Minister of Energy, in accordance with Title II of the Modernisation Law.

Depending on the nature of the structures, the construction of structures for electricity production is also subject to various administrative authorisations required under the Environment Code and the Town Planning Code.

For nuclear power plants, the applicable administrative regime also requires:

- a construction permit delivered by a decree of the Prime Minister, with the written agreement of the Minister of Health, Family and Individuals ;
- inter-ministerial orders authorising the removal of water and radioactive and non-radioactive effluent waste ;
- the notification of the European Commission of the proposed investment (Article 41 of the Euratom Treaty) and, through the intermediary of the French State, information relating to any radioactive waste project (Article 37 of the Euratom Treaty).

*Transportation and distribution concessions*

In application of the Law of 15 June 1906, as amended, regarding the distribution of electrical energy, the transportation and distribution of electricity, both considered public utility activities, are carried out within the framework of concession agreements which, for transportation, are entered into with the French State and for distribution most often with the local collectivities. These concessions also set out the rights and obligations of the concessionary and of the granting authority. They have long-term expiry dates: transportation is governed by standard specifications for concessions of the general electrical energy supply network as defined in schedule to the Decree of 23 December 1994<sup>(1)</sup>. These standard specifications led to the conclusion of an agreement with the French State on 10 April 1995 with a term of 75 years. Distribution has been the subject of just over one thousand agreements with local public establishments bringing together communes from within the same administrative region. The large majority of these agreements conform to the standard concession specifications as negotiated in 1992 with the most representative associations within these collectivities at national level. Their term varies between 20 and 30 years and their average expiry date falls in 2025.

The establishment of transportation and distribution structures is also subject to regulations relating to public works, public inquiries, town planning and environmental protection.

The specifications for transportation and distribution concession agreements also set out the rules applicable to the various users of these public utilities, in particular the methods of access to the utility. These terms and conditions define the standards of quality to which users have a right. In the exercise of its activities, the concessionary must comply with the principles of continuity of service (except in the event of force majeure) and the equality of users. It remains subject to the control of the granting authority.

*Confidentiality restrictions*

The managers of the transport and supply network are also legally bound to preserve the confidentiality of information, the disclosure of which would infringe free competition rules, in particular vis-à-vis other activities of the integrated company to which they belong or of the parent company.

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<sup>(1)</sup> Decree setting out the standard specifications for concessions to EDF of the general electrical energy supply network.

### *Assets necessary for the operation that are not held by EDF*

The transport vehicles belong to EDF (Law n° 97-1026 of 10 November 1997 relating emergency tax and financial measures). On the other hand, the licensed supply structures do not, unless otherwise stipulated in the concession specifications, belong to EDF, but to the local granting collectivity. They are “return assets”, mandatorily assigned to the public service, but the property, of the granting authorities from the moment of completion.

### *Complaints or disputes*

EDF is involved, as plaintiff and as defendant, in a certain number of cases concerning disputes or complaints in relation to the application of European or French texts relating to, for example, the respect of competition or taxation, etc. Some others also concern contractual disputes with suppliers or partners in France or internationally, in the context of production, transport or distribution of electricity.

The European Commission has initiated proceedings against France (filed with the European Court on 4 June 2003), contending that the French State has not taken appropriate measures for preventing, reducing and combating pollution by the hydro-electric power plants of Saint-Chamas and Salon in connection with freshwater waste and silt deposits originating from Durance and deposited in the Pond of Berre. No provisions have been made in connection with these proceedings.

Following the explosion of the AZF factory on 21 September 2001, Grand Paroisse (TOTAL Group), whose civil and criminal liability was brought into question, initiated summary proceedings before the Civil Court of Toulouse against the managers of high voltage installations. EDF, maintaining that its liability has not been brought into question, has not made any provision in this respect.

The litigation in respect of which provisions were made is deemed to be insignificant in amount given the situation of the company.

### (3) Industrial risks and risks associated with the environment

#### *(a) Risks associated with nuclear installations*

The completion of the French electro-nuclear programme led to the progressive implementation of specific measures which consist in protecting human life, the environment and the installations themselves under all circumstances.

The principal risks associated with the operation of a nuclear power plant are:

- risk of criticality (risk of uncontrolled development of a chain reaction), which can result in the contamination of the environment, the irradiation of people located in the area of the installations and loss of or damage to the installations ;
- risk of accidental release into the environment (air or water) of radioactive particles ;
- risk of direct individual (employees or third persons) exposure to radioactive rays and/or risk of internal contamination by the ingestion of radioactive particles.

These risks are in general associated with equipment failure or human error. However, it is also necessary to take into account the risk of assault (internal or external) that is either caused by man (plane crashes, other industrial installations, turbine projectiles) or by natural disasters (earthquakes, floods or exceptional weather conditions), which can themselves result in a risk of criticality, of waste dumping into the environment or of irradiation/contamination.

To confront these risks, the EDF Group implements a collection of technical, organisational

and human resource measures concerning nuclear safety at all stages of development within a nuclear power plant – from its design and its operation until its disassembly:

- the safety measures take into account, from the moment of conception, the risks that can arise during the operation of the plants, whether they are associated with the actual operation of the installations or the assault which could affect them. They are based on the concept of in-depth defence which provides for the systematic treatment of technical, human and organisational failures by interposing successive and independent lines of defence: e.g. installation of three successive barriers to limit the possible release of radioactive products into the environment (fuel cladding, steel casing which constitute the primary circuit of the installation, containment enclosure containing all of the primary circuit), security margins integrated from the moment of conception and doubling of safety systems and equipment in order to ensure uninterrupted functioning in the event of failure;
- the maintenance and improvement of the safety levels rely on the rigorous application of the operational rules but also on a substantial initial and continuing training of the personnel and sub-contractors, on the interrogative attitude of the technical teams and their constant vigilance, on the installation of a quality management process instigated within each site and upon periodic reevaluation of safety;
- the quality of the operation also relies on the multiplication of safety checks, either internal (organised by the operator) or external (organised by independent organisations). In the latter case, it is in particular a question of regulatory checks carried out on the sites by the Department of Nuclear Security and Radiation Protection (*Direction Générale de la Sûreté Nucléaire et de la Radioprotection*), placed under the authority of the Minister of the Economy, Finance and Industry, Minister of the Environment and Sustainable Development Minister of Health and Social Protection and Minister of Family and Individuals. Certain of these checks occur unannounced;
- finally, the continued reinforcement of this principle of prevention and monitoring results in the regular organisation of emergency exercises (one hundred per year), some of which involve the operator, the nuclear power security authorities and public authorities. In addition, crisis organisations and emergency plans have been planned in order to limit the consequences on the environment and the population in the event of an accident.

(b) *Risks associated with hydro-electric plants*

The main risks associated with hydro-electric plants and their operation are the following:

- the bursting of dams;
- the river flooding;
- the risk associated with the operation of water releases.

To confront these risks, EDF implemented in 1995 quality assurance measures concerning the three strategic activities of hydro-electric safety:

- monitoring of dams;
- flood management;
- control of variation of water flow.

This process was successfully completed at the end of 2003 with the obtention of ISO 9001 certification for these three activities in each of the hydro-electric groups. These certifications serve as the foundation for the ongoing process of improving hydro-electric safety. In this regard, EDF intends to obtain annual renewal of these certifications from the relevant certifying organizations.

In addition, early detection, the analysis of potential incidents, implementation of corrective and preventive measures, and the results and sharing of experience all constitute the basis for improvement of the safety level of the installations. The steps taken to sensitise and inform the public of the dangers of hydro-electric plants, initiated in 1996, have been repeated and extended each year.

(c) *Risks associated with non nuclear thermal installations*

The risks associated with the non nuclear thermal installations are linked to the respect of the environment and in particular, the respect of the European directives concerning atmospheric emissions (the large combustion installation directive and the national emissions limit directive), and the protection of the installations.

Concerning the protection of the environment, EDF has already, over a number of years, made significant investments in France regarding the elimination of pollution: in particular, sulphur removal units (capturing CO<sub>2</sub> in exhaust) on the three highest contributing installations. Moreover, taking into account the significant reduction of emissions that will be imposed by the European directives in 2008 and the foreseeable evolutions of the market and of the technological conditions of the plants, EDF is currently studying different scenarios to adapt its thermal production for future developments.

This type of risk has also been identified as existing at installations located abroad, in particular in the United Kingdom and Central Europe. In the same way, these installations are the subject of technological and economic research and, where necessary, of investment in the elimination of pollution in order to ensure compliance with applicable regulations.

(d) *Risk linked to electrical distribution installations*

The principal risks associated with the activity of electrical distribution are the following:

- risk of electrification (third parties, operators);
- risk associated with climatic hazards (storms, snow or fire, . . .);
- risk of an interruption in the industrial supply (reliability of equipment, human error, . . .);
- risk of harm to the environment (PCB, oil, fire, . . .).

*Risk of electrification*

In relation to third parties, an annual information campaign has been put into place with fishing and hunters associations and agricultural trade unions in order to remind them of the dangers of handling tools and equipment near power lines. As concerns operators, their activities are subject to authorisation, which is based on the assumption that a competency control has been made and followed by sites visits, by the management and the prevention expert.

*Risk associated with climatic hazards*

Concerning “classic” climatic hazards, a policy of investment has been put in place for several years in order to limit the consequences of storms, fix lightning rods and reinforce certain installations. . . In marine areas, the insulation and protection of power lines are reinforced.

*Risk associated with interruption in the quality of supply*

As concerns the risk of indemnification arising from a possible interruption of electrical supply, an “EMERAUDE” agreement has been drawn up for important clients. This agreement establishes a “zone of acceptable to error” that limits the risk of systematic indemnification.

### *Environment*

The risk of pollution or degradation of the environment is controlled by the following actions: replacement of PCB transformers, burial of 95% of HTA (high-voltage line of 20,000 volts) power lines, pruning on behalf of third parties, installation of fire detectors at all source posts, identification of SEVESO sites and corrective measures at polluted sites.

#### (4) The transfer of risk to insurance

To complete its policy concerning risk prevention, EDF has developed or is in the process of studying a collection of programs that aim, when possible and economically justifiable, to transfer its remaining risk to the insurance market. These programs cover or will cover, for the most part, the risks of the Group as a whole: the parent company and the controlled subsidiaries.

Concerning the risk of liability (except nuclear), EDF has benefited for many years from insurance cover, and this has recently been reinforced to ensure that EDF has the fullest cover offered by the market, as well as extended coverage for the large risks of all controlled subsidiaries.

Nuclear liability is governed by a collection of laws and international conventions that make insurance mandatory but that, in return, limit the liability of the operator. EDF has put in place an insurance policy which covers its risk. A loss management agreement has also been put in place and is regularly tested during emergency exercises.

Concerning damage to its own assets, EDF, in its capacity as a public company, relies on self-insurance. The Comex entrusted the finance department with the responsibility for examining insurance market offers and, more generally, risk transfer offers that could cover the significant risks on economically acceptable terms.

In this context, EDF launched an operation in the financial markets involving the transfer of risk of storms on distribution networks (index-linked SWAP lead managed by CDC IXIS). It should be emphasized that this type of risk is historically the largest risk against which EDF has had to face (1999) and that 80% of its losses have been to the distribution networks.

Additionally, EDF became an adherent on 31 January 2004 to the international energy producers' mutual insurer OIL and put into place ample coverage of its conventional risks by supplementing OIL with the use of the insurance markets. This programme, currently completed for EDF and EDF-Energy, is in the process of being extended to the ensemble of its controlled subsidiaries.

**(14) Debt instruments issued by EDF at 30 June 2004**

<i>Type of debt instrument</i>	<i>Currency</i>	<i>Nominal Amount (Tranche)</i>	<i>Issue Date</i>	<i>Redemption Date</i>	<i>Interest %</i>	<i>Redemption price</i>	<i>Place of Cot</i>
Bond Issue.....	EUR	15,245,000	03/07/89	05/07/04	9.000	100%	Paris
Bond Issue.....	CHF	150,000,000	24/08/99	24/08/04	2.750	100%	SWS Swiss E
EMTN.....	USD	30,000,000	22/10/02	22/10/04	LB3	100%	Luxembourg
EMTN.....	USD	300,000,000	31/01/00	31/01/05	7.000	100%	Luxembourg
EMTN.....	USD	300,000,000	12/09/00	31/01/05	7.000	100%	Luxembourg
Bond Issue [Tranche A].....	CHF	200,000,000	11/02/99	11/02/05	2.250	100%	SWS Swiss E
Bond Issue [Tranche B].....	CHF	200,000,000	11/03/99	11/02/05	2.250	100%	SWS Swiss E
Bond Issue.....	EUR	15,245,000	06/12/93	06/12/05	6.250	100%	Paris
Bond Issue.....	EUR	733,828	25/02/66	25/02/06	5.750	100%	Paris
EMTN.....	USD	90,000,000	27/03/02	27/07/06	4.54	(SA) 100%	none
EMTN.....	AUD	125,000,000	27/03/02	27/07/06	5.75	(SA) 100%	none
EMTN.....	EUR	11,000,000	27/03/02	27/07/06	4.4	(SA) 100%	none
EMTN.....	EUR	500,000,000	06/11/03	06/11/06	3.25	100%	Luxembourg
EMTN.....	EUR	250,000,000	08/04/04	06/11/06	3.25	100%	Luxembourg
EMTN.....	EUR	400,000,000	06/11/03	06/11/06	EUR3M + 0.125%	100%	Luxembourg
EMTN.....	USD	200,000,000	30/04/01	28/12/06	5.375	100%	Luxembourg
EMTN.....	USD	270,000,000	29/11/01	21/02/07	4.010	100%	none
EMTN.....	EUR	10,000,000	29/11/01	21/02/07	3.800	100%	none
EMTN.....	EUR	180,000,000	07/05/04	07/05/07	EUR3M+ 0.07%	100%	Luxembourg
EMTN.....	GBP	100,000,000	12/05/04	07/12/07	5.25	100%	Luxembourg
Bond Issue.....	CHF	100,000,000	15/10/92	15/10/07	6.625	100%	SWS Swiss E
EMTN.....	USD	250,000,000	01/02/01	20/12/07	5.125	100%	Luxembourg
EMTN.....	USD	100,000,000	05/06/02	20/12/07	5.125	100%	Luxembourg
EMTN.....	AUD	150,000,000	06/05/04	06/05/08	6	100%	Luxembourg
Bond Issue.....	GBP	75,000,000	27/08/82	28/08/08	12.500	100%	London
Bond Issue.....	EUR	987,363,066	20/10/99	20/10/08	6.250	100%	Paris
Bond Issue.....	EUR	1,996,000,000	28/01/98	28/01/09	5.000	100%	Paris, Amster
Bond Issue.....	GBP	100,000,000	26/06/89	26/06/09	10.500	100%	Zurich
EMTN.....	EUR	650,000,000	03/07/00	25/10/10	5.750	100%	Luxembourg
EMTN.....	EUR	150,000,000	03/07/00	25/10/10	5.750	100%	Luxembourg
EMTN.....	EUR	200,000,000	20/10/00	25/10/10	5.750	100%	Luxembourg
EMTN.....	EUR	500,000,000	08/04/04	08/04/11	3.75	100%	Luxembourg
EMTN.....	JPY	5,300,000,000	21/04/04	21/04/11	1.195	100%	none
Bond Issue.....	EUR	216,239,784	11/05/93	11/05/12	7.500	100%	Paris, Luxem
Bond Issue.....	GBP	75,000,000	17/05/84	17/05/12	11.750	100%	London
EMTN.....	EUR	500,000,000	06/11/03	06/11/13	4.625	100%	Luxembourg
EMTN.....	USD	50,000,000	22/04/04	22/04/14	4.59	100%	none
EMTN.....	JPY	5,000,000,000	18/12/02	18/12/14	1.27	(SA) 100%	none
EMTN.....	EUR	800,000,000	25/10/01	25/10/16	5.500	100%	Luxembourg
EMTN.....	EUR	300,000,000	25/10/01	25/10/16	5.500	at par	Luxembourg
Bond Issue.....	EUR	340,074,120	30/06/92	30/06/22	8.750	100%	Paris Luxem
EMTN.....	EUR	120,000,000	15/11/02	15/11/22	EUB6M+ 0.43	100%	Luxembourg
EMTN.....	GBP	650,000,000	18/07/01	18/07/31	5.875	100%	Luxembourg
EMTN.....	EUR	850,000,000	21/02/03	21/02/33	5.625	100%	Luxembourg

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### (15) Evolution of EDF's consolidated debt

EDF's consolidated net debt amounts Euro 24 Billion in 2003 as compared to 26.9 Billion in 2002 pro forma. However, the consolidated financial ratios improved and still remained strong in 2003.

#### Consolidated Financial Ratios

	At 31 December	
	2003	2002
Coverage of debt by cash flow <sup>(1)</sup> .....	34%	30%
Coverage of interest expenses by cash flow <sup>(2)</sup> .....	6.7	5.8
Net debt / (net debt + equity) <sup>(3)</sup> .....	55%	57%

Financial figures in millions of Euros

	At 31 December	
	2003	2002 Pro
Off working capital operating cash flow* (Cash Flow) .....	8,103	7,954
Net Financial debt .....	24,009	26,863
Net financial cost .....	1,431	1,651
Equity and minority interests .....	19,839	20,229

\* Excluding the exceptional impact of Income Tax paid as a result of the change in accounting rules: Euro 1,424 millions in 2003 / Euro 371 millions in 2002.

- (1) Cash flows / average financial net debt.
- (2) (Cash Flows + net interest expenses) / (net interest expenses).
- (3) Financial net debt / (financial net debt + Group share equity + minority interests).

### (16) Syndicated credit

A credit facility for Euro 6 billion was concluded in February 2003. This facility can be broken down as follows:

- Tranche A: 364 day Euro 2 billion annually renewable; this tranche was renewed in February 2004;
- Tranche B: Euro 4 billion.

This credit facility which is due to expire on 19 February 2008 has not been the object of any drawdown.

The arrangers are BNP Paribas, CCF, Citibank, Citibank International plc, Crédit Agricole Indosuez, Deutsche Bank AG and JPMorgan plc.

### (17) Ratings at 30 June 2004

Moody's has allocated an Aa3 rating to EDF's debt, with a negative outlook since November 2002. Standard & Poor's has allocated an AA- rating to EDF's long-term debt, with a negative outlook since August 2003. Fitch IBCA has allocated an AA- rating to EDF's debt since 21 May 2004.

### (18) Deregulation

Directive 2003/54/EC of the European Parliament and the Council concerning common regulations for the internal electricity market provides in particular that:

- (1) non-residential customers are eligible customers since 1 July 2004 and all customers shall become eligible from 1 July 2007 ;
- (2) independence of transport network managers in terms of legal form, organisation and decision-making ability and in terms of distribution (by no later than 1 July 2007).

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### (19) Competitiveness

EDF depends on an essentially nuclear and hydraulic production plant whose low production costs contribute to EDF's competitiveness. EDF's tariffs on the French market are among those of the lowest in Europe. EDF is the biggest electricity exporter in Europe with a total of 60.2 TWh in 2003 as opposed to 79.8 TWh in 2002. Moreover, more than 90% of EDF's production in France is carried out without any carbon dioxide emission.

EDF has maintained its status as the preferred French company and has succeeded in keeping hold of more than 81% of the customers who are eligible to competition, just three years after its introduction to the French market.

	At 31 December		
	2003	2002	2001
Number of potentially eligible sites.....	3,200	1,600	1,540
Market share on the free markets (in %).....	79	83	88.3
	(end users and ELD)		
(Open to competition as from 7 GWh).....	81		
	(end users)		

### (20) Change of legal status

EDF is an EPIC owned by the State. On 19 May the Government submitted to Parliament a draft law regarding "the public supply of electricity and gas and to gas and electricity companies" and in particular with the objective of transforming EDF into a private company (*société anonyme*). This draft law was adopted by Parliament on 22 July 2004 and was brought before the Conseil Constitutionnel for review on 27 July 2004. The actual transformation of EDF into a *société anonyme* will not however take effect until the publication of the decree which establishes EDFs by-laws. The change in the legal status of the EPIC to a *société anonyme* majority owned by the State is a prerequisite to an offering of share capital, which will only be of a minority of partial stake.

### (21) Recent Events of 2004:

#### • Evolution of tariffs

The Law Number 2003-8 of 3 January 2003 relating to the gas and electricity market and the energy public services modified and extended the compensation mechanism for the cost of public service missions borne by French operators and introduced by the Modernisation Law. This Law introduced a system of "Contributions to the Electricity Public Services" ("CSPE"), which was intended to replace the Fund for the Public Service of Electricity Production ("FSPPE"), a compensation mechanism previously created on 1st January 2002.

This contribution is owed by the end consumer (whether eligible or not) and is recovered by the network operators or the electricity suppliers who collect the contributions and proceed with their settlement.

As from 1st January 2004, the CSPE went from 0.35 to 0.45 Euro cents per kWh. This increase in the tax does not affect ineligible clients' bills or those who have not drawn attention to their ineligibility because, following a decision of Government, EDF reduced its sales prices by 0.12 Euro cents per kWh, at the same time.

#### • Sale of EDEMSA by EDF

On 30 June 2004, the EDF Group signed an agreement to transfer its subsidiary company EDEMSA which should be reflected in the 2004 accounts as a capital loss of approximately Euros 100 million. The actual taking effect of this transfer is still subject to various administrative authorisations in Argentina and France.

#### • Trade Union Activity

During the spring of 2004, the bill gave rise to a number of concerns on the part of EDF and GDF personnel.



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At the behest of four trade union organisations, several strikes have taken place, notably on 27 May, 15 June and 29 June 2004. Participation rates in these strikes have steadily decreased: strike rates of 41, 33% and 12% respectively for these dates.

During this period, isolated incidents, such as the occupation of transformation centres and reductions of current capacity, have occurred without any notable impact on the business of the company.

### **(22) Outlook**

In the context of a progressive liberalisation of the electricity market, EDF is preparing itself for the complete opening-up of the French market and is focusing on its sectoral organisation in France in order to optimise the dynamics of margins and market share.

On an international level and mainly in Western Europe, EDF will be endeavouring to consolidate existing assets and to improve the return on assets and to develop synergies with the rest of the EDF Group.

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### (23) Fees of the statutory auditors and their network

The fees paid in relation to the financial years 2002 and 2003 by EDF and its fully consolidated subsidiaries (*filiales intégrées globalement*) for the tasks entrusted to its statutory auditors and their respective network are broken down as follows:

	<i>Réseau Ernst &amp; Young</i>				<i>Réseau Mazars &amp; Guerard</i>				<i>Réseau Deloitte &amp; Touche</i>			
	2002		2003		2002		2003		2002		2003	
	<i>Amount In thousand of Euros</i>	%	<i>Amount In thousand of Euros</i>	%	<i>Amount In thousand of Euros</i>	%	<i>Amount In thousand of Euros</i>	%	<i>Amount In thousand of Euros</i>	%	<i>Amount In thousand of Euros</i>	%
<b>Audit</b>												
➤ Account auditing, certification, examination of non consolidated and consolidated accounts	3,284	21.5	3,982	27.6	1,271	21	2,477	50.7	2,448	29	2,539	38.4
➤ Audit related services*	9,604	63.5	9,171	63.5	4,687	78	2,397	49.1	4,100	48	2,818	42.7
<b>Sub-total</b>	<b>12,888</b>	<b>85</b>	<b>13,153</b>	<b>91.1</b>	<b>5,958</b>	<b>99</b>	<b>4,874</b>	<b>99.8</b>	<b>6,548</b>	<b>77</b>	<b>5,357</b>	<b>81.1</b>
<b>Other Services</b>												
➤ Accounting, financial and organisational advice	567	3.5	114	0.8	40	0.5	0	0	525	6	302	4.6
➤ Legal, tax, corporation advice	730	5	396	2.8	46	0.5	0	0	581	7	358	5.4
➤ IT advice	128	1	0	0	0	0	0	0	0	0	150	2.2
➤ Internal auditing	635	4	755	5.2			0	0	388	4.5	12	0.2
➤ Other (specify if > 10% of auditing fees)	258	1.5	16	0.1			11	0.2	452	5.5	428	6.5
<b>Sub-total</b>	<b>2,318</b>	<b>15</b>	<b>1,281</b>	<b>8.9</b>	<b>86</b>	<b>1</b>	<b>11</b>	<b>0.2</b>	<b>1,946</b>	<b>23</b>	<b>1,250</b>	<b>18.9</b>
<b>Total</b>	<b>15,206</b>	<b>100</b>	<b>14,434</b>	<b>100</b>	<b>6,044</b>	<b>100</b>	<b>4,885</b>	<b>100</b>	<b>8,494</b>	<b>100</b>	<b>6,607</b>	<b>100</b>

\*This comprises notably the provision of assistance to EDF with the inventory of the parent company's fixed assets and methodological assistance in the context of the conversion of the consolidated accounts to international accounting standards.

## Description of Electricité de France (E.D.F.), Service National

### (24) Consolidated capitalisation table of EDF at 31 December 2003 (in millions of Euros)

	At 31 December		
	2003	2002	2002
		<i>Pro forma<sup>(1)</sup></i>	<i>As published</i>
<b>EQUITY AND LIABILITIES</b>			
Capital contribution .....	8,129	8,129	8,129
Reserves and retained earnings .....	10,795	11,157	5,754
<b>Equity</b> .....	<u>18,924</u>	<u>19,286</u>	<u>13,883</u>
<b>Minority interests</b> .....	<u>915</u>	<u>943</u>	<u>986</u>
Interest in concessionary plant facilities .....	19,743	20,822	20,822
Provisions for the end of the nuclear fuel cycle .....	14,658	14,182	14,182
Decommissioning and Cast care provision .....	12,101	14,537	14,537
Provisions for employees benefits .....	2,185	2,150	2,150
Provisions for renewal of plant under concession .....	13,939	12,451	12,451
Other Provisions .....	3,512	3,867	6,670
Deferred tax liabilities .....	5,853	6,199	4,129
Financial liabilities including: .....	29,604	31,544	29,542
Bonds .....	13,268	13,545	13,771
Loans from financial institutions .....	4,073	5,411	5,411
Other financial liabilities <sup>(2)</sup> .....	11,432	11,931	9,842
Loans linked to assets received from lease financing .....	255	159	20
Current Interest .....	576	498	498
Accounts payable and other current liabilities .....	8,164	6,353	6,353
Other liabilities .....	17,302	18,551	19,070
<b>Total Equity and Liabilities</b> .....	<u>146,900</u>	<u>150,885</u>	<u>144,775</u>

(1) 2002 Pro Forma: 2002 actual figures applying now 2003 rules and accounting methods.

(2) The other financial liabilities are comprised principally of EMTN (Euro Medium Term Notes) Loans, treasury notes and a treasury receipt pursuant to a transfer of receivables.

No significant change to EDF's consolidated capitalization has occurred since 31 December 2003 except for the distribution of a dividend to the French State of Euros 321,311,000 on 17 May 2004 for the financial year 2003.

## Description of Electricité de France (E.D.F.), Service National

### (25) Consolidated balance sheet as at 31 December 2003

In millions of Euros

	At 31 December		
	2003	2002 <i>Pro forma</i>	2002 <i>published</i>
<b>ASSETS</b>			
Goodwill.....	5,659	6,748	6,749
Intangible assets.....	859	1,022	1,022
Property, plant and equipment.....	99,012	102,184	95,422
Investments.....	7,315	7,436	8,569
Investments in companies accounted for under the equity methods.....	2,146	2,300	2,305
<b>Fixed assets</b> .....	<u>114,991</u>	<u>119,690</u>	<u>114,067</u>
Differed taxes assets.....	216	380	353
Inventories, including work-in-progress.....	6,924	7,661	8,102
Trade receivables.....	14,394	12,368	12,368
Other Receivables.....	4,780	6,105	6,107
Short term financial assets.....	3,072	2,443	1,540
Cash and cash equivalent.....	2,523	2,238	2,238
<b>Current assets</b> .....	<u>31,909</u>	<u>31,195</u>	<u>30,708</u>
<b>Total assets</b> .....	<u><u>146,900</u></u>	<u><u>150,885</u></u>	<u><u>144,775</u></u>

	At 31 December		
	2003	2002 <i>Pro forma</i>	2002 <i>published</i>
<b>LIABILITES</b>			
Capital.....	8,129	8,129	8,129
Consolidated reserves and Income.....	10,795	11,157	5,754
<b>Equity (EDF's part)</b> .....	<u>18,924</u>	<u>19,286</u>	<u>13,883</u>
<b>Minority</b> .....	<u>915</u>	<u>943</u>	<u>986</u>
Special concession accounts.....	19,743	20,822	20,822
Provisions for end of nuclear fuel cycle.....	14,658	14,182	14,182
Provisions for decommissioning and last core.....	12,101	14,537	14,537
Provisions for employee benefits.....	2,185	2,150	2,150
Provisions for renewal of plants under concession.....	13,939	12,451	12,451
Other provisions for risks and expenses.....	3,512	3,867	6,670
Deferred tax liabilities.....	5,853	6,199	4,129
Loans and other financial liabilities.....	29,604	31,544	29,542
Trade payable and other current liabilities payable.....	8,164	6,353	6,353
Other liabilities.....	17,302	18,551	19,070
<b>Total liabilities</b> .....	<u><u>146,900</u></u>	<u><u>150,885</u></u>	<u><u>144,775</u></u>

The 2002 financial statements format was changed at 1 January 2003. The 2002 published accounts have been changed as a result.

The new rules and accounting methods implemented in 2003 are included in the 2002 pro forma accounts.

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## Consolidated Income Statements

	Notes	2003	2002	2002
		<b>Pro forma</b>		
<i>(in millions of Euros)</i>				
<b>Sales</b>	<b>5</b>	<b>44 919</b>	<b>41 817</b>	<b>48 359</b>
Purchases and other external expenses	6	(22 554)	(19 582)	(25 588)
Personnel expenses	7	(9 509)	(9 218)	(9 187)
Taxes other than income taxes	8	(2 703)	(3 716)	(3 716)
Other operating income and expenses	9	873	1 284	1 157
<b>Operating profit before depreciation and provisions (EBITDA)</b>		<b>11 026</b>	<b>10 585</b>	<b>11 025</b>
Depreciation allowances and recoveries		(4 449)	(5 399)	(5 403)
Net increase (decrease) in provisions	10	256	(39)	(118)
<b>Operating profit (EBIT)</b>		<b>6 833</b>	<b>5 147</b>	<b>5 504</b>
Interest expenses	11	(1 431)	(1 651)	(1 550)
Foreign exchange result	12	24	(90)	(96)
Other financial income and expenses	13	(2 106)	(1 726)	(1 769)
<b>Income before taxes from consolidated companies</b>		<b>3 320</b>	<b>1 680</b>	<b>2 089</b>
Income taxes	14	(1 567)	(825)	(986)
Depreciation and amortisation of goodwill		(844)	(714)	(713)
Share in income of companies accounted for under the equity method	19	26	25	25
<b>Net income of the Group</b>		<b>935</b>	<b>166</b>	<b>415</b>
Minority interests		(78)	65	66
<b>Net income of EDF</b>		<b>857</b>	<b>231</b>	<b>481</b>

The 2002 financial statements format was changed at 1 January 2003. The 2002 published accounts have been changed as a result.  
The new rules and accounting methods implemented in 2003 are included in the 2002 pro forma accounts.



## Consolidated Balance Sheets

<b>ASSETS</b> <i>(in millions of Euros)</i>	Notes	31 December 2003	31 December 2002	31 December 2002
			<b>Pro forma</b>	
Goodwill	<b>15</b>	5 659	6 748	6 749
Intangible assets	<b>16</b>	859	1 022	1 022
Property, plant and equipment	<b>17</b>	99 012	102 184	95 422
Investments	<b>18</b>	7 315	7 436	8 569
Investments in companies accounted for under the equity method	<b>19</b>	2 146	2 300	2 305
<b>Fixed assets</b>		<b>114 991</b>	<b>119 690</b>	<b>114 067</b>
Deferred tax assets	<b>14</b>	216	380	353
Inventories, including work-in-process	<b>20</b>	6 924	7 661	8 102
Trade receivables	<b>21</b>	14 394	12 368	12 368
Other receivables	<b>22</b>	4 780	6 105	6 107
Short-term financial assets	<b>23</b>	3 072	2 443	1 540
Cash and cash equivalents	<b>24</b>	2 523	2 238	2 238
<b>Current assets</b>		<b>31 909</b>	<b>31 195</b>	<b>30 708</b>
<b>Total assets</b>		<b>146 900</b>	<b>150 885</b>	<b>144 775</b>
<b>LIABILITIES</b> <i>(in millions of Euros)</i>	Notes	31 December 2003	31 December 2002	31 December 2002
			<b>Pro forma</b>	
Capital		8 129	8 129	8 129
Consolidated reserves and income		10 795	11 157	5 754
<b>Equity (EDF's share)</b>		<b>18 924</b>	<b>19 286</b>	<b>13 883</b>
<b>Minority interests</b>		<b>915</b>	<b>943</b>	<b>986</b>
Special concession accounts	<b>25</b>	19 743	20 822	20 822
Provisions for end of nuclear fuel cycle	<b>26</b>	14 658	14 182	14 182
Provisions for decommissioning and last core	<b>27</b>	12 101	14 537	14 537
Provisions for employee benefits	<b>28</b>	2 185	2 150	2 150
Provisions for renewal of plants under concession	<b>29</b>	13 939	12 451	12 451
Other provisions for risks and expenses	<b>30</b>	3 512	3 867	6 670
Deferred tax liabilities	<b>14</b>	5 853	6 199	4 129
Loans and other financial liabilities	<b>31</b>	29 604	31 544	29 542
Trade payables and other current liabilities payable		8 164	6 353	6 353
Other liabilities	<b>32</b>	17 302	18 551	19 070
<b>Total liabilities</b>		<b>146 900</b>	<b>150 885</b>	<b>144 775</b>

The 2002 financial statements format was changed at 1 January 2003. The 2002 published accounts have been changed as a result.  
The new rules and accounting methods implemented in 2003 are included in the 2002 pro forma accounts.

## Consolidated Cash Flow Statements

<i>(in Million of Euros)</i>	Notes	2003	2002	2002
		<b>Pro forma</b>		
<b>Operating activities</b>				
Income before tax from consolidated companies		3 320	1 680	2 089
Accumulated depreciation and provisions		6 379	7 496	7 574
Financial income and expenses		1 530	1 692	1 592
Dividends received from companies accounted for under the equity method		79	73	73
Capital gains/losses		(311)	(194)	(194)
Other products and expenses without effect on cash		26	-	-
Operating profit before change in working capital		11 023	10	11
			747	134
Change in working capital		17	1 715	175
Operating profit		11	12	12
		040	462	309
Net financial expenses disbursed		(1	(1	(1
		007)	315)	213)
Income taxes paid		(3	(1	(1
		337)	849)	849)
<b>Net cash flow from operating activities</b>		<b>6 696</b>	<b>9 298</b>	<b>9 247</b>
<b>Investing activities</b>				
Change in the scope of consolidation	3.2.1	44	(4	(4
			068)	068)
Purchases of property, plant and equipment and intangible assets		(4963)	(5960)	(5914)
Purchases of investments		(1	(1	(1
		413)	464)	464)
Net proceeds from sale of fixed assets		1 778	1 422	1 422
Changes in financial assets		(601)	95	95
<b>Net cash flow from investing activities</b>		<b>(5</b>	<b>(9</b>	<b>(9</b>
		<b>155)</b>	<b>975)</b>	<b>929)</b>
<b>Financing activities</b>				
Issuance of borrowings		8236	5742	5742

**Consolidated Financial Statements of EDF at 31 December 2003**

Repayment of borrowings	(9 287)	(3 899)	(3 894)
Dividends paid by parent company	(208)	(315)	(315)
Dividends paid to minority interests	(63)	(63)	(63)
Capital increase in cash	33	81	81
Increase in interests in concessionary plant facilities	157	52	52
Investment subsidies	33	67	67
Other	(5)	-	-
<b>Net cash flow from financing activities</b>	<b>(1 104)</b>	<b>1 665</b>	<b>1 670</b>
<b>Net increase in cash and cash equivalents</b>	<b>437</b>	<b>988</b>	<b>988</b>
Cash and cash equivalents - opening balance	2 238	1 804	1 804
Effect of currency fluctuations	(176)	(185)	(185)
Effect of other reclassification	24	(369)	(369)
<b>Cash and cash equivalents - closing balance</b>	<b>2523</b>	<b>2238</b>	<b>2238</b>

The 2002 financial statements format was changed at 1 January 2003. The 2002 published accounts have been changed as a result.  
The new rules and accounting methods implemented in 2003 are included in the 2002 pro forma accounts.

## Variation in Consolidated Equity and Minority Interests

(in millions of Euros)

	Notes	Capital	Consolidated reserves	Net Income	Translation adjustment	Total Equity	Minority interests
<b>Balance at 31 December 2001</b>		<b>8 129</b>	<b>5 159</b>	<b>841</b>	<b>(418)</b>	<b>13 711</b>	<b>1 502</b>
Change in accounting methods			1 235			1 235	-
<b>Balance at 31 December 2001 (pro forma)</b>		<b>8 129</b>	<b>6 394</b>	<b>841</b>	<b>(418)</b>	<b>14 946</b>	<b>1 502</b>
Allocation of income			841	(841)		-	-
Net income for the year				481		481	(66)
Dividends paid			(315)			(315)	(62)
Translation adjustments					(1 156)	(1 156)	(146)
Other changes			(73)			(73)	(242)
<b>Balance at 31 December 2002</b>		<b>8 129</b>	<b>6 847</b>	<b>481</b>	<b>(1 574)</b>	<b>13 883</b>	<b>986</b>
Change in accounting methods	1.2		5 737	(250)	(84)	5 403	(43)
<b>Balance at 31 December 2002 (pro forma)</b>		<b>8 129</b>	<b>12 584</b>	<b>231</b>	<b>(1 658)</b>	<b>19 286</b>	<b>943</b>
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) <sup>(1)</sup>			(804)	30
<b>Balance at 31 December 2003</b>			<b>11 803</b>	<b>857</b>	<b>(1 865)<sup>(2)</sup></b>	<b>18 924</b>	<b>915</b>

(1) The variation in the item 'other changes' essentially stems from the European Commission's decision amounting to €(890) million and from the effects of the change in valuing the provisions for onerous contracts by €72 million.

(2) The translation differences mainly concern South America for € (1,765) million.

The 2002 financial statements format was changed at 1 January 2003. The 2002 published accounts have been changed as a result.  
The new rules and accounting methods implemented in 2003 are included in the 2002 pro forma accounts.

## **Notes**

### **1. Accounting principles and methods**

#### 1.1 Group's accounting policies

EDF's consolidated financial statements are prepared in accordance with generally accepted French accounting principles, according to the accounting rules and methods described below (paragraphs 1.3 to 1.25).

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

In this context, the Group has made several accounting changes in 2002 and 2003, as described in note 1.3. After the implementation of these accounting changes, the Group applies all of the preferential methods stipulated by French accounting principles to its consolidated financial statements, except for the employee benefits recognition (see paragraph 1.23).

According to the ongoing reform related to the electricity and gas pensions scheme financing, the pre-reform commitment does not effectively represent the future financing costs, which will be supported by the EDF Parent Company. Consequently, these commitments will be accrued as soon as the company's remaining share is known.

To date, the main differences between the Group principles and current international accounting standards in force at 31 December 2003 are related to the employees benefits (IAS 19) and financial instruments (IAS 32 and 39) accounting methods. In the absence of specific international accounting standards, EDF has continued to treat concessions in the same way as before. The application of these standards or revised versions might have a significant impact on the accounts.

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

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

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

#### - Impact on equity:

	(in millions of euros)		
<b>Equity as at 31 December 2002 (published)</b>	<b>13 883</b>		
	<u>Gross</u>	<u>Tax</u>	<u>Net</u>
Transition from declining-balance to straight-line depreciation	8 848	(3 135)	5 713
Ten-year major inspections and major components amortised over their useful lives	1 425	(505)	920
Write-back of the provision for maintaining hydraulic potential	1 503	(511)	992
Total application CRC 2002.10	11 776	(4 151)	7 625
Cancellation, of capitalised interests and other adjustments	(3 357)	1 135	(2 222)
Total	8 419	(3 016)	5 403
<b>Equity as at 31 December 2002 (pro forma)</b>	<b>19 286</b>		

#### - Impact on EDF's net result:

	(in millions of euros)		
<b>Net income as at 31 December 2002 (published)</b>	<b>481</b>		
	<u>Gross</u>	<u>Tax</u>	<u>Net</u>
Transition from declining-balance to straight-line depreciation	(59)	21	(38)
Ten-year major inspections and major components amortised over their useful lives	(88)	31	(57)
Write-back of the provision for maintaining hydraulic potential	(409)	145	(264)
Total application CRC 2002.10	(556)	197	359
Cancellation, of capitalised interests and other adjustments	145	(36)	109
Total	(411)	161	(250)
<b>Net Income as at 31 December 2002 (pro forma)</b>	<b>231</b>		

### 1.3 Accounting changes

#### 1.3.1 Changes in accounting methods during the 2003 financial year

At 1 January 2003, the Group anticipated the adoption of French regulation CRC 2002-10 related to amortisation and depreciation of assets. This has resulted in:

- changes in amortisation method for fixed assets;
- changes to the amortisation schedule of certain components;
- component-based recognition of the cost of major periodic inspections;
- cancellation of the provision for maintaining hydraulic potential.

## **Consolidated Financial Statements of EDF at 31 December 2003**

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Additionally the Group has opted at 1 January 2003 for:

- recognition of interest on borrowing costs related to the construction period of power stations and networks, and to the production period of the initial nuclear fuel charges as expenses;
- recognition of finance lease contracts as assets.

### Change in amortisation method for nuclear power stations and certain other fixed assets

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

### Changes to the amortisation schedule of certain components

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

### Component-based recognition of the cost of major periodic inspections of nuclear and non-nuclear power stations

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

### Cancellation of the provision for maintaining hydraulic potential

In accordance with the transitional provisions of French regulations CRC 2000-06 and CRC 2002-10, which effectively state that as from 2003, current maintenance expenditure can no longer be covered by a provision, the provision for maintaining hydraulic potential is fully written off. This provision related to the maintenance expenses necessary to maintain the installations in satisfactory working order in accordance with the specifications of the hydraulic companies operating under concession.

### Recognition of interest on borrowing costs related to the construction period of power stations and networks and to production cost of the initial nuclear fuel charges as expenses

At 1 January 2003, in accordance with the option allowed by French and international principles, borrowing costs related to the construction period of power stations and networks and related to the production period of the initial fuel charges are no longer capitalised but are recognised as an expense when incurred. This decision also applies to pre-operating expenses.

The application of this method involves reversing capitalised interest on property, plant and equipment before 31 December 2002.

## Consolidated Financial Statements of EDF at 31 December 2003

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### Recognition of finance lease contracts as assets

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

### 1.3.2 Changes in accounting methods during the 2002 financial year

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

- the adoption of French regulation CRC 2000-06 on liabilities, which resulted in booking all obligations related to power station decommissioning and “last core” expenses as the present value of future disbursements, and in recording a tangible asset corresponding to decommissioning and last core expenses as extension of power station construction costs. Provisions for ten-year inspections of nuclear and non-nuclear power stations were also booked, as was provision for losses on power purchase and sale contracts (see notes 1.22, 26, 27 and 30);
- the adoption of the preferential method laid down by French regulation CRC 99-02 on recording unrealised gains and losses resulting from translation of monetary items stated in foreign currencies (and by association, unrealised gains and losses on derivatives) in the income statement of the period to which they relate;
- the adoption of the preferential method of French regulation CRC 99-02 on recording currency exchange differentials on borrowings and swaps in the income statement and thus discontinuing the spread of these over the remaining term of the loans.

### 1.3.3 Changes in estimate

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

The extension of the period of useful life of nuclear power stations affected the amortisation of nuclear power stations by €853 million. In addition the change in amortisation method affected the depreciation of these assets by € (224) million.

The extended useful life of nuclear power stations introduced with effect from 1 January 2003 has deferred decommissioning and last core disbursements by ten years. Discounting has meant that decommissioning and last core provisions are automatically revised downwards, as explained in notes 26 and 27.

This extension has also had an impact on other assets and liabilities:

- provisions for onerous sales contracts (see note 30);
- prepaid income and accrued revenues for jointly operated power plants;
- provisions for depreciation of strategic nuclear safety spare parts.

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



## Consolidated Financial Statements of EDF at 31 December 2003

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

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

In the absence of any provision in French accounting rules and in view of the harmonisation of the Group's accounting principles with international standards, EDF has decided for the preparation of the annual consolidated accounts to use the revised draft that the International Financial Reporting Interpretations Committee (IFRIC) has stated it wants to propose to the International Accounting Standards Board (IASB). This draft provides for the application of a prospective method with the effects of the changes of the provision estimates charged on the counterpart asset and beyond that on the underlying asset (power stations). Where provision has been written back any surplus that cannot be charged to the above mentioned assets will be recorded in the income statement.

The effect of this change in estimate in the accounts is seen by a reduction in:

- the provisions for decommissioning and last core of € 2,811 million;
- tangible fixed assets of € 2,775 million;
- income to be received from partners for the decommissioning of jointly operated power stations of €23 million.

Furthermore, this has resulted in a €13 million impact in the income statement.

### 1.3.4 Changes in financial statements presentation

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

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

#### Change in presentation of the income statement:

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

The reconciliation between the 2002 published income statement and the 2002 income statement based on the 2003 format is as follows:

## Consolidated Financial Statements of EDF at 31 December 2003

	<b>EBITDA</b>	<b>EBIT</b>
(in millions of euros)		
<b>Published on 31 December 2002</b>	11 216	5 179
- Reclassification of non-recurring items	234	325
- Reclassification of other operating income and expenses	(425)	
<b>31 December 2002 (reformatted)</b>	11 025	5 504

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

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

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

- operating subsidies (€1.3 billion at 31 December 2002), previously reported in a separate line, have been reclassified under "Other operating income and expenses";
- The financial result published on 31 December 2002 is now divided into three sections:
  - Interest expenses,
  - Foreign exchange result,
  - Other financial income and expenses.  
Proceeds from the disposal of financial assets, consolidated investments and consolidated entities – formerly reported as “extraordinary items” – are now recorded as “Other financial income and expenses”. This reclassification increases the financial result by €96 million.

### Change in presentation of the balance sheet:

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

The following changes were made:

- bond redemption premiums and the related amortisation are reclassified under the heading “Loans and other financial liabilities”. They were formerly reported as “Other accounts receivable”;
- debit financial accounts, marketable securities and cash, other short-term financial assets and related depreciations are reclassified under the heading “Cash and cash equivalents”. They were formerly reported as “other receivables”;
- other short-term financial assets, short-term investment securities and provisions for amortisation of short-term investment securities are reclassified under the heading “Cash and cash equivalents”. They were formerly reported as “Investment securities”;
- Provisions for risks and expenses are now divided up as follows:
  - provisions for end of nuclear fuel cycle,
  - provisions for decommissioning and last core,
  - provisions for employee benefits,
  - provisions for renewal of plants under concession,
  - and other provisions for risks and expenses;
- investments considered as available for sale are reclassified as short-term financial assets;

## Consolidated Financial Statements of EDF at 31 December 2003

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- credit financial current accounts are now recognised as “Loans and other financial liabilities”. They were formerly reported in “other liabilities”;
- the cross-entry for cash received in consideration of the transfer of future trade receivables to a mutual securitization fund is now booked to financial liabilities. These were formerly recognised as operating liabilities (see note 31.1).

### 1.4 Management estimates

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

### 1.5 Consolidation methods

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

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

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

However, even if a company meets the criteria previously defined, it may be excluded from the scope of consolidation due to its insignificance compared with the consolidation as a whole.

The results of companies acquired (disposed of) during the year are recognised in the Group's consolidated income statement from (until) the date on which control is transferred.

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

The Group essentially controls the Oxygen and Electra mutual securitization funds, in which however it has no units or shares, and some unit trusts. As a result, these entities are not consolidated.

### 1.6 Translation of foreign companies' financial statements

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

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

## Consolidated Financial Statements of EDF at 31 December 2003

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

### 1.7 Sales

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

The Group accounts for sales when:

- a formal contract has been signed;
- delivery has taken place (or the service provided);
- a quantifiable price has been established or can be determined;
- and the receivables are likely to be recovered.

Delivery takes place when the risks and benefits associated with ownership are transferred to the buyer. Energy delivered but not yet measured nor billed is calculated based on consumption statistics and selling price estimates.

Sales of goods and revenues of services not completed at the balance sheet date are recognised by reference to the stage of completion at the balance sheet date.

Energy trading operations are now recognised net of purchases in accordance with standard industry practice.

### 1.8 Deferred taxation

Temporary differences between the book value of assets and liabilities and their value for tax purposes give rise to deferred taxation being recorded according to the liability method of tax allocation.

If the tax rate changes, deferred taxes are adjusted according to the new rate and the adjustment is charged to the income statement.

The losses carried forward give rise to a deferred tax asset being recorded, which in accordance with the prudence concept is depreciated unless earnings forecasts indicate that these are likely to be utilised in the near future.

### 1.9 Goodwill

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

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

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

## Consolidated Financial Statements of EDF at 31 December 2003

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Goodwill of entities accounted for under the equity method are recorded in the balance sheet under the heading "Investments in companies accounted for under the equity method". The amortisation of goodwill is recorded in the income statement under the heading "Share in income from companies accounted for under the equity method".

When an entity is disposed of, the amount of consolidated goodwill not amortised and attributed to that company is included in the net results on disposal.

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

At each closing date, the Group assesses whether there is any indication that goodwill could have been impaired according to the principles described in note 1.12.

### 1.10 Intangible assets

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

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

Development costs are recognised as an intangible asset if the Group can show:

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

Intangible assets are amortised on a straight-line basis over their useful lives.

### 1.11 Property, plant and equipment

Property, plant and equipment are recorded at acquisition or production cost or, as far as EDF's parent company is concerned, at their revalued amount where applicable, less accumulated depreciation and provisions for depreciation.

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

In addition, assets have been recorded against a provision for obligations related to decommissioning and for last core costs of nuclear power stations. On the date of commissioning, these assets are measured and recorded in the same way as the corresponding provision (see note 1.22).

Property, plant and equipment are depreciated on a straight-line basis (see note 1.3 – accounting changes).

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

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

### 1.11.1 Property, plants, equipment owned by the Group

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

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

French transmission grid assets operated under concession belong to EDF and are recorded as assets owned by the Group.

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

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

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

### 1.11.2 Property, plants, equipment operated under concession

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

- hydraulic power stations operated under State concession;
- French transmission grid assets operated under State concession;
- Public distribution facilities operated under concession rights licensed by local authorities (municipalities or groupings of municipalities).

The related assets are recorded as "property operated under concession", except for French transmission grid assets operated under concession, which by law belong to EDF's parent company and are recorded as "property owned by the Group".

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

The hydraulic equipment operated under concession is depreciated under the straight-line method and the depreciation is booked in the income statement.

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

Assets operated under concession rights licensed by local authorities are also accounted for as follows, taking account of the way the provisions were interpreted in 1997:

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

## Consolidated Financial Statements of EDF at 31 December 2003

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

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

### 1.11.3 Finance leases

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

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

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

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

### 1.11.4 Operating leases

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

### 1.11.5 Useful lives

The main useful lives of property, plants, equipment are the following:

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

(\*) without prejudice to other more restrictive regulations in some countries.

### 1.12 Long-term asset impairment

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

- the Group measures any long-term asset depreciation by comparing the carrying value of these assets, where necessary classified as a group of assets, and their recoverable amount, usually calculated using the future discounted cash flow method;
- The discount rates used for this purpose are based on the average expected internal rate of return of each asset or groups of assets concerned; these are determined by economic and geographical area and by business segment if appropriate. The discount rate used for the EDF parent company's regulated businesses corresponds to a remuneration of 6.5% before tax fixed by the French regulator i.e. 4.2% after tax;
- Future cash flows are based on medium-term plan projections.

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

Due to the sensitivity of assessments to macro-economic and segment assumptions, these impairment tests are updated regularly.

### 1.13 Investments

Investments are carried at acquisition cost.

Shares held in deconsolidated companies are carried at their consolidation value, calculated on the deconsolidation date.

When the book value of investments is higher than their fair value, as determined by reference to equity adjusted to take into account information known since the previous year-end (financial information, share price), a provision for depreciation is generally made to cover the difference.

The Group has set up two investment portfolios:

- the first comprises financial assets intended to finance nuclear fuel end-of-cycle processing operations, for which provisions have been accrued (see notes 26 and 27);
- the second comprises securities acquired mainly by EDF and EnBW to generate a satisfactory return on investment in the medium to long-term without participating in the management of the companies concerned.

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

### 1.14 Inventories and work-in-progress

Inventories are recognised at the lesser of their acquisition cost or net realisable value.

Inventories include the direct costs of material and labour and overheads incurred.

#### 1.14.1 Nuclear fuel

Nuclear fuel and work-in-progress are recognised based on direct processing costs such as materials, labour and subcontracted services (e.g. fluorination, enrichment, etc.).

The financial expenses incurred by financing nuclear fuels are charged as expenses.

Nuclear materials, whatever their form are during the processing cycle whose useful lives are more than one year, and nuclear fuel, whether being used in the reactors or stored, are recorded in inventories.

These items are valued using the weighted average cost method, applied to each component (natural uranium, fluorination, enrichment, production).

The Group does not value the uranium obtained from reprocessed burnt fuel, due to uncertainty over its future use.

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



## Consolidated Financial Statements of EDF at 31 December 2003

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

### 1.14.2 Consumables, materials and spare parts

Inventories are valued at weighted average cost using direct and indirect purchasing costs.

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

### 1.15 Accounts receivables

Accounts receivables are recognised at face value.

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

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

### 1.16 Short-term financial assets

Short-term financial assets mainly include investment securities and cash investments maturing in more than three months.

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

### 1.17 Cash and cash equivalents

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

### 1.18 Investment subsidies

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

### 1.19 Bond redemption premiums, share premiums and issuance expenses

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

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### 1.20 Translation of foreign currency transactions

Foreign currency cash balances not covered by hedging agreements are translated at the year-end at the closing rate.

The corresponding exchange rate differences are recognised in the income statement.

### 1.21 Special concession accounts

In France, the portion of fixed assets operated under concession financed by the licensors, the portion financed by third parties on behalf of the licensors, the net impact of revaluations, provisions for renewal of installations written-off and replaced and the depreciation of EDF financing to recover its contribution are all recorded on the balance sheet under the heading "Special concession accounts".

The interests in public distribution facilities operated under concession and EDF's financing are depreciated at the same rate as the corresponding installations without affecting the income statement.

### 1.22 Provisions for risks and expenses

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

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

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

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

The proceeds from scheduled asset disposals are not recognised in the measurement of provisions.

If it is anticipated that all or part of the expenses covered by a provision will be reimbursed, the reimbursement is recognised if and only if the Group is virtually certain of receiving it.

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

In very rare cases, it is possible that a provision cannot be booked for lack of a reliable estimate. The obligation is then highlighted in the notes as a contingent liability, unless there is little likelihood of a disposal of resources.

The provisions for risks and expenses mainly cover the following:

- future losses relating to multi-annual agreements for the purchase and sale of energy:

- Losses on energy purchase agreements are measured by comparing the acquisition cost under the conditions of contract with the estimated market price of electricity;
  - Losses on energy selling agreements are measured by comparing the estimated proceeds under the conditions of contract with the cost of generating the energy to be supplied.
- costs of renewal of distribution plants under concession:

This provision, which is intended to safeguard the renewal of installations, is the difference between the depreciation of the replacement value of these installations and the amortisation of EDF financing (on a going concern basis, this helps finance the replacement of property operated under concession). This provision is split into a provision booked for the renewal of property nearing the end of its useful life before the end of the concession (calculated and spread over the life of the assets) and a provision booked for the future cost of renewal of other assets (calculated based on the life of these and allocated against the residual term of the concession). The replacement value is revalued on 31 December each year based on specific indicators derived from official industry publications. The impact of this revaluation is spread over the remaining lifetime of the installations concerned.

- end-of-cycle expenses for nuclear fuels:

A provision for reprocessing burnt fuels and for the disposal and storage of the resulting radioactive waste is booked for all fuels currently in use or already used.

- costs of decommissioning power stations and the cost of fuel in the reactor when the reactor is shut down (last core provision).

Provisions for end of cycle expenses for nuclear fuels, for expenses related to the decommissioning of power stations and last core, for future losses relating to multi-annual agreements for the purchase and sale of energy are estimated by applying an estimated long-term inflation index to the projected disbursements. These provisions are discounted at rates that reflect the best estimation of a long-term risk-free return.

The rate of inflation and the discount rate are determined based on the economic parameters of the country in which the economic entity is located.

For France, the Group has applied a discount rate of 5%, and a long-term inflation rate of 2%, which represents an effective 3% rate. The discounting effect generated at each closing to reflect the passage of time is recognised under financial expenses.

### 1.23 Provisions and commitments for employee benefits

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

The characteristics of the special “*Industries Electriques et Gazières*” (IEG) scheme concerning EDF’s parent company and some of its French subsidiaries, EDF’s current financial obligations and expected reform are described in note 28.

### 1.24 Financial instruments

#### 1.24.1 Short-term derivatives

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

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

Initial deposits to secure transactions are included in investments.

#### 1.24.2 Long-term instruments

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

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

The overall exchange gain or loss on speculative currency swaps is recognised in the income statement. Payments required by contract are spread over the term of the contract. Payments made or received in the event of early termination are immediately reported in the income statement.

All of these instruments are recognised as off-balance sheet commitments at the notional value of the capital committed.

### 1.24.3 Energy trading

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

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

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

### 1.25 Insurance

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

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

Finally, in terms of insurance against damage caused to own plants or plants operated under concession, new "group" schemes are in the process of being examined or taken up. However, there is already partial insurance in place for non-nuclear industrial plant, office buildings, vehicles and equipment in transit.

## **2. Highlights for the year**

### Contribution to the public energy service

The Act of 3 January 2003 amended and extended the scheme to compensate French operators for the cost of public services in accordance with the Act of 10 February 2000. It introduced, with effect from 1 January 2003, a “Contribution to the Public Electricity Service” (CPES) to replace the clearing mechanism known as the “Public Service Fund for Electricity Generation” (PSFEG), launched on 1 January 2002.

From now on, this contribution will be paid by the end user (whether eligible or not) and is recovered by network operators or electricity suppliers who collect and realise the contribution.

### Argentina

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

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

### Decision of the European Commission

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

### Physical inventory on the EDF parent company’s fixed assets

The physical inventory of the fixed assets carried out by the EDF parent company had a positive impact at 1 January of €534 million on the results for the year (€303 million after corporate tax).

### EnBW

The year 2003 was marked by the refocusing on its core businesses and the diagnosis of its situation and businesses which led to depreciation and substantial non recurrent provisions. The impact on the EDF group 2003 results amounts to €591 million.

### 3. Changes in the scope of consolidation

#### 3.1 Changes in the scope of consolidation at 31 December 2003

##### 3.1.1 Acquisitions and new companies included within the scope of consolidation

Acquisitions and new companies included within the scope of consolidation are as follows:

- HISPAELEC: this Spanish-based company is a trading subsidiary which is largely supplied by EDF Trading, and to a lesser extent by the spot market. It is wholly owned by EDF International and is consolidated at 1 January 2003;
- EDF ENERGIA ITALIA: this Italian-based company is involved in the sale of energy. It is 100% owned by EDF International and is consolidated at 1 January 2003;
- KWL (ED Group): 77% acquired by EnBW, KWL is fully consolidated in EnBW's financial statements at 1 January 2003. The company is involved in hydraulic generation, distribution and the purchase and resale of energy in Switzerland; the impact on sales for 2003 is €103 million.
- NWS, SALAMANDER and TAE: remaining minority interest bought by EnBW;
- CIDEM and CYDEL: two waste processing (incineration) companies wholly owned by TIRU, and consolidated in TIRU's financial statements as of 1 January 2003;
- EDF TRADING: EDF bought out the 12% held by SA Louis Dreyfus & Cie; EDF has held 100% of the voting rights since 29 August 2003;
- Valle Hermoso: this Mexican-based company is 100% owned by EDF International. It was consolidated at 1 January 2003 and operates the Rio Bravo 4 power station;
- ZIELONA GORA: this Polish company, 69.5% owned by Kogeneracja, was fully consolidated at 1 September 2003. It is involved in the production and distribution of energy. The interest percentage is 24.6%;
- CONTROLADORA DEL GOLFO: this company was set up as a holding company for Mexican companies. It was 100% owned by EDF International and consolidated at 1 January 2003.

##### 3.1.2 Disposals

- Granging: EDF liquidated its 36.32% stake in the company on 4 November 2003. Between 1 January and 31 October, Granging sales totalled €124 million;
- EnBW Group: sale in the third quarter of 2003 of the shoe business of the Salamander group and of a part of the Gegenbauerbosse group.

#### 3.2 Changes in the scope of consolidation during the 2002 financial year

##### 3.2.1 Acquisitions and new companies included within the scope of consolidation

Acquisitions and new companies included within the scope of consolidation are as follows:

- The following have been integrated within EDF Energy's financial statements:
  - 100% of EPN and 24seven at 1 January 2002;
  - 100% of Seaboard at 1 July 2002.
- The following have been integrated within EnBW's financial statements:
  - 100% of EnAlpin since 1 January 2002;
  - 35% of Hidroelectrica del Cantabrico since 1 July 2002;

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- 95.7 % of ZEAG since 1 July 2002;
- 97.8% of GVS since 31 December 2002;
- 29.9% of Stadtwerke Düsseldorf, accounted for under the equity method since 1 January 2002.

### 3.2.2 Disposals

EnBW sold Tesion on 31 August 2002.

### 3.2.3 Other developments

The Group's stake in EnBW has increased from 35.38% to 45.75%.

EnBW's interest percentage in NWS has increased from 32% to 99%.

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

## 4. Business segments and geographical areas

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

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

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

Inter-segment transactions are realised at market prices.



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### 4.1 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;
- **the 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.

This breakdown is used to identify assets and delivery sites.

#### • At 31 December 2003:

	France	Europe	Rest of the World	EDF Trading	Other	Eliminations	Total
(in millions of euros)							
<b>SALES :</b>							
External sales	28 397	12 305	1 926	295	1 996		44 919
Inter-segment sales	224	92	-	-	210	(526)	-
<b>Total Sales</b>	<b>28 621</b>	<b>12 397</b>	<b>1 926</b>	<b>295</b>	<b>2 206</b>	<b>(526)</b>	<b>44 919</b>
<b>Operating profit</b>	<b>5 433</b>	<b>1 136</b>	<b>(273)</b>	<b>207</b>	<b>330</b>		<b>6 833</b>
<b>BALANCE SHEET :</b>							
Intangible and tangible assets	76 121	18 005	2 975	49	2 721		99 871
Investments accounted for under the equity method	-	1 508	101	-	537		2 146
Other segment assets (1)	17 674	7 655	1 217	3 123	1 851		31 520
Other non-allocated liabilities							13 363
<b>Total Assets</b>	<b>93 795</b>	<b>27 168</b>	<b>4 293</b>	<b>3 172</b>	<b>5 109</b>		<b>146 900</b>
Segment liabilities (2)	75 017	8 421	974	3 054	2 152		89 618
Other non-allocated liabilities							57 282
<b>Total Liabilities</b>	<b>75 017</b>	<b>8 421</b>	<b>974</b>	<b>3 054</b>	<b>2 152</b>		<b>146 900</b>
<b>OTHER INFORMATION :</b>							
Investments in intangible and tangible assets	2 833	1 464	433	7	244		4 981
Depreciation	(3 227)	(941)	(145)	(7)	(129)		(4 449)

- (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, decommissioning and last core provisions, provisions for employee benefits, provisions for renewal of plants under concession, other provisions for risks and expenses (excluding provisions for risks associated with financial investments and provisions for tax liabilities), trade payables and other liabilities (excluding current tax liabilities).

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- At 31 December 2002 (pro forma figures):

(in millions of euros)	France	Europe	Rest of the World	EDF Trading	Other	Eliminations	Total
<b>SALES :</b>							
External sales	28 239	9 473	2 052	214	1 839		41 817
Inter-segment sales	385	110	-	-	143	(638)	-
<b>Total Sales</b>	<b>28 624</b>	<b>9 583</b>	<b>2 052</b>	<b>214</b>	<b>1 982</b>	<b>(638)</b>	<b>41 817</b>
<b>Operating profit</b>	<b>3 702</b>	<b>776</b>	<b>218</b>	<b>99</b>	<b>352</b>		<b>5 147</b>
<b>BALANCE SHEET :</b>							
Intangible and tangible assets	79 156	18 084	3 316	52	2 598		103 206
Investments accounted for under the equity method	-	1 640	124	-	536		2 300
Other segment assets (1)	18 977	8 575	1 554	1 793	1 867		32 766
Other non-allocated liabilities							12 613
<b>Total Assets</b>	<b>98 133</b>	<b>28 299</b>	<b>4 994</b>	<b>1 845</b>	<b>5 001</b>		<b>150 885</b>
Segment liabilities (2)	77 143	8 208	932	1 921	2 079		90 283
Other non-allocated liabilities							60 602
<b>Total Liabilities</b>	<b>77 143</b>	<b>8 208</b>	<b>932</b>	<b>1 921</b>	<b>2 079</b>		<b>150 885</b>
<b>OTHER INFORMATION :</b>							
Investments in intangible and tangible assets	2 989	1 790	788	15	298		5 880
Depreciation		(822)	(234)	(6)	(145)		(5 399)

- (1) Other segment assets include goodwill arising on 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, decommissioning and last core provisions, provisions for employee benefits, provisions for renewal of plants under concession, other provisions for risks and expenses (excluding provisions for risks associated with financial statements and provisions for tax liabilities), trade payables and other liabilities (excluding current tax liabilities).

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### 4.2 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
<b>2002 (published)</b>	26 719	12 224	2 178	7 238	<b>48 359</b>
<b>2002 (pro forma)</b>	27 133	12 292	2 178	214	<b>41 817</b>
<b>2003</b>	27 043	14 926	2 655	295	<b>44 919</b>

### 4.3 Reporting by business segment

The Group's business can be 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 distribution network;
- **Distribution:** this consists of managing the low and medium-voltage public distribution network;
- **Other:** this category consists of energy services (district heating, thermal services, etc.) for industry and local authorities, as well as new segments mainly aimed at boosting electricity generation from cogeneration and renewable energy sources (e.g. wind turbines, solar panels, etc.).

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(in millions of euros)	Generation - Supply	Distribution	Transmis- sion	Other	Eliminations	Total
<b>As at 31 décembre 2002 (pro forma)</b>						
External sales	35 849	1 513	644	3 811		41 817
- France	26 823	582	554	280		28 239
- rest of the world	9 026	931	90	3 531		13 578
Inter-segment sales (1)	1 035	9 429	3 186		(13 650)	-
<b>Total Sales</b>	<b>36 884</b>	<b>10 942</b>	<b>3 830</b>	<b>3 811</b>	<b>(13 650)</b>	<b>41 817</b>
Segment assets	59 179	47 738	12 501	15 828	(538)	134 709
Non-allocated assets						16 176
Investments for the period (tangible & intangible)	1 389	2 943	631	917		5 880
<b>As at 31 décembre 2003 :</b>						
External sales	38 071	2 058	797	3 993		44 919
- France	26 471	864	704	358		28 397
- rest of the world	11 600	1 194	93	3 635		16 522
Inter-segment sales (1)	1 426	10 904	3 419	595	(16 344)	-
<b>Total Sales</b>	<b>39 497</b>	<b>12 962</b>	<b>4 216</b>	<b>4 588</b>	<b>(16 344)</b>	<b>44 919</b>
Segment assets	57 888	48 468	12 342	13 282	(1 036)	130 944
Non-allocated assets						15 956
Investments for the period (tangible & intangible)	1 273	2 540	519	649		4 981

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

### 5. Sales

The different components making up the sales are:

(in millions of euros)	2003	2002 pro forma	2002
Sales of energy and energy-related services	40 841	37 841	37 359
Other sales of goods	782	937	937
Other sales of services	3 001	2 825	2 825
Trading	295	214	7 238
<b>Sales</b>	<b>44 919</b>	<b>41 817</b>	<b>48 359</b>

The main change between pro forma sales and sales published in 2002 relates to energy trading operations carried out by EDF Trading. Only the margin on these operations is now reported as sales.

## Consolidated Financial Statements of EDF at 31 December 2003

Consolidated sales increased by 7.4% compared to 2002.

Excluding regulatory changes (introduction of the CPES at 1 January 2003) at the same exchange rate and same perimeter, the increase is 8.1%.

### 6. Purchases and other external expenses

The different components making up the purchases and external expenses are:

(in millions of euros)	2003	2002 pro forma	2002
Fuel purchases used - power generation	(4 164)	(2 529)	(2 529)
Non-trading energy purchases	(7 516)	(6 837)	(6 837)
Trading-related energy purchases	-	-	(6 540)
Services	(8 614)	(7 839)	(7 306)
Other purchases	(4 148)	(3 757)	(3 756)
Change in stock of goods and work in progress and capitalised production	1 888	1 380	1 380
<b>Purchases and other external expenses</b>	<b>(22 554)</b>	<b>(19 582)</b>	<b>(25 588)</b>

The main change between the pro forma financial statements and the financial statements published in 2002 stems from changes in the way the trading operations described in notes 1.24.3 and 5 are reported.

The increase between the 2002 pro forma accounts and the 2003 accounts is 11% using the same rate of exchange and the same perimeter.

### 7. Average workforce

	Workforce as at 31.12.2003			Workforce as at 31.12.2002		
	IEG status	Other	Total	IEG status	Other	Total
Management	26 319	4 369	30 688	26 422	3 434	29 856
Supervisors and technicians	86 076	50 544	136 620	88 754	53 385	142 139
<b>Total</b>	<b>112 395</b>	<b>54 913</b>	<b>167 308</b>	<b>115 176</b>	<b>56 819</b>	<b>171 995</b>

For proportionally consolidated companies, personnel are integrated pro rata with the controlling interest.

### 8. Taxes and contributions

The decrease in the 'Taxes' heading stems basically from the changes in the way the public service obligations are financed.

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### 9. Other operating income and expenses

The different components making up the other operating income and expenses are:

(in millions of euros)	2003	2002	2002
	<b>Pro forma</b>		
Operating subsidies	1 462	1 348	1 348
Share in the profits from jointly operated activities	(27)	(16)	(16)
Other income and expenses	(578)	(283)	(410)
Gains on disposal of tangible fixed assets	57	98	98
Other non-recurring income and expenses	(41)	137	137
<b>Other operating income and expenses</b>	<b>873</b>	<b>1 284</b>	<b>1 157</b>

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

The 'Other income and expenses' included in 2002 a compensation of €500 million received on the renegotiation of an energy supply contract to SEP.

### 10. Net increase (decrease) in provisions

The different components making up the provisions are:

(in millions of euros)	2003	2002	2002
	<b>Pro forma</b>		
(Increase) decrease in provisions for risks and expenses	988	164	141
(Increase) decrease in provisions for depreciation of fixed assets	(713)	15	9
(Increase) decrease in provisions for depreciation of current assets	(19)	(218)	(268)
<b>Provisions</b>	<b>256</b>	<b>(39)</b>	<b>(118)</b>

In 2003, net reversals of provision for risks and charges include the effects of the physical inventory of assets on provisions for €523 million.

Provisions for depreciation of fixed assets include those relating to Light, accounted for following the impairment test for €534 million (see notes 15 and 17.2).

**11. Interest expenses**

The different components making up the interest expenses are:

	<b>2003</b>	<b>2002</b>	<b>2002</b>
		<b>Pro forma</b>	
(in millions of euros)			
Expenses on long-term financial liabilities and assets	(1 473)	(1 581)	(1 561)
Expenses from leased asset receivables	(35)	(12)	(2)
Income (expenses) on short-term financial liabilities and assets	67	(67)	(67)
Income (expenses) on disposal of short-term financial assets	10	9	9
Capitalised financial interests	-	-	71
<b>Interest expenses</b>	<b>(1 431)</b>	<b>(1 651)</b>	<b>(1 550)</b>

**12. Foreign exchange result**

The different components making up the foreign exchange result comprise:

	<b>2003</b>	<b>2002</b>	<b>2002</b>
		<b>Pro forma</b>	
(in millions of euros)			
Realised foreign exchange result	(10)	(55)	(55)
Unrealised foreign exchange result	34	(35)	(41)
<b>Foreign exchange result</b>	<b>24</b>	<b>(90)</b>	<b>(96)</b>

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### 13. Other financial income and expenses

The different components making up the other financial income and expenses comprise:

	2003	2002	2002
	Pro forma		
(in millions of euros)			
Revenue from investments	110	135	135
Net income on disposal of financial investments	164	(133)	(133)
Net income on disposal of consolidated entities	116	229	229
(Expenses) from discounting long-term provisions	(1 462)	(1 465)	(1 498)
(Allowances) and reversal of provisions for investments	91	(493)	(223)
(Allowances) and reversal of provisions for other investments	(10)	(45)	(44)
(Allowances) and reversal of provisions for short-term financial assets	20	(42)	(312)
(Allowances) and reversal of provisions for financial risks and expenses	(910)	(203)	(214)
Other	(225)	291	291
<b>Other financial income and expenses</b>	<b>(2 106)</b>	<b>(1 726)</b>	<b>(1 769)</b>

In 2003 a provision of €855 million was booked for financial risks in respect of the put options granted to other shareholders in Italenergia bis (see note 30.1).

The other financial income and expenses include up to €328 million for interests due in respect of the European Commission's decision.

### 14. Income taxes

#### 14.1 Breakdown of tax liability

	2003	2002	2002
	Pro forma		
(in millions of euros)			
Taxes payable	(1 821)	(2 164)	(1 208)
Deferred taxes	254	1 339	222
<b>Total</b>	<b>(1 567)</b>	<b>( 825)</b>	<b>( 986)</b>

The actual tax expense comes from subsidiaries €(509) million and the parent company €(1,312) million.

Actual taxation in France does not allow provision for the Italenergia bis risk to be deducted.

The deferred tax of €204 million comes mainly from the parent company.



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### 14.2 Reconciliation of the theoretical and effective tax expense

#### 14.2.1 Reconciliation of the theoretical and effective tax rate

	<b>2003</b>
(in millions of euros)	
<b>Income from consolidated companies before tax</b> (before amortisation of goodwill)	<b>3 320</b>
<b>Theoretical tax expense (at the rate of 35.43%)</b>	<b>(1 176)</b>
Differences in tax rate	83
Permanent differences	( 250)
Taxes without basis	( 132)
Net depreciation of deferred tax assets	( 66)
Other	( 26)
<b>Effective tax expense</b>	<b>(1 567)</b>
 <b>Effective tax rate</b>	 <b>47,19%</b>

Differences between the prevailing official rate and the actual rate are explained by :

- the non-deductible nature of the provision for the Italennergia Bis risk;
- the partial reversal of the provisions for the amortisation of deferred tax assets by taking account of the probability of their recovery in the future.

#### 14.2.2 Change in deferred taxation:

(in millions of euros)	Deferred tax assets	Provision on deferred tax assets	Deferred tax assets Net	Deferred tax liabilities	Net deferred taxes
<b>Situation at 31 December 2002 (published)</b>	<b>1 014</b>	<b>(661)</b>	<b>353</b>	<b>4 129</b>	<b>(3 776)</b>
Changes in accounting methods	44	(17)	27	2 070	(2 043)
<b>Situation at 31 December 2002 (pro forma)</b>	<b>1 058</b>	<b>(678)</b>	<b>380</b>	<b>6 199</b>	<b>(5 819)</b>
Change in tax basis	516	(416)	100	(155)	255
Changes in scope of consolidation	24	-	24	(53)	77
Translation adjustments	(52)	26	(26)	(151)	125
Other impacts on reserves	(139)	(123)	(262)	13	(275)
<b>Situation at 31 December 2003</b>	<b>1 407</b>	<b>(1 191)</b>	<b>216</b>	<b>5 853</b>	<b>(5 637)</b>

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### 14.3 Breakdown of deferred tax assets and liabilities by nature

(in millions of euros)	31.12.2003	31.12.2002	31.12.2002
	<b>Pro forma</b>		
<b>Deferred tax assets</b>			
Differences between depreciation recorded for accounting and tax purposes	101	124	46
Non-deductible provisions	875	450	450
Other deductible temporary differences	712	470	514
Revaluations, revaluation surplus and elimination of intercompany profit	268	406	399
Tax losses and unused tax credits	1 422	965	964
Netting of deferred tax assets and liabilities	(1 971)	(1 358)	(1 359)
<b>Subtotal deferred tax assets - gross value</b>	<b>1 407</b>	<b>1 058</b>	<b>1 014</b>
Provision on deferred tax assets	(1 191)	( 678)	( 661)
<b>Total deferred tax assets - net value</b>	<b>216</b>	<b>380</b>	<b>353</b>
<b>Deferred tax liabilities</b>			
Differences between depreciation recorded for accounting and tax purposes	5 235	4 188	987
Other deductible temporary differences	616	438	1 571
Revaluations, revaluation surplus and elimination of intercompany profit	1 937	2 930	2 930
Netting of deferred tax assets and liabilities	(1 935)	(1 358)	(1 359)
<b>Total deferred tax liabilities</b>	<b>5 853</b>	<b>6 199</b>	<b>4 129</b>
<b>Net deferred taxes</b>	<b>(5 637)</b>	<b>(5 819)</b>	<b>(3 776)</b>

### 14.4 Tax booked against equity

The total current income tax recorded against equity is €(4,061) million and can be broken down as follows:

- €(3,016) million due to change of methods;
- €(890) million as a result of the European Commission's decision;
- €(155) million relating to the reclassification in equity of the exchange losses on currency swaps allocated to hedge international assets.

## Consolidated Financial Statements of EDF at 31 December 2003

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### 15. Goodwill

Goodwill arising on consolidation comprises:

(in millions of euros)	31.12.2003	31.12.2002 pro forma
Gross value - opening balance	7 691	6 046
Accumulated depreciation, amortisation and provisions - opening balance	(943)	(440)
<b>Net book value -opening balance</b>	<b>6 748</b>	<b>5 606</b>
Acquisitions	291	2 525
Disposals	(35)	28
Depreciation allowances	(844)	(714)
Translation rate adjustments	(223)	(822)
Other movements	(278)	125
<b>Net book value -closing balance</b>	<b>5 659</b>	<b>6 748</b>
Accumulated depreciation, amortisation and provisions - closing balance	(1 762)	(943)
Gross value - closing balance	7 421	7 691

Acquisitions were mainly made by:

- EnBW concerning ED Group;
- EDF (purchase of Dreyfus stake in EDF Trading).

Other movements mainly concern the allocation of goodwill of companies acquired by EnBW in 2002, amounting €(236) million to tangible assets

The net amount of goodwill is related to the European subsidiaries for €4,599 million, to the other subsidiaries for €888 million and to the South American subsidiaries for €172 million.

The impairment tests carried out or updated as of 31 December 2003 resulted in the following depreciation being recognised:

- for Brazilian subsidiary Light, a depreciation of €830 million was allocated to residual consolidated goodwill (€296 million) and tangible assets (€534 million). Given the difficult economic environment, macro-economic assumptions and less favourable outlook, impairment was effectively recognised, but without any going-concern issues for the subsidiary;
- for Italian subsidiary Fenice, a depreciation of €151 million was recorded, caused by the less favourable outlook of the company's medium-term plan.

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### 16. Intangible assets

(in millions of euros)	Software	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Intangible fixed assets in progress	Total intangible fixed assets
<b>Gross values at 31.12.2002</b>	<b>322</b>	<b>210</b>	<b>945</b>	<b>186</b>	<b>1 663</b>
Accumulated depreciation 2002	(151)	(91)	(399)	-	(641)
<b>Net values at 31.12.2002</b>	<b>171</b>	<b>119</b>	<b>546</b>	<b>186</b>	<b>1 022</b>
Acquisitions	8	14	13	26	61
Assets created within the company	-	6	16	126	148
Disposals	(1)	-	(2)	-	(3)
Currency translation differences on subsidiaries	-	(8)	(8)	-	(16)
Changes in the scope of consolidation	(2)	(11)	(165)	-	(178)
Other movements	100	86	(130)	(79)	(23)
Depreciation 2003	(89)	(14)	(49)	-	(152)
<b>Net values at 31.12.2003</b>	<b>187</b>	<b>192</b>	<b>221</b>	<b>259</b>	<b>859</b>

### 17. Property, plant and equipment

The net value of tangible assets is allocated as follows:

(in millions of euros)	31.12.2003	31.12.2002	31.12.2002
		<b>Pro forma</b>	
Property, plant, and equipment owned by the Group	60 443	63 499	56 751
Property, plant, and equipment operated under concessions	37 802	37 943	38 074
Leased tangible assets	767	742	597
<b>Total property, plant, and equipment</b>	<b>99 012</b>	<b>102 184</b>	<b>95 422</b>

Besides the changes to the accounting and estimates policies described in note 1.3, the 2003 financial statements took into account the effects of the physical inventory of the tangible assets, the principle of which was decided in September 2001. The objective of this was to make the accounting data match the physical reality by the end of 2003.

The years 2001 and 2002 were basically devoted to defining, testing and validating the methodologies which were implemented during the fourth quarter of 2002. Thus almost all the differences recorded were recorded in 2003.

The inventory covered all the major tangible fixed assets of the company.

**Effect on generation and distribution activities:** adjustments to the asset ledger as well as to calculated charges that became necessary following the physical inventory had the following impacts on the financial statements at 1 January 2003:

- In the assets, the gross value of the fixed assets is reduced by €590 million and the accumulated depreciation is decreased by €473 million giving a reduction in the net value of €117 million;
- In the liabilities the provisions for renewal are increased by €819 million and the interest attached to the public distribution concessions are reduced by €1,470 million;

## Consolidated Financial Statements of EDF at 31 December 2003

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- In total, the inventory has a positive effect on the income statement by €534 million before tax (€303 million after tax).

Although the differences shown in absolute terms are significant, they do appear very limited with regard to the total amount of tangible assets and annual amount of depreciation and amortisation. They must also be considered in the light of the useful life of the generation or network assets.

**Regarding the transmission business,** RTE maintained its policy of drawing up an inventory of transmission systems over a five-year period. The differences arising during these actions gave rise over 2003 to adjustments in the form of withdrawal of assets with a gross book value of €57 million (1.9% of items in the inventory) representing a net value of €11 million. These adjustments will continue on 2004. As regards the "lines" assets, the inventory will be performed by making the book and technical bases more similar. The differences arising from this comparison have been analysed at nearly 60%. The analysis will be finalised in 2004 as will the corresponding adjustments to the accounts.

In order to secure long term use of the benefits of this inventory, action has been taken to ensure better reliability of data in the future and better internal control in this area.

## Consolidated Financial Statements of EDF at 31 December 2003

### 17.1 Variation in property, plant, and equipment owned by the Group

	Land	Buildings	Nuclear power stations	Thermal power stations	Hydraulic power stations	Networks	Other installations, plant, machinery & equipment	Total
<i>(in millions of Euros)</i>								
<b>Gross values published at 31.12.2002</b>	<b>1 454</b>	<b>12 856</b>	<b>48 081</b>	<b>8 450</b>	<b>34 668</b>	<b>8 437</b>	<b>6 217</b>	<b>120 163</b>
Changes in accounting methods	-	-	(3 289)	(42)	(1 068)	(13)	(62)	(4 474)
<b>Gross values at 31.12.2002 (pro forma)</b>	<b>1 454</b>	<b>12 856</b>	<b>44 792</b>	<b>8 408</b>	<b>33 600</b>	<b>8 424</b>	<b>6 155</b>	<b>115 689</b>
Extended useful lives of power stations	-	-	283	-	-	-	-	283
Increases	17	223	88	112	1 415	402	3 624	5 881
Decreases	(89)	(378)	(410)	(36)	(130)	(376)	(268)	(1 687)
Translation rate adjustment	(23)	(101)	-	(206)	(662)	(151)	(233)	(1 376)
Changes in the scope of consolidation	(6)	43	2	76	337	(97)	125	480
Other movements	(24)	1 005	(1 624)	1 832	246	(972)	(2 653)	(2 190)
<b>Gross values at 31.12.2003</b>	<b>1 329</b>	<b>13 648</b>	<b>43 131</b>	<b>10 186</b>	<b>34 806</b>	<b>7 230</b>	<b>6 750</b>	<b>117 080</b>
<b>Amortisation at 31.12.2002 (published)</b>	<b>(71)</b>	<b>(5 909)</b>	<b>(32 691)</b>	<b>(5 984)</b>	<b>(12 299)</b>	<b>(4663)</b>	<b>(1 795)</b>	<b>(63 412)</b>
Changes in accounting method	-	-	9 073	598	1 339	210	2	11 222
<b>Amortisation at 31.12.2002 (pro forma)</b>	<b>(71)</b>	<b>(5 909)</b>	<b>(23 618)</b>	<b>(5 386)</b>	<b>(10 960)</b>	<b>(4 453)</b>	<b>(1 793)</b>	<b>(52 190)</b>
Extended useful life of power stations	-	-	(3 033)	-	-	-	-	(3 033)
Depreciation allowances	(40)	(165)	(233)	(836)	(1 199)	(669)	(392)	(3 534)
Net provisions for depreciation	(11)	(30)	-	4	(2)	(36)	(23)	(98)
Disposals	19	277	403	31	92	337	200	1 359
Translation rate adjustment	-	35	-	65	100	70	11	281
Changes in the scope of consolidation	13	(35)	-	(50)	(193)	7	40	(218)
Other movements	11	(726)	274	(237)	611	754	109	796
<b>Amortisation at 31.12.2003</b>	<b>(79)</b>	<b>(6 553)</b>	<b>(26 207)</b>	<b>(6 409)</b>	<b>(11 551)</b>	<b>(3 990)</b>	<b>(1 848)</b>	<b>(56 637)</b>
<b>Net values at 31.12.2002 (published)</b>	<b>1 383</b>	<b>6 947</b>	<b>15 390</b>	<b>2 466</b>	<b>22 369</b>	<b>3 774</b>	<b>4 422</b>	<b>56 751</b>
<b>Net values at 31.12.2002 (pro forma)</b>	<b>1 383</b>	<b>6 947</b>	<b>21 174</b>	<b>3 022</b>	<b>22 640</b>	<b>3 971</b>	<b>4 362</b>	<b>63 499</b>
<b>Net values at 31.12.2003</b>	<b>1 250</b>	<b>7 095</b>	<b>16 924</b>	<b>3 777</b>	<b>23 255</b>	<b>3 240</b>	<b>4 902</b>	<b>60 443</b>

(1) In an attempt to follow the same practice as the one of nuclear and non-nuclear thermal power stations, the dams, water connections and forced pipes shown in the 'Buildings' heading in 2002 have been reclassified in 2003 in the heading 'Hydraulic production plant'

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

In June 2003, the Group also booked a depreciation expense of €534 million on tangible assets belonging to Light.

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### 17.2 Variation in property, plant, and equipment operated under concession

	Land	Buildings	Thermal & hydraulic power stations	Networks	Other installations, plant, machinery & equipment	Other & fixed assets in progress	Total
<i>(in millions of Euros)</i>							
<b>Gross values published at 31.12.2002</b>	<b>88</b>	<b>9 601</b>	<b>1 098</b>	<b>46 201</b>	<b>2 714</b>	<b>269</b>	<b>59 971</b>
Changes in accounting methods	-	(8)	-	(42)	(108)	(6)	(164)
<b>Gross values at 31.12.2002 (pro forma)</b>	<b>88</b>	<b>9 593</b>	<b>1098</b>	<b>46 159</b>	<b>2 606</b>	<b>263</b>	<b>59 807</b>
Increases	-	16	8	2038	76	117	2255
Decreases	(1)	(23)	(16)	(250)	(102)	(2)	(394)
Translation rate adjustment	1	(10)	(1)	21	(95)	5	(79)
Other movements (1)	2	(7 003)	7 079	114	(371)	(208)	(387)
<b>Gross values at 31.12.2003</b>	<b>90</b>	<b>2 573</b>	<b>8 168</b>	<b>48 082</b>	<b>2 114</b>	<b>175</b>	<b>61 202</b>
<b>Amortisation at 31.12.2002 (published)</b>	<b>(1)</b>	<b>(5047)</b>	<b>(721)</b>	<b>(15 144)</b>	<b>(896)</b>	<b>(88)</b>	<b>(21 897)</b>
Changes in accounting method	-	-	-	16	17	-	33
<b>Amortisation at 31.12.2002 (pro forma)</b>	<b>(1)</b>	<b>(5 047)</b>	<b>(721)</b>	<b>(15 128)</b>	<b>(879)</b>	<b>(88)</b>	<b>(21 864)</b>
Depreciation allowances and recoveries	-	(71)	(96)	(1 226)	(118)	(1)	(1 512)
Net provisions for depreciation	-	-	-	(546)	-	-	(546)
Disposals	-	16	6	193	101	2	318
Translation rate adjustment	-	5	1	10	25	(2)	39
Changes in the scope of consolidation	-	-	-	-	-	-	-
Other movements	-	3 522	(3 543)	129	12	45	165
<b>Amortisation at 31.12.2003</b>	<b>(1)</b>	<b>(1 575)</b>	<b>(4353)</b>	<b>(16 568)</b>	<b>(859)</b>	<b>(44)</b>	<b>(23 400)</b>
<b>Net values at 31.12.2002 (published)</b>	<b>87</b>	<b>4 554</b>	<b>377</b>	<b>31 057</b>	<b>1 818</b>	<b>181</b>	<b>38 074</b>
<b>Net values at 31.12.2002 (pro forma)</b>	<b>87</b>	<b>4 546</b>	<b>377</b>	<b>31 031</b>	<b>1727</b>	<b>175</b>	<b>37 943</b>
<b>Net values at 31.12.2003</b>	<b>89</b>	<b>998</b>	<b>3815</b>	<b>31 514</b>	<b>1 255</b>	<b>131</b>	<b>37 802</b>
<b>Net values at 31.12.2003</b>	<b>1 250</b>	<b>7 095</b>	<b>16 924</b>	<b>3 777</b>	<b>3 240</b>	<b>4 902</b>	<b>60 443</b>

(1) In an attempt to follow the same practice as the one of nuclear and non-nuclear thermal power stations, the dams, water connections and forced pipes shown in the 'Buildings' heading in 2002 have been reclassified in 2003 in the heading 'Hydraulic production plant'

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

In June 2003, the Group also booked a depreciation expense of €534 million on tangible assets belonging to Light.

## Consolidated Financial Statements of EDF at 31 December 2003

### 18. Investments

#### 18.1 Changes in investment portfolios

Changes in investment portfolios are as follows:

(in millions of euros)	Non-consolidated investments	Other investments	Investments securities	Other financial assets	Total long-term investments	Provisions	Net long-term investments
<b>31.12.2002 (published)</b>	<b>3 415</b>	<b>398</b>	<b>3 167</b>	<b>2 180</b>	<b>9 160</b>	<b>(591)</b>	<b>8 569</b>
Changes in presentation (1)	(1 860)	(231)	1 287	-	(804)	(329)	(1 133)
<b>31.12.2002 (pro forma)</b>	<b>1 555</b>	<b>167</b>	<b>4 454</b>	<b>2 180</b>	<b>8 356</b>	<b>(920)</b>	<b>7 436</b>
Acquisitions	242	18	759	417	1 436	(219)	1 217
Disposals	(155)	(37)	(357)	(740)	(1 289)	213	(1 076)
Changes in scope of consolidation	(104)	3	75	(52)	(78)	4	(74)
Translation adjustment	(6)	(2)	-	(7)	(15)	(4)	(19)
Other changes	114	-	(44)	(212)	(142)	(27)	(169)
<b>31.12.2003</b>	<b>1 646</b>	<b>149</b>	<b>4 887</b>	<b>1 586</b>	<b>8 268</b>	<b>(953)</b>	<b>7 315</b>

(1) including €(1,860) million for Total shares, reclassified as short-term financial assets, €1,287 million in gross value and €329 million in provisions relating to the dedicated assets of EDF's parent company, reclassified from short-term financial assets.

Some long-term investments were securitised in 2003 by the EDF parent company, the price of the sale which covered exposure of € 415 million amounted to €377 million giving a net cost of €38 million.

#### 18.2 Non-consolidated investments

(in millions of euros)	Notes	Book value at 31.12.03	Book value at 31.12.02 Pro forma	Book value at 31.12.02
Total				1 860
Areva		123	123	123
Italenergia bis	<b>30.1</b>	590	590	590
Investments lesser than 100 millions of euros		933	842	842
<b>Non-consolidated investments - gross</b>		<b>1 646</b>	<b>1 555</b>	<b>3 415</b>
Provisions for other investments	<b>30.1</b>	(306)	(216)	(216)
<b>Non-consolidated investments - net</b>		<b>1 340</b>	<b>1 339</b>	<b>3 199</b>

(1) including €(1,860) million Total shares reclassified as short-term financial assets.



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### 18.3 Estimated value of investment portfolio

	31.12.2003	31.12.2002	31.12.2002 proforma
(in millions of euros)			
EDF Parent Company	2 657	2 337	1 050
EnBW	2 123	2 032	2 032
Other	107	85	85
<b>Gross value</b>	<b>4 887</b>	<b>4 454</b>	<b>3 167</b>
EDF Parent Company	(317)	(368)	(39)
EnBW	(58)	(68)	(68)
Other	(20)	(22)	(22)
<b>Provision</b>	<b>(395)</b>	<b>(458)</b>	<b>(129)</b>
EDF Parent Company	2 340	1 969	1 011
EnBW	2 065	1 964	1 964
Other	87	63	63
<b>Net value</b>	<b>4 492</b>	<b>3 996</b>	<b>3 038</b>
EDF Parent Company	2 423	2 076	1 059
EnBW	2 139	1 964	1 964
Other	85	15	15
<b>Estimated value</b>	<b>4 647</b>	<b>4 055</b>	<b>3 038</b>

### 18.4 Other long-term investments

Other long-term investments are as follows:

	31.12.2003	31.12.2002	31.12.2002 proforma
(in millions of euros)			
Financial receivables	632	917	917
Other	954	1 263	1 263
<b>Gross value</b>	<b>1 586</b>	<b>2 180</b>	<b>2 180</b>
less than one year	346	690	690
from two to five years	605	704	704
more than five years	636	786	786
<b>Depreciation</b>	<b>(252)</b>	<b>(243)</b>	<b>(243)</b>
<b>Net value</b>	<b>1 334</b>	<b>1 937</b>	<b>1 937</b>
less than one year	325	664	664
from two to five years	569	555	555
more than five years	440	718	718

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### 19. Investments in companies accounted for under the equity method

At 31 December 2003, consolidated companies accounted for under the equity method were as follows:

Name of entity	Principal activity	% voting rights held	% owned	Share of net equity at 31.12.2003	Share of net income at 31.12.2003	Share of net equity at 31.12.2002	Share of net income at 31.12.2002
(in millions of euros)		%	%			Pro forma	Pro forma
Dalkia Holding	S	34,0	34,0	524	5	525	(14)
Estag	P	25,0	20,0	365	(8)	380	(12)
Finel - Ise	P	40,0	40,0	210	40	170	35
SSE	D	49,0	49,0	172	11	158	-
Atel	P	21,2	14,3	164	23	150	18
Stadtwerke Düsseldorf	D	29,9	29,9	125	(81)	208	(2)
Shandong SZPC	P	19,6	19,6	101	13	121	17
Motor Columbus	P	20,0	22,3	56	(8)	73	(9)
Budapesti Elektromos Művek	D	27,3	27,3	56	(1)	62	2
Other equity accounted investments	-	-	-	373	32	453	(10)
<b>TOTAL EQUITY ACCOUNTED INVESTMENTS</b>	-	-	-	<b>2 146</b>	<b>26</b>	<b>2 300</b>	<b>25</b>

The amount of goodwill depreciation allowances arising on consolidation included in the column entitled "Share of net income at 31 December 2003" on companies accounted for under the equity method amounts €146 million.

### 20. Inventories and work-in-progress

The carrying value of inventories, broken down by nature, is as follows:

(in millions of euros)	Nuclear fuel	Other fuel	Other raw materials	Work in progress for production of goods and services	Other inventories	Total inventories
Gross value	6 222	462	1 883	139	138	8 844
Provisions	(225)	-	(508)	(9)	-	(742)
<b>Net value at 31.12.2002</b>	<b>5 997</b>	<b>462</b>	<b>1 375</b>	<b>130</b>	<b>138</b>	<b>8 102</b>
Gross value	6 214	462	1 091	139	138	8 044
Provisions	(225)	-	(149)	(9)	-	(383)
<b>Net value at 31.12.2002 (pro forma)</b>	<b>5 989</b>	<b>462</b>	<b>942</b>	<b>130</b>	<b>138</b>	<b>7 661</b>
Gross value	5 668	426	975	164	85	7 318
Provisions	(234)	-	(147)	(13)	-	(394)
<b>Net value at 31.12.2003</b>	<b>5 434</b>	<b>426</b>	<b>828</b>	<b>151</b>	<b>85</b>	<b>6 924</b>

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### 21. Trade receivables

The different components making up the net value of trade accounts receivables are:

(in millions of euros)	31.12.2003	31.12.2002 pro forma	31.12.2002
Trade receivables - gross value	14 904	12 963	12 963
Provisions	(510)	(595)	(595)
<b>Trade receivables - net value</b>	<b>14 394</b>	<b>12 368</b>	<b>12 368</b>

The majority of trade receivables falls due within less than one year.

### 22. Other receivables

The different components making up the other receivables are:

(in millions of euros)	<b>Personnel - post- employment and other long-term benefits</b>	<b>Current accounts - operating</b>	<b>Prepaid expenses</b>	<b>Other receivables</b>	<b>Total</b>
<b>At 31.12.2002 :</b>					
Gross value	144	709	746	4 603	6 202
Provisions	-	(1)	-	(94)	(95)
<b>Net value</b>	<b>144</b>	<b>708</b>	<b>746</b>	<b>4 509</b>	<b>6 107</b>
<b>At 31.12.2002 (pro forma)</b>					
Gross value	144	709	746	4 600	6 199
Provisions	-	(1)	-	(93)	(94)
<b>Net value</b>	<b>144</b>	<b>708</b>	<b>746</b>	<b>4 507</b>	<b>6 105</b>
<b>At 31.12.2003:</b>					
Gross value	106	252	737	3 798	4 893
Provisions	-	(19)	-	(94)	(113)
<b>Net value at 31.12.2003</b>	<b>106</b>	<b>233</b>	<b>737</b>	<b>3 704</b>	<b>4 780</b>

Employee benefits only consist of EDF Energy pension funds (see 28.5).

The heading "Other receivables" mainly comprises amounts due to French Government and local authorities.

The majority of other receivables are due within less than one year, with the exception of assets in respect of post employment benefits.

## Consolidated Financial Statements of EDF at 31 December 2003

### 23. Short-term financial assets

Short-term financial assets are broken down as follows:

(in millions of euros)	31.12.2003	31.12.2002	31.12.2002
	pro forma		
Marketable securities (1)	2 755	2 309	1 406
Other short-term financial assets (maturity > 3 months)	317	134	134
<b>Short-term financial assets</b>	<b>3 072</b>	<b>2 443</b>	<b>1 540</b>

(1) including €1,860 million in Total shares, reclassified as marketable securities, and €(958) million in dedicated assets, net of provisions, of EDF's parent company, reclassified as investments in the 2002 pro forma accounts.

### 24. Cash and cash equivalents

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

(in millions of euros)	31.12.2003	31.12.2002	31.12.2002
	pro forma		
Cash	1 870	1 172	1 172
Marketable securities	417	924	924
Financial current accounts	151	112	112
Other short-term financial assets (maturity < 3 months)	85	30	30
<b>Cash and cash equivalents</b>	<b>2 523</b>	<b>2 238</b>	<b>2 238</b>

Funds retained for the investments already planned for the co-financing of the London underground system are €328 million.

### 25. Special concession accounts

(in millions of euros)	31.12.2003	31.12.2002	31.12.2002
	pro forma		
Public authorities' interest in plants operated under concession	18 004	17 526	17 526
Amortization of EDF financing	1 738	3 295	3 295
Conditional advances	1	1	1
<b>Special concession accounts</b>	<b>19 743</b>	<b>20 822</b>	<b>20 822</b>

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### 26. Provisions for end of nuclear fuel cycle

The variation in provisions for end of nuclear fuel cycle is broken down as follows at 31 December 2003:

	31.12.2002	Increases	Decreases Utilisations	Reversals	Other changes	31.12.2003
(in millions of euros)						
Provisions for reprocessing of nuclear fuel	10 671	1 062	(755)	(17)	(62)	10 899
Provisions for disposal and storage of the resulting waste	3 511	296	(97)	-	49	3 759
<b>Provisions for end of nuclear fuel cycle</b>	<b>14 182</b>	<b>1 358</b>	<b>(852)</b>	<b>(17)</b>	<b>(13)</b>	<b>14 658</b>

#### 26.1 Provisions for reprocessing of nuclear fuel

##### 26.1.1 Provisions for reprocessing of burnt fuel by EDF's parent company

The provision for reprocessing of nuclear fuel is estimated on the basis of the EDF-COGEMA agreement of 30 August 2001 and transitional agreements concluded during 2002 and 2003 defining the main terms of the contract (for the period 2001-2007), which is being finalised.

A provisional expenditure schedule is drawn up based on the quantities to be removed and/or reprocessed at 31 December 2003. These quantities cover the total duration of the contract currently being finalised (2004-2007) and a portion of the subsequent contract or contracts.

After the reference period of the contract, the provision is estimated based on prudent assumptions set by the company's experts and using 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 as well as EDF's contribution towards the decommissioning costs for the La Hague plant. These costs were revised at 31 December 2003 based on the general terms and conditions of agreements reached with COGEMA in 2003 and took into account the preliminary results of the global negotiations in which the two companies are engaged and which are attempting to define:

On one hand:

- the legal and financial conditions for a transfer to COGEMA of EDF's current financial commitments to take part in the decommissioning of the plant in La Hague. These were determined on the basis of an estimate carried out by SGN (subsidiary of COGEMA) and might include the conditions under which this long term commitment can be fully paid off ;
- the financial participation of EDF for the recovery and reconditioning old waste;

And on the other hand, the economical conditions for a future contract for irradiated fuels after 2007.

In this context, the details for revising the quotation for this decommissioning and for the respective proportion of the financing to be set were stated in a joint position statement at the end of July 2003. The negotiations have continued during the second half of 2003 on each of the outstanding points but the terms of a global accord were not finalised at 31 December 2003.

Therefore the amount of provision for reprocessing irradiated nuclear fuel is determined as follows:

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

The conditions of any release of EDF from its obligations in respect of the recovery and conditioning of waste and the decommissioning of the plant in La Hague have not yet been finalised with COGEMA. Prudent assumptions have been adopted regarding this point by the company's experts.

With regard to the reprocessing of fuel from Creys-Malville, the provision is based on the option to reprocess all fuel belonging to EDF in specially equipped dedicated facilities, following its 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 (including the various entities involved in the Marcoule decommissioning);
- the timing and discounting of payments based on a three-phase schedule (final discontinuation of generating operations, decommissioning and conditioning of waste, closure), also estimated by EDF.

### 26.1.2 Subsidiaries' provisions for end of nuclear fuel cycle

These provisions essentially comprise the elimination of irradiated fuels and radioactive waste for the EnBW group. The costs for recycling are determined based on contract dispositions.

### 26.2 Provisions for the disposal and storage of radioactive waste

For the EDF Parent Company these expenses relate to:

- monitoring of the Manche storage facility, as well as monitoring and coverage of the Aube facility, both of which receive waste with low radioactivity and a short life derived from plant maintenance and decommissioning;
- disposal and storage below ground of waste with low radioactivity and a long life;
- long-term management of waste with high radioactivity and a long life, in accordance with the Act of 30 December 1991.

The Act 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 before the end of 2006. Of the three main strands of this research, the international scientific community today considers geological storage the appropriate benchmark solution. This is also the solution adopted by those 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 burnt fuel by EDF will be stored deep underground in clay-rich soil.

The provisional expenditure schedule is based on a quotation of the industrial storage cost drawn up and published in 1996 by the Agence Nationale pour la Gestion des Déchets Radioactifs (French agency for radioactive waste management, or ANDRA). This quotation takes account of existing waste and waste that will be produced once all burnt quantities at 31 December 2003 have been treated. The provision is liable to be reviewed in the light of a revised quotation to be produced by ANDRA in 2004.

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### 27. Provisions for decommissioning and last core

The variation in provisions for decommissioning and last core is broken down as follows at 31 December 2003:

	31.12.2002	Effect of extended useful life of nuclear power stations	Increases	Decreases Applications	Reversals	Other changes	31.12.2003
(in millions of euros)							
Provisions for decommissioning	12 355	(2 261)	518	(147)	-	12	10 477
Provisions for last core	2 182	(550)	81	-	(95)	6	1 624
<b>Provisions for decommissioning and last core</b>	<b>14 537</b>	<b>(2 811)</b>	<b>599</b>	<b>(147)</b>	<b>(95)</b>	<b>18</b>	<b>12 101</b>

(1) The extension of the operating life of EDF's nuclear power stations requires a further 10 years in the schedule of cash-outflows.

#### 27.1 Provisions for decommissioning power stations

In respect of the EDF parent company this concerns the decommissioning of:

- PWR nuclear power stations currently in operation and nuclear power stations that have been shut down (first-generation power stations and Creys-Malville power station);
- non-nuclear power stations.

##### 27.1.1 Nuclear power stations belonging to the EDF parent company

- For Pressurised Water Reactors (PWR), stations 900 MW, 1300 MW and N4, a study undertaken in 1991 by the Ministry of 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 reduced 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.

Until 31 December 2001, the basis reference cost was revalued annually by application of the GDP price index. The provision for decommissioning was spread over the station's useful life of 30 years on a straight-line basis.

Since 1 January 2002, this provision has covered the entire present value of the commitment concerning decommissioning of nuclear power stations. The estimated schedule for future cash outflows 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 accounting principles and methods.

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, quotation and a comparison made by the Company in the light of EDF's decommissioning programme. Forecast payments, 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, which may lead to these provisions being revised.

- A provision has also been booked for the decommissioning costs of the Phénix and Brennilis power stations, which are recorded under the same heading.

### 27.1.2 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.

### 27.1.3 Provision for decommissioning subsidiaries' power stations

As regards EnBW's power stations, the whole of the present value of the decommissioning commitments is accrued. The forecasted expenditures schedule as well as 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 basis of direct decommissioning scheme of the stations.

### 27.2 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 31 December 2003;
- the cost of fuel reprocessing and the corresponding waste disposal and storage costs. These costs are measured according to the principles of provision relating to the reprocessing and the removal and storage of waste.

Since this provision relates to a commitment that existed on the commissioning date of the nuclear station containing the core, all costs are fully provisioned and an asset associated with the provision is recognised as described in paragraph 1.11.

In view of the sensitivity to the assumptions made for all the provisions mentioned in notes 26 and 27, particularly in terms of cost, inflation rate and long-term discount rate, as well as expenditure schedules, a revised estimate is carried out at each closing date to reduce the difference between the costs eventually borne by EDF and the amounts accrued. These annual revised estimates could entail changes in the amounts accrued.



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### 28. Provisions for employee benefits

The variation in provisions for employee benefits is broken down as follows as at 31 December 2003:

	31.12.2002	Increases	DECREASES		Other	31.12.2003
			Applications	Reversals	changes	
(in millions of euros)						
Provisions for post employment benefits	1 887	151	(98)	(1)	22	1 961
Provisions for other long-term benefits	263	24	(18)	(2)	(43)	224
<b>Provisions for employee benefits</b>	<b>2 150</b>	<b>175</b>	<b>(116)</b>	<b>(3)</b>	<b>(21)</b>	<b>2 185</b>

#### 28.1 Characteristics of the special *Industries Electriques et Gazières* (IEG) scheme

A specific legal and compulsory pension plan exists for employees of IEG companies.

The conditions for determining pension rights and for financing the plan, set out by the National Employees Act (decree of 22 June 1946), are under the supervision of the State. Companies have no legal right to adapt or modify these terms.

This is not a company plan, but a part of the legislation on compulsory pension schemes as defined by Article L.711-1 of the Social Security Code.

It applies not only to the nationalised sector (EDF and GDF), but also to non nationalised companies.

Furthermore, EDF is an industrial and commercial public utility company (EPIC), with the consequent obligations, rights and guarantees that this status confers.

#### 28.2 Current financial commitments of the EDF parent company

Although companies in the Electricity and Gas Industries are under no legal obligation to cover pension commitments directly, they do however have an obligation, under current legislation, in respect of the scheme financing, to cover any annual shortfall in pension benefits.

At the end of 2003, the EDF parent company had 110,089 active employees affiliated to the scheme.

In 2003, EDF's contribution to the shortfall of the IEG scheme was (€2,043 million). This contribution takes into account nettings with other statutory pension schemes (€126 million) and management charges for the scheme (€24 million).

In 1999, EDF began an external funding programme with insurance companies in order to cover part of its future coverage payments for the shortfall in the IEG pension scheme. In this respect, total premiums of €2,703 million were paid, between 1999 and 2002, of which €566 million were for 2002. €578 million were charged to the accounts for 2003 and the corresponding payment was made to the insurance companies on 16 January 2004.

This operation was carried out as part of a Company Contract signed between EDF and the state in 1997 and incorporated into the Group Contract of 14 March 2001. The value of the fund amounted to € 2,647 million at the end of 2003. The aim of this operation is not to be a substitute for the current pension scheme but to cover a percentage of EDF's total commitments which are expected to increase in the future.

### 28.3 Foreseeable developments in the IEG pension scheme

The Group contract between the state and EDF mentioned the need to reform the specific pension scheme of the gas and electricity industries (IEG) before the end of 2003. The State authorities announced that they expected to implement the 'statement of conclusions' signed in December 2002 between the employers and three employee unions, sent to them at the beginning of 2003. The European Commission approved the draft reform in December 2003 and the State authorities are now preparing a draft for law.

The envisaged reform provides for the IEG special pension scheme to be retained and for the creation of a national Gas and Electricity Industries' Fund similar to social security, a separate legal entity from EDF to which the whole workforce and employers in the IEG sector will be compulsorily affiliated.

The IEG fund should agree the financial arrangements with the CNAV (general scheme) and the AGIRC-ARRCO (additional schemes) so that these schemes finance some of the pension entitlement paid by the special IEG pension scheme (basic rights) in counterpart for the payment of a contribution under common law and if relevant a contribution to retain rights (cash distribution) when the agreements are concluded. The technical and financial terms of the agreements are still to be determined between the various sectors of the IEG and the ordinary schemes.

The specific rights of the IEG corresponding to the extra payments compared to the basic rights are expected to be financed on the one hand by a tariff contribution for the specific rights already acquired at the date of the reform for the electricity transmission and distribution businesses and on the other hand by a contribution from the companies for the specific rights acquired at the date of reform for the other businesses as well as for the specific rights that will be acquired in the future.

When this reform is implemented, it will be recorded in the accounts.

### 28.4 Other EDF parent company employee benefits

In addition to pensions, other benefits are payable to current and former employees. These benefits include:

- additional solidarity benefit;
- health coverage;
- benefits in kind (electricity/gas);
- priority assistance indemnity;
- end-of-studies indemnity;
- benefits payable upon retirement (fully covered by insurance contracts );
- benefits payable following industrial accident or work-related illness;
- invalidity benefit (except when invalidity follows temporary disability);
- temporary disability benefit (covered by a provision – see note 30);
- benefit for invalidity following temporary disability;
- long-service awards (covered by a provision – see note 30).

These benefits will be recognised in the financial statements when international accounting standards are applied, by 2005 at the latest.

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### 28.5 Provisions for pensions and similar commitments as at 31 December 2003

(in millions of euros)	<b>France</b>	<b>Europe</b>	<b>Americas</b>
	<b>(not IEG)</b>		
<b>Commitments at 01.01.2003</b>	227	4 566	393
Cost of services rendered	2	92	-
Interest payable	-	235	42
Benefits paid	(2)	(213)	-
Changes in assumption/accounting plan	9	193	(15)
Other	3	(195)	(3)
<b>Commitments at 31.12.03</b>	<b>239</b>	<b>4 678</b>	<b>417</b>
- Fair value of assets invested	(63)	(2 418)	(185)
- Actuarial gains (losses)	(9)	(533)	(47)
<b>Net provisions established at 31.12.2003</b>	<b>167</b>	<b>1 727</b>	<b>185</b>

The main pension commitments, excluding the IEG scheme mentioned earlier, concern companies in the UK, Germany, and are essentially defined benefits schemes.

The net provision made for these commitments as at 31 December 2003 (€2,079 million) are shown in the balance sheet as:

- a provision of €2,185 million in the heading "Provision for employee benefits";
- a receivable of €106 million in the heading "Other receivables" for EDF Energy (see note 22).

### 28.6 Changes in provisions

(in millions of euros)	<b>France</b>	<b>Europe</b>	<b>Americas</b>	<b>TOTAL</b>	<b>Total</b>	<b>Total</b>
	<b>(not IEG)</b>				<b>receivables</b>	<b>provisions</b>
					<b>(assets)</b>	<b>(liabilities)</b>
<b>Provisions at 01.01.2003</b>	213	1 624	169	<b>2 006</b>	<b>(144)</b>	<b>2 150</b>
Amounts used during the period	(14)	(63)	(17)	<b>(94)</b>	<b>27</b>	<b>(121)</b>
Change in consolidation scope	-	31	-	<b>31</b>	<b>-</b>	<b>31</b>
Net additions for the period	13	133	29	<b>175</b>	<b>-</b>	<b>175</b>
Other	(45)	2	4	<b>(39)</b>	<b>11</b>	<b>(50)</b>
<b>Provisions at 31.12.2003</b>	<b>167</b>	<b>1 727</b>	<b>185</b>	<b>2 079</b>	<b>(106)</b>	<b>2 185</b>
including :						
Post-employment benefits	6	1 665	184	<b>1 855</b>	<b>(106)</b>	<b>1 961</b>
Other long-term benefits	161	62	1	<b>224</b>	<b>-</b>	<b>224</b>

### 29. Provision for renewal of plants under concession

(in millions of euros)	<b>31.12.2002</b>	<b>Increases</b>	<b>Decreases</b>	<b>Other</b>	<b>31.12.2003</b>
			<b>Applications</b>	<b>Reversals</b>	<b>changes</b>
<b>Provisions for renewal of plants under concession</b>	<b>12 451</b>	<b>2 013</b>	<b>(13)</b>	<b>(99)</b>	<b>(413)</b>
					<b>13 939</b>

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The inventory of fixed assets leads to an increase in these provisions of €819 million. In addition €385 million has been reclassified as interest in concessionary plant facilities.

### 30. Other provisions for risks and expenses

The variation in provisions for risks and expenses is broken down as follows at 31 December 2003:

	31.12.2002	Change in accounting method and presentation	31.12.2002 Pro-forma	Effect of extended useful lives of nuclear power stations	Increases	Decreases Applications	Reversals	Other changes	31.12.2003
(in millions of euros)									
Provisions for risks related to investments	114		114		855	(16)	(93)	(2)	858
Provisions for tax liabilities	63		63		1	-	(2)	(25)	37
Other provisions for risks	1 982	34	2 016	(222)	578	(413)	(578)	(27)	1 354
Provisions for maintaining hydraulic potential	1 503	(1 503)	-		-	-	-	-	-
Provisions for restructuring	106		106		52	(65)	-	(5)	88
Other provisions for expenses	2 902	(1 334)	1 568		331	(235)	(63)	(426)	1 175
<b>Other provisions for risks and expenses</b>	<b>6 670</b>	<b>(2 803)</b>	<b>3 867</b>	<b>(222)</b>	<b>1 817</b>	<b>(729)</b>	<b>(736)</b>	<b>(485)</b>	<b>3 512</b>

#### 30.1 Provisions related to investments

The valuation of shares held in IEB and direct and indirect financial commitments undertaken by EDF in IEB and Edison has been updated during the year. Several factors that occurred during the year have been taken into account in this valuation which is based on discounted future cash flow, as the methods based on market comparisons do not appear appropriate in the current state of the markets and the low level of trading and given the current state of development of Edison:

- the availability of business plans for Edison and its subsidiary Edipower, approved by both management boards in the first half;
- the recognition of revised assumptions concerning various parameters used to compute future discounted cash flows;
- the dilutory effects of the conversion of share warrants issued during the capital increase operation in 2003.

On this basis, and after the effect of discounting the financial commitments, a provision for amortisation of IEB shares of €45 million and a provision for risks on share purchase relating to put and call options (see note 34.1.7) commitments of €855 million were recognised in 2003.

#### 30.2 Other provisions for risks

This heading includes in particular provisions for onerous contracts (€855 million).

As regards the EDF parent company, provisions for onerous contracts amount to €382 million broken down as:

- A provision for loss on an energy purchase contract with SNET made up of the difference over the life of the contract between the cost of purchase under contractual conditions and the provisional price of electricity on the European market. At 31 December 2003 this provision amounts to €264 million. The decrease of €293 million recorded in 2003 is basically due to taking the effect of the new price scenario into account which incorporates the recent developments in the market and the decisions of the Council of State following appeals made by EDF and SNET. The valuation of this provision is particularly sensitive to the assumptions made concerning the trends of the market price for electricity, the price of coal and the parity of the euro to the US dollar;

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- A provision for loss on contracts for electricity sales representing the difference between the cost of nuclear production and the price of sale of quantities of energy to be supplied over the life of these contracts. From 2003 the benchmark and the direct cost of nuclear production considered as being financially more relevant than the full cost of production, this change of benchmark leads to a decrease in the provision of €111 million which has been recorded direct in shareholders' equity. In addition a further provision of €34 million was booked at 1 January 2003 against equity following the change in nuclear power stations' amortisation method. The extension of the life of nuclear power stations leads to write back a provision of €222 million recorded in the income statement. At 31 December 2003 this provision amounted to €118 million.

Concerning the subsidiaries the provision for onerous contracts amounts to €258 million for EnBW and €215 million for EDF Energy.

In addition the Commission in Brussels started proceedings against France (European Court 4 June 2003) stating that the French state has not taken all the appropriate measures to prevent, reduce and combat pollution of the hydraulic stations of Saint Chamas and Salon linked to waste fresh water and lemons from Durance derived from the Berre Lake. No provision has been made for this.

Following the explosion at the AZF plant in Toulouse on 21 September 2001, the Grande Paroisse company (Total Group) which is being held legally responsible for this, has initiated summary proceedings before the High Court in Toulouse against the management of the high voltage transmission installations. As the company does not consider that it has any liability in this case no provision has been made.

### 30.3 Other provisions for charges

This heading essentially includes the other provisions for charges of the EDF parent company.

As EDF has changed the depreciation plan for certain components, the provisions previously made for the replacement of the parts concerned have been reversed for an amount of €645 million.

This heading also comprises:

- 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 was established for work yet to be done in future years;
- The provision of €566 million established in 2002 to cover a portion of the future contributions to finance the shortfall in the IEG pension plan, in accordance with the terms of the Group's agreement with the State, was reclassified as accrued expenses as at 1 January 2003 (see note 1.3);
- A provision for expenses relating to electricity supplied but not billed has also been booked for €86 million.

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### 31. Loans and other financial liabilities

#### 31.1 Variation in loans and other financial liabilities

	Bonds	Loans from financial institutions	Other financial liabilities	Loans linked to finance leased assets	Accrued interest	Total
(in millions of euros)						
<b>31 December 2002 (published in 2003 format)</b>	<b>13 771</b>	<b>5 411</b>	<b>9 842</b>	<b>20</b>	<b>498</b>	<b>29 542</b>
<b>31 December 2002 (pro forma changes)</b>	<b>(226)</b>	<b>-</b>	<b>2 089</b>	<b>139</b>	<b>-</b>	<b>2 002</b>
<b>31 December 2002 (pro forma)</b>	<b>13 545</b>	<b>5 411</b>	<b>11 931</b>	<b>159</b>	<b>498</b>	<b>31 544</b>
Increases	2 405	927	4 895	121	306	8 654
Decreases	(2 479)	(618)	(6 177)	(14)	(198)	(9 486)
Changes in scope of consolidation	158	(54)	52	7	1	164
Translation adjustments	(405)	(367)	(399)	2	(63)	(1 232)
Other	44	(1 226)	1 130	(20)	32	(40)
<b>31 December 2003</b>	<b>13 268</b>	<b>4 073</b>	<b>11 432</b>	<b>255</b>	<b>576</b>	<b>29 604</b>

The other financial liabilities are mainly carried by the EDF parent company for €8,016 million at the end of December 2003. They are principally made up of Euro Medium Term Notes and record the securitisation of future trade receivables.

Group borrowings higher than € 1 billion are as follows:

(in millions of euros)					
Major borrowings	Entity	Maturity	Amount	Currency	Rate
Bond	parent company	2004	2 228	EUR	8,6%
Bond	parent company	2009	1 996	EUR	5,0%
Euro MTN	parent company	2016	1 100	EUR	5,5%
Euro MTN	parent company	2010	1 000	EUR	5,8%

The Group is also engaged in renegotiating debts of its Brazilian and Argentinean subsidiaries.

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### 31.2 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
<b>31 December 2002 (published in 2003 format)</b>	<b>13 771</b>	<b>5 411</b>	<b>9 842</b>	<b>20</b>	<b>498</b>	<b>29 542</b>
Less than one year	2 993	1 464	3 404	(20)	310	8 151
From one to five years	5 199	2 411	1 976	33	37	9 656
More than five years	5 579	1 536	4 462	7	151	11 735
<b>31 December 2002 (pro forma changes)</b>	<b>(226)</b>	<b>-</b>	<b>2 089</b>	<b>139</b>	<b>-</b>	<b>2 002</b>
Less than one year	-	-	2 089	6	-	2 095
From one to five years	(226)	-	0	33	-	(193)
More than five years	-	-	-	100	-	100
<b>31 December 2002 (pro forma)</b>	<b>13 545</b>	<b>5 411</b>	<b>11 931</b>	<b>159</b>	<b>498</b>	<b>31 544</b>
Less than one year	2 993	1 464	5 493	(14)	310	10 246
From one to five years	4 973	2 411	1 976	66	37	9 463
More than five years	5 579	1 536	4 462	107	151	11 835
<b>31 décembre 2003</b>	<b>13 268</b>	<b>4 073</b>	<b>11 432</b>	<b>255</b>	<b>576</b>	<b>29 604</b>
Less than one year	4 182	816	4 300	18	574	9 890
From one to five years	3 124	1 830	2 399	69	2	7 424
More than five years	5 962	1 427	4 733	168	-	12 290

### 31.3 Breakdown of loans and other financial liabilities by currency at 31 December 2003

(in millions of euros)	31.12.2003				31.12.2002 pro forma			
	Initial debt structure	Impact of swaps	Debt structure after swaps	% debt	Initial debt structure	Impact of swaps	Debt structure after swaps	% debt
Euro (EUR)	17 811	(2 582)	15 229	51,4%	18 810	(2 111)	16 699	52,9%
American Dollar (USD)	4 078	(1 652)	2 426	8,2%	5 055	(1 401)	3 654	11,6%
Sterling Pound (GBP)	6 208	3 337	9 545	32,2%	6 093	3 464	9 557	30,3%
Other	1 651	753	2 404	8,2%	1 512	122	1 634	5,2%
<b>Total of loans and other financial liabilities</b>	<b>29 748</b>	<b>(144)</b>	<b>29 604</b>		<b>31 470</b>	<b>74</b>	<b>31 544</b>	

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

(in millions of euros)	31.12.2003			31.12.2002 pro forma		
	Initial debt structure	Impact of swaps	Debt structure after swaps	Initial debt structure	Impact of swaps	Debt structure after swaps
<b>Fixed rate:</b>	23 232	(6 326)	16 906	24 925	(8 613)	16 312
<b>Floating rate:</b>	6 516	6 182	12 698	6 545	8 687	15 232
<b>Total loans and other financial liabilities</b>	<b>29 748</b>	<b>(144)</b>	<b>29 604</b>	<b>31 470</b>	<b>74</b>	<b>31 544</b>

## Consolidated Financial Statements of EDF at 31 December 2003

### 31.5 Interest rate

The average coupon rate of EDF's parent company is 4.8%

The estimated average coupon rate of the principal subsidiaries is 5.9%

### 31.6 Net indebtedness

(in millions of euros)	<b>31.12.2003</b>	<b>31.12.2002</b>	<b>31.12.2002</b>
	<b>pro forma</b>		
Financial liabilities	29 604	31 544	29 542
Cash and cash equivalents	(2 523)	(2 238)	(2 238)
Short-term financial assets	(3 072)	(2 443)	(1 540)
<b>Net indebtedness</b>	<b>24 009</b>	<b>26 863</b>	<b>25 764</b>

#### Variation in net indebtedness:

(in millions of euros)	<b>31.12.2003</b>
<b>EBITDA</b>	<b>11 026</b>
Cancellation of non-monetary items included in EBITDA	28
Dividends received from companies accounted for under the equity method	79
Change in net working capital	18
Other items	(111)
<b>Operating profit</b>	<b>11 040</b>
Acquisitions of tangible and intangible assets, net of disposals	(4 621)
Interest and financial expenses	(1 007)
Income tax paid	(3 337)
<b>Free cash flow</b>	<b>2 075</b>
Investments (including investments in consolidated companies)	284
Dividends paid	(271)
Increase in capital and variation in other equity	222
Other items	(109)
<b>Monetary decrease in net indebtedness, excluding perimeter and exchange effects</b>	<b>2 201</b>
Effect of change in scope of consolidation	(354)
Effect of exchange rate fluctuations	1 015
Effect of other non-monetary changes	(8)
<b>Decrease in net indebtedness</b>	<b>2 854</b>
<b>Net indebtedness at beginning of period (pro forma)</b>	<b>26 863</b>
<b>Net indebtedness at end of period</b>	<b>24 009</b>



**32. Other liabilities**

(in millions of euros)	2003	2002	2002
	<b>pro forma</b>		
Advances received	3 356	3 570	3 570
Liabilities related to fixed assets	228	187	187
Tax and social charges	6 194	6 192	5 219
Deferred income	4 891	5 007	4 994
Other	2 633	3 595	5 100
<b>Other liabilities</b>	<b>17 302</b>	<b>18 551</b>	<b>19 070</b>

**33. Financial instruments**

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

The main financial off-balance sheet commitments concern the EDF parent company. These are illustrated below:

**Consolidated Financial Statements of EDF at 31 December 2003**

(in millions of euros)	31.12.2003		31.12.2002	
	To be received Notional	To be given Notional	To be received Notional	To be given Notional
<b>1-Transactions on interest rates</b>				
<b>in euro:</b>				
Sales of EUREX contracts		569		
Purchases of CAP contracts	2 750		4 729	
Sales of CAP contracts		100		176
Interest rate swaps - short-term			100	100
<b>In foreign currencies:</b>				
Purchases of FLOOR contracts	HUF	162	180	
Sales of FLOOR contracts	HUF		162	180
Purchases of CAP contracts	HUF	162	180	
Sales of CAPS contracts	HUF		162	180
<b>Interest rate swaps - long-term</b>				
In euros:	4 727	4 727	5 465	5 465
In foreign currencies:				
	CHF	257	257	275
	USD	237	237	286
<b>Subtotal</b>	<b>8 295</b>	<b>6 214</b>	<b>11 215</b>	<b>6 662</b>
<b>2-Transactions on foreign exchange rate</b>				
<b>Forward transactions :</b>				
Euro value of foreign currency commitments :				
	FRF		17	
	EUR	498	174	165
	USD	88	436	281
	Other	93	95	
<b>Currency swaps - long-term :</b>				
Euro value of foreign currency commitments :				
	EUR	4 324	5 464	2 093
	JPY	37	40	
	USD	1 536	317	381
	GBP	2 787	3 331	3 465
	CHF	144	96	103
	HUF	208	208	231
	Other	93	19	67
<b>Subtotal</b>	<b>9 808</b>	<b>10 140</b>	<b>6 560</b>	<b>6 616</b>
<b>3- Other transactions</b>				
Securitisation swaps	1 927	1 927	1 332	1 332
<b>Subtotal</b>	<b>1 927</b>	<b>1 927</b>	<b>1 332</b>	<b>1 332</b>
<b>Financial off-balance sheet commitments</b>	<b>20 030</b>	<b>18 281</b>	<b>19 107</b>	<b>14 610</b>

## Consolidated Financial Statements of EDF at 31 December 2003

### 34. Off-balance sheet commitments

In the course of business, EDF and its subsidiaries have had to give and receive various off-balance sheet commitments. At 31 December 2003, these commitments were as follows:

(In millions of euros)	Maturity			
	Total	less than 1 year	1 - 5 years	more than 5 years
<b>OFF-BALANCE SHEET COMMITMENTS GIVEN</b>				
<b>1/ Operating commitments</b>				
Satisfactory performance, completion and bid guarantees	823	239	283	301
Commitments related to commercial contracts	594	221	62	311
Commitments related to orders for operating items and fixed assets	5 419	2 405	2 995	19
Other operating commitments	1 491	197	1 051	242
<b>2/ Financing commitments</b>				
Guarantees related to borrowings	2 703	69	1 469	1 166
Other financing commitments	245	65	1	178
<b>3/ Investment commitments</b>				
Purchasing and divestment commitments	7 442	201	4 894	2 347
Other investment commitments	358	168	18	173
<b>OFF-BALANCE SHEET COMMITMENTS RECEIVED</b>				
1/ Operating commitments	117	53	57	8
2/ Financing commitments	7 127	9	6 246	872
3/ Investment commitments	526	509	17	-

#### 34.1 Off-balance sheet commitments given

##### 34.1.1 Satisfactory performance, completion and bid guarantees

These mainly consist of guarantees related to the construction or operating of power stations in Mexico (€360 million), China–Heze and Liaocheng - (€196 million), Vietnam (€48 million) and Egypt (€10 million). Dalkia International through its subsidiaries also contributes for an amount of €135 million.

##### 34.1.2 Commitments related to commercial contracts

These essentially concern payment guarantees on purchase and distribution gas contracts of EDF Trading (€301 million) and energy supply by EnBW (€256 million).

##### 34.1.3 Commitments related to orders for operating items and fixed assets

These are basically commitments relating to orders for operating items and fixed assets taken by EDF to which the Nuclear Fuels Delegation and the Electricity Transmission Network contribute for €3,165 and €849 million respectively.

### 34.1.4 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 of any one of them being unable to meet its obligations following a nuclear incident. The total amount from the EDF group through EnBW amounts to €1,028 million;
- a contract with CDC Ixis Capital Markets intended to cover EDF's electricity distribution network against the risks of damage caused by storm. The commitment given is valued at a total amount of the fixed premium remaining until 31 December 2003 (€133 million);
- the guarantees given by EDF to High Holborn Estates Ltd and to Deutsche Bank concerning lease contracts. (€123 million);
- guarantees given to third parties – suppliers, customs authorities, etc. (€131 million).

### 34.1.5 Guarantees on borrowings

Including:

- Commitment from EDF to guarantee a zero coupon bond in favour of IEB Finance for €1,061 million at 31 December 2003. EDF also received a counter guarantee from other shareholders of IEB up to their stake (see financing commitments). 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;
- Pledges and mortgages on tangible assets (€905 million) given by Figlec, Zielona Gora, Bert, Altamira and Fenice in order to guarantee their loans;
- Guarantees given by EDF International on loans taken out by Shandong (€199 million) and Elcogas (€93 million);
- Various guarantees given notably by EDF (€323 million), the EDEV group (€65 million) and the Dalkia group (€12 million).

### 34.1.6 Other financing commitments

These are principally:

- Commitments for additional contributions to the financing of Mexican power stations (€156 million);
- Overdrafts not used at closing granted by Electricité de Strasbourg (€61 million).

### 34.1.7 Investment and divestment commitments

- EDF holds a 18% stake in Italenergia Bis (IEB), Edison's parent company. These shares are recorded in the assets at a gross value of €590 million (including warrants).

During 2002, EDF underwrote various commitments to other IEB shareholders for €3,736 million that could lead to the acquisition of all or 82% of IEB's capital as well as the acquisition of the Edison shares subscribed by Italian banks (Intesa, IMI Investimenti and Capitalia) as part of Edison's capital increase decided in December 2002.

EDF has given a put option to FIAT giving FIAT the right to sell to EDF 24.6% of IEB's shares and warrants at a floor price of €1,147 million. This option may be exercised between 1 March 2005 and 30 April 2005 with the possibility of exercising it earlier should a financing arrangement underwritten by FIAT with a banking syndicate be called earlier.

EDF has also granted FIAT a put option on 14% of IEB's capital assigned to the Italian banks (Intesa, IMI Investimenti and Capitalia). This put may be exercised in the same conditions as the put on the 24.6% (see above) with a floor price of €653 million. FIAT has also given EDF a call option giving EDF the right to buy 14% of IEB shares should FIAT exercise its put on the 24.6% but not the one on the 14%.

The Italian banks (23.37% of IEB shares excluding the shares acquired by FIAT) have a put option to sell their IEB shares and warrants to EDF as well as the Edison shares subscribed by the latter under Edison's capital increase decided in December 2002; EDF also has a call option. These options may be exercised between February 2005 and March 2005.

Carlo Tassara (20% of IEB shares) has a put option to sell his IEB shares to EDF and EDF has a call option to buy them. These two options may be exercised between March 2005 and April 2005.

The overall floor price of the options described above (Italian banks and Carlo Tassara) amounts to €1,936 million. These may not be exercised earlier by the counterparties.

The valuation of the shares held in IEB and the direct and indirect financial commitments taken by EDF in IEB and Edison are described in note 30.1.

On the assumption that the put options given by EDF to the different shareholders in IEB are exercised and that this leads to holding indirect control in Edison, EDF could find itself in a situation where it has to make a public offer for Edison. This obligation however remains subject to the repeal of law 301 re-establishing EDF's voting rights which are limited today to 2% and to FIAT's not exercising its pre-emptive rights within a certain limit. Therefore no effect has been recorded.

## Consolidated Financial Statements of EDF at 31 December 2003

Edison's key main indicators at 31 December 2003 established in accordance with Italian accounting principles are the following:

<b>Consolidated income statements</b>	<b>31.12.2003</b>	<b>31.12.2002</b>
	(1)	
Net revenues	6 278	12 640
EBITDA	1 072	1 607
EBIT	382	579
Income before taxes	137	(65)
Net income	not available	(697)
(1) preliminary		
	<b>31.12.2003</b>	<b>31.12.2002</b>
Group interest in stockholders' equity	not available	4 476
Net borrowings	4 154	6 461

- Commitment granted by EDF International relating to EnBW in respect of a shareholder agreement concluded on 26 July 2000.

From 1 January 2005 and until 31 December 2005, OEW may decide to sell all or part of its 62,514,267 shares for a price of €37.14 per share with a discount depending on the financial parameters specified in the shareholder agreement.

From 1 June 2006 and until 31 December 2011 OEW may decide to sell all or part of its shares for a price of €37.14 per share with no discount applies.

The amount of this option is estimated at €2,322 million at 31 December 2003

Other agreements concluded between EDF International and OEW state that OEW has a put option over 5.94% of EnBW shares that may be exercised between 28 January 2005 and 30 November 2006. The amount of this commitment is estimated at €476 million at 31 December 2003;

- Commitments taken by EnBW (€541 million) for the purchase of shares, principally Stadtwerke Düsseldorf, EVN and EnSüdWest;
- Various options or agreements that EDF International holds concerning Rybnik, SSE, EcW, EDF UK and the Compagnie Eolienne du Detroit (€276 million).

### 34.1.8 Other investment commitments

Including:

- guarantee given by EDF International to the Polish treasury about investment to be made by Wybreze ZecW (€123 million);
- dividend guarantee given by EDF International to OEW in accordance with a shareholder agreement for a minimum amount of DM 100 million per year beginning from the distribution of 1999 results and for a period of 5 years. In the event of a distribution above DM 1.6 per share, OEW is obliged to pay the difference above DM 100 million to EDF International. Should the dividends collected by OEW be less than DM 100 million per year, EDF International is committed to pay the difference taken from its own dividends received from EnBW, then from its shareholders' equity. The amount of this commitment is estimated at €51 million as at 31 December 2003;
- investment commitments (€50 million) taken by Dalkia International for the town of Poznan (Poland);

## Consolidated Financial Statements of EDF at 31 December 2003

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- other commitments arising from various shareholders' agreements: EDF €116 million.

### 34.2 Off-balance sheet commitments received

#### 34.2.1 Operating commitments

These are commitments linked to current activities received by various companies of the group, notably EDF parent company (€56 million) and EDF Trading (€31 million).

#### 34.2.2 Financing commitments

They principally concern:

- the overall amount of credit lines (€6,000 million) that the EDF parent company has with different banks;
- the counter-guarantee given to EDF by the other IEB shareholders for their share (€869 million at 31 December 2003) relating to the bond loan given by EDF (see guarantees on loans).

#### 34.2.3 Investment commitments

- EDF has a call option worth €428 million on 4% of the capital of Véolia Environment. This option may be exercised between 24 December 2002 and 23 December 2004;
- EDF International has a put option for its initial stake of 10 % in the Société Publique d'Electricité (SPE). In December 2003, EDF International notified its intention to exercise this option. The sale took place in January 2004 for an amount of €80 million.

## 35. Special purpose entities

### 35.1 Securitisation of trade receivables

Since the end of 2000, EDF has transferred future trade receivables due under energy supply contracts to a mutual securitization fund set up as a result of a securitisation program. The cross-entry for cash and cash equivalents is now booked in other financial liabilities. This amounts to €2,055 million at 31 December 2003 against €2,283 million at the end of 2002. EDF is responsible for the management and collection of the receivables assigned.

## Consolidated Financial Statements of EDF at 31 December 2003

The financial situation of this fund is as follows at 31 December 2003:

- OXYGEN mutual securitization fund (TITRIWATT sub-fund):

(in millions of euros)	<b>Balance sheet :</b>				
	<b>Assets</b>		<b>Equity and Liabilities</b>		
	<u>31.12.2003</u>	<u>31.12.2002</u>	<u>31.12.2003</u>	<u>31.12.2002</u>	
Securitised receivables	2 037	2 057	Shares	2 037	2 057
Marketable securities and cash	10	10	Other liabilities	10	10
	<u>2 047</u>	<u>2 067</u>		<u>2 047</u>	<u>2 067</u>

(in millions of euros)	<b>Income statement :</b>				
	<u>31.12.2003</u>	<u>31.12.2002</u>	<u>31.12.2003</u>	<u>31.12.2002</u>	
Financial expenses	85	118	Financial income	85	118

### 35.2 Securitisation of financial receivables

In 1999, EDF transferred receivables for an amount of €1.1 billion relating to employees housing loans to the Electra mutual securitisation fund for an amount of €1.1 billion.

The situation of this fund is as follows at 31 December 2003:

- ELECTRA mutual securitisation fund:

(in millions of euros)	<b>Balance sheet :</b>				
	<b>Assets</b>		<b>Equity &amp; liabilities</b>		
	<u>31.12.2003</u>	<u>31.12.2002</u>	<u>31.12.2003</u>	<u>31.12.2002</u>	
Securitised receivables	552	645	Shares	557	650
Marketable securities and cash	14	14	Retained earnings	4	4
	<u>566</u>	<u>659</u>	Net income	(1)	0
			Provisions for risks and expenses	3	2
			Other liabilities	3	3
				<u>566</u>	<u>659</u>

(in millions of euros)	<b>Income Statement :</b>				
	<u>31.12.2003</u>	<u>31.12.2002</u>	<u>31.12.2003</u>	<u>31.12.2002</u>	
Operating expenses	45	51	Operating income	47	53
Financial expenses	5	10	Financial income	4	8
	<u>50</u>	<u>61</u>	Net result	(1)	0
				<u>50</u>	<u>61</u>



**36. Subsequent events**

None

**37. Scope of consolidation**

The main changes in scope of consolidation between 2002 and 2003 are illustrated in note 3.

The scope of consolidation as at 31 December 2003 is as follows:

## Consolidated Financial Statements of EDF at 31 December 2003

COMPANY		HEAD OFFICE	% OWNED	% VOTING RIGHTS	CONSOLIDATION METHOD	BUSINESS SECTOR	SIREN N°
<b>PARENT COMPANIES</b>							
ELECTRICITE DE FRANCE	(f)	22-30, avenue de Wagram 75382 Paris cedex 08	100	100	Parent Company	G,D,S	552081317
CERGA		1, place Pleyel 93282 Saint-Denis cedex	50	50	IP	G	728500521
CHATELOT		ENSA - Les Vernets 2035 Corcelles - Switzerland	50	50	IP	G	
EMOSSON		Centrale de la Bâtiaz CH-1920 Martigny - Switzerland	50	50	IP	G	
RICHEMONT	(f)	Centrale Sidérurgique de Richemont 57270 Richemont	100	100	IG	G	
RKI		Rheinkraftwerk Iffezheim GmbH C/O EnBW Rudolf-Fettweis-Werk Werkstraße 5 Germany	50	50	IP	G	
EDF TRADING		Mid City Place 71, High Holborn London WC 1V6ED	100	100	IG	G,S	
SEMOBIS		41, rue de la Pépinière 1000 - Bruxelles Belgium	100	100	IG	G	
EDF CAPITAL INVESTISSEMENT	(f)	50, rue de Monceau 75008 Paris	100	100	IG	S	413114653
SAPAR FINANCE	(f)	1, place Pleyel 93282 Saint-Denis cedex	100	100	IG	S	347889149
SAPAR PARTICIPATIONS	(f)	1, place Pleyel 93282 Saint-Denis cedex	100	100	IG	S	403189467
C2	(f)	C/O EDF International SA 20, place de la défense 92050 Paris la Défense cedex	100	100	IG	S	421328162
C3	(f)	30, avenue de Wagram 75382 Paris cedex 08	100	100	IG	S	428722714
Immobilière WAGRAM ETOILE	(f)	44, rue de Lisbonne 75008 Paris	100	100	IG	S	414660043
LA GERANCE GENERALE FONCIERE	(f)	44, rue de Lisbonne 75008 Paris	99,86	99,86	IG	S	562054510
IMMOBILIERE PB6		31, rue de Mogador 75009 Paris	50	50	IP	S	414875997
SOFILO	(f)	44, rue de Lisbonne 75008 Paris	100	100	IG	S	572184190
EDF INTERNATIONAL	(f)	20, place de la Défense 92050 Paris la Défense cedex	100	100	IG	D	380415125
SOCIETE D'INVESTISSEMENT EN Autriche		20, place de la Défense 92050 Paris la Défense cedex	80	80	IG	G	421089913
<b>EDEV</b>							
EDF DEVELOPPEMENT ENVIRONNEMENT SA	(f)	90, esplanade du Général de Gaulle 92933 Paris la Défense cedex	100	100	IG	G	380414482
ELECTRICITE DE STRASBOURG		26, boulevard du Président Wilson 67953 Strasbourg cedex 9	74,86	74,86	IG	D	558501912
A.S.A.- HOLDING A.G.		Graf-Starhemberg-Gasse 25 A-1040 Wien Austria	100	100	IG	S	
VERO GmbH		Libertas-Intercount Revisions und Beratungsgesellschaft WIEN Teinfaltstrasse 4 Austria	100	100	IG	S	
T.I.R.U.		134, boulevard Hausmann 75008 Paris	51	51	IG	S	334303823
EnXco		63-665 19th avenue North Palm Springs California 92258 USA	50	50	IP	S	
SIIF ENERGIES		Cœur Défense imm. B1 90, esplanade du Général de Gaulle 92933 PARIS la Défense cedex	50	50	IP	S	379677636

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COMPANY	HEAD OFFICE	% OWNED	% VOTING RIGHTS	CONSOLIDATION METHOD	BUSINESS SECTOR	SIREN N°
<b>DALKIA</b>						
DALKIA HOLDING	37, avenue Maréchal de Lattre de Tassigny 59350 St André Les Lille	34	34	ME	S	403211295
EDENKIA	37, avenue Maréchal de Lattre de Tassigny 59350 St André Les Lille	50	50	ME	S	434109807
DALKIA INTERNATIONAL	37, avenue Maréchal de Lattre de Tassigny 59350 St André Les Lille	50	24,14	IP	S	433539566
DALKIA INVESTISSEMENT	37, avenue Maréchal de Lattre de Tassigny 59350 St André Les Lille	67	67	IP	S	404434987
<b>CONTINENTAL AND EASTERN EUROPE</b>						
MOTOR COLUMBUS	Parkstrasse 27 CH - 5401 Baden Switzerland	22,26	20	ME	G	
Groupe ATEL	Bahnhofquai 12 CH - 4601 Olten Switzerland	14,25	21,23	ME	G	
EnBW	Durlacher allee 93 D - 76 131 Karlsruhe Germany	45,81	39,02	IP	G,D,S	
EDF OSTALBKREIS	Stuttgarterstrasse 41 D - 73430 Aalen Germany	100	100	IG	D	
EDF WEINSBERG	Rathaus D- 74189 Weinsberg Germany	100	100	IG	D	
FINELEX BV	Drentestraat 20 1083 HK Amsterdam The Netherlands	100	100	IG	G	
ECK Cracovie	Ul. Ciepłownicza 1 31-587 Cracovie 28 Poland	66,08	66,08	IG	G	
KOGENERACJA	Ul. Lowiecka 24 50-220 Wroclaw Poland	35,42	49,82	IG	G	
ECW	Ul. Swojska 9 80-867 Gdansk Poland	49,19	49,19	IG	G	
RYBNIK	Ul. Podmiejska 44-207 Rybnik Poland	76,63	62,35	IG	G	
ZIELONA GORA	Elektrociepłownia Zielona Gora ul. Zjednoczenia 103 65120 Zielona Gora Poland	24,61	65,9	IG	G, D	
DEMASZ	Klauzal Ter 9 6720 Szeged Hungary	60,91	60,91	IG	D	
BERT	Budafoki ut 52 1117 Budapest XI Hungary	95,57	95,57	IG	G	
Groupe ESTAG	Palais Heberstein Leonhard-strasse 59 A-8010 Graz Austria	20	25	ME	G	
SSE	Ulica Republiky c. 5 01047 Zilina Slovakia	49	49	ME	D	

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COMPANY	HEAD OFFICE	% OWNED	% VOTING RIGHTS	CONSOLIDATION METHOD	BUSINESS SECTOR	SIREN N°
<b>WESTERN EUROPE, MEDITERRANEAN, AFRICA</b>						
CINERGY HOLDING COMPANY BV	Burgemeester Haspelslaan 455/F 1181 NB Amstel Veen The Netherlands	50	50	IP	G	
EDF UK	Templar House 81-87 High Holborn Londres WC1V 6NU England	100	100	IG	D	
EDF ENERGY	Templar House 81-87 High Holborn Londres WC1V 6NU England	100	100	IG	G,D,S	
EDF Energia Italia	EDF Energia Italia Srl EDF - Bureau de Rome Via Abruzzi n°25 00187 Rome - Italy	100	100	IG	G	
FINEL	Foro Buonaparte n°31 20121 Milano Italy	40	40	ME	G	
FENICE Ex. EDF ITALIA	Via Abruzzi n°25 00187 Roma Italy	100	100	IG	G	
I.S.E.	Foro Buonaparte n°31 20121 Milano Italy	30	40	ME	G	
SKADENKRAFT	Norlandsgatan 15 SE 11143 Stockholm Sweden	100	100	IG	G	
PORT SAID	92 El Nile St El Giza Le Caire Egypt	100	100	IG	G	
PORT SUEZ	92 El Nile St El Giza Le Caire Egypt	100	100	IG	G	
AZITO O&M SA	Cocody - Danga Nord Rue B49 BP1296 cedex 1 Abidjan - Ivory Coast	50	50	IP	G	
AZITO ENERGIE	01 B.P. 3963 Abidjan 01 Ivory Coast	32,85	32,85	IP	G	
HISPAELEC	C/Alcala 54-3° Izda 28014 MADRID-Spain	100	100	IG	G	
<b>AMERICAS</b>						
LIDIL	Rua Boa Vista, 254 7è andar sola 721 Cidade de Sao Paulo - CEP 01014000 Estado de Sao Paulo Brazil	100	100	IG	D	
LIGHT ENERGY	Avenida Marechal Floriano n°168 - Bloco 1 - 2° andar CEP20080 - 002 Caixa Postal Centro Rio de Janeiro Brazil	94,79	94,79	IG	D	
LIGHT OVERSEAS INVESTMENT	Avenida Marechal Floriano n°168 - Bloco 1 - 2° andar CEP20080 - 002 Caixa Postal Centro Rio de Janeiro Brésil	94,79	94,79	IG	D	
LIGHT	Avenida Marechal Floriano n°168 - Bloco 1 - 2° andar CEP20080 - 002 Caixa Postal Centro Rio de Janeiro Brazil	94,79	94,79	IG	D	

## Consolidated Financial Statements of EDF at 31 December 2003

COMPANY	HEAD OFFICE	% OWNED	% VOTING RIGHTS	CONSOLIDATION METHOD	BUSINESS SECTOR	SIREN N°
NORTE FLUMINENSE	Avenida Graça Aranha n° 182 ao 9° andar CEP 20030 - 003 Caixa Postal Rio de Janeiro Brazil	90	90	IG	G	
CONTROLADORA DEL GOLFO	C/O Compania Mexicana de Gerencia y Operacion SA de CV, Panzacola n°62, Local 202, Villa Coyoacan, 04000 Mexico DF	100	100	IG	G	
CENTRAL ANAHUAC SA de CV	C/O Compania Mexicana de Gerencia y Operacion SA de CV, Panzacola n°62, Local 202, Villa Coyoacan, 04000 Mexico DF	100	100	IG	G	
CENTRAL SALTILLO SA de CV	C/O Compania Mexicana de Gerencia y Operacion SA de CV, Panzacola n°62, Local 202, Villa Coyoacan, 04000 Mexico DF	100	100	IG	G	
CENTRAL LOMAS DEL REAL SA de CV	C/O Compania Mexicana de Gerencia y Operacion SA de CV, Panzacola n°62, Local 202, Villa Coyoacan, 04000 Mexico DF	100	100	IG	G	
ALTAMIRA	Paseo de la Reforma 287 3er. Piso Colonia Cuauhtemoc, CP 06500 Mexico DF	51	51	IG	G	
VALLE HERMOSO	C/O Compania Mexicana de Gerencia y Operacion SA de CV, Panzacola n°62, Local 202, Villa Coyoacan, 04000 Mexico DF	100	100	IG	G	
EASA	Azoparado 1025 Piso 181107 Buenos Aires Argentina	100	100	IG	D	
EDENOR	Azoparado 1025 Piso 171107 Buenos Aires Argentina	90	90	IG	D	
SODEMSA	Calle Nocochea N°62 Piso 3 - Departamento 4 5500 Mendoza Argentina	45	45	IG	D	
EDEMSA	Belgrano 815 5500 Mendoza Argentina	22,95	51	IG	D	
<b>ASIA, PACIFIC</b>						
FIGLEC	25 TH Floor, Guangxi Foreign Trade Building 137, Qixing road - Nanning Guangxi 530 022 Republic of China	60	60	IG	G	
SYNERGIE	Laibin Power Plant Office Building Chengxiang Laibin Xian Guangxi Republic of China	85	85	IG	G	
SHANDONG ZHONGHUA POWER COMPANY	14 Jing San Road Jinan Shandong Republic of China	19,6	19,6	ME	G	
MECO	Sun Wah Tower 115 Nguyen Hue Street District 1 Ho Chin Minh City Vietnam	56,25	56,25	IG	G	

IG = full consolidation, IP = proportional consolidation, ME = accounted for under the equity method;  
G = Generation, D = Distribution, S = Services  
(f) companies that are consolidated for tax purposes.

## STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

In accordance with our appointment as statutory auditors of Electricité de France (EDF), we have audited the accompanying consolidated financial statements of EDF for the year ended 31 December 2003.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on those consolidated financial statements based on our audit.

### Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion as expressed below.

We express a qualification concerning the following matter:

- EDF's current and retired statutory employees in France benefit from a specific 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 consolidated financial statements. Under the current scheme, this obligation represents an unrecognized amount well above the Group's equity. As explained in note 28.3 to the consolidated financial statements, the valuation of this obligation is likely to undergo major changes due to the planned funding reform for the specific Electricity and Gas Industries pension scheme.

In our opinion, except for this matter, the consolidated financial statements present fairly, in all material respects, the financial position and the assets and liabilities of the Group as of 31 December 2003 and the results of its operations for the year then ended, in accordance with accounting principles generally accepted in France.

Without affecting the opinion expressed above, we draw your attention to the uncertainty related to nuclear provisions and to the importance of changes in accounting policies that took place during the year ended 31 December 2003:

The translation into English of the statutory auditors' report issued in French has been included solely for the convenience of English speaking readers. The statutory auditors' report includes for the information of the reader explanatory paragraphs discussing their assessment of significant accounting matters performed for purpose issuing their audit opinion on the consolidated financial statements taken as a whole as required under French law in any auditors' report, whether qualified or not. Such report shall be construed in accordance with French law and French auditing professional standards.

## Statutory Auditors' Report on the Consolidated Financial Statements for the year ended 31 December 2003

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- The estimated valuation of provisions related to nuclear electricity production, as described in notes 1.22, 26 and 27 to the consolidated financial statements, is sensitive to the assumptions made concerning costs, inflation rates, long-term discount rates, forecast cash outflows and the results of current negotiations with Cogema. Given the sensitivity to the assumptions described, any change in the parameters could lead to a significant revision of the amounts of provisions.
- Notes 1.1 and 1.3 to the financial statements describe, on the one hand, the Group's accounting policies, in view of the compulsory application of the IASB standards in 2005, and, on the other hand, the accounting changes and changes in financial statements presentation, in particular those resulting from the early application as of 1st January 2003 of Regulation n° 2002-10 issued by the French Accounting Regulation Committee (CRC) relating to the amortisation and depreciation of assets, and the change in accounting estimates relating to the extension of the nuclear power stations' useful life.

### Justification of our assessments

In accordance with the requirements of article L.225-235 of the French Code de Commerce relating to the justification of our assessments, which came into effect for the first time this year, we bring to your attention the following matters:

#### Accounting principles and methods

- As part of our assessment of the Group's accounting principles and methods, we have ensured that the above mentioned changes are justified and that their impacts are fairly presented in the consolidated financial statements. We have also verified the disclosures presented in the notes to the consolidated financial statements relating to future changes in accounting principles and methods which would be likely to have a material impact on the financial statements.
- Note 1.3.3 to the consolidated financial statements describes the Group accounting method applied to the treatment of the change in estimates for decommissioning provisions resulting from the extension of the nuclear power stations' useful life. In the absence of any provision in French accounting rules, the method used by the Group is based on the revised draft of the International Financial Reporting Interpretations Committee (IFRIC), which intends to propose this revised draft to the IAS Board, as announced in December 2003.

<p>The translation into English of the statutory auditors' report issued in French has been included solely for the convenience of English speaking readers. The statutory auditors' report includes for the information of the reader explanatory paragraphs discussing their assessment of significant accounting matters performed for purpose issuing their audit opinion on the consolidated financial statements taken as a whole as required under French law in any auditors' report, whether qualified or not. Such report shall be construed in accordance with French law and French auditing professional standards.</p>
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## Statutory Auditors' Report on the Consolidated Financial Statements for the year ended 31 December 2003

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### Estimates

- Notes 1.4, 1.9, 1.12, 30.1 and 34.1.7 to the consolidated financial statements notably describe the principles and policies used for impairment tests of goodwill, other fixed assets and investments-related financial commitments, the related provisions accounted for during the financial year, as well as the sensitivity of the results to the underlying assumptions. We have assessed the methodology implemented by the Group and, based on information available, verified whether the policies used for these estimates are reasonable.
- As described in note 17 to the consolidated financial statements, the physical inventory has covered most of the parent company's tangible assets, and the identified discrepancies between accounting data and physical data have been accounted for during the 2003 financial year. We have analysed the inventory procedures and implemented validation tests covering the inventory operations and the accounting treatments resulting from those operations.

Our assessments on these matters are part of our audit approach regarding the consolidated financial statements taken as a whole and contribute to the expression of our qualified audit opinion with comments and emphasis of matters detailed in the first part of this report.

### **Specific verification**

We have also reviewed the information contained in the chapter "Financial Performance" of the annual report. Except for the impact of the matters described above, we have nothing to report with respect to the fairness of such information and its consistency with the consolidated financial statements.

#### **The Statutory Auditors**

##### **Deloitte Touche Tohmatsu**

Philippe Vassor  
Amadou Raimi

##### **Ernst & Young Audit**

Patrick Gounelle  
Claire Nourry

##### **Mazars & Guérard**

Jean-Louis Lebrun  
Guy Isimat-Mirin

<p>The translation into English of the statutory auditors' report issued in French has been included solely for the convenience of English speaking readers. The statutory auditors' report includes for the information of the reader explanatory paragraphs discussing their assessment of significant accounting matters performed for purpose issuing their audit opinion on the consolidated financial statements taken as a whole as required under French law in any auditors' report, whether qualified or not. Such report shall be construed in accordance with French law and French auditing professional standards.</p>
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## **RAPPORT DES COMMISSAIRES AUX COMPTES SUR LES COMPTES CONSOLIDES RELATIFS A L'EXERCICE CLOS LE 31 DECEMBRE 2003**

En exécution de la mission qui nous a été confiée, nous avons procédé au contrôle des comptes consolidés d'Electricité de France relatifs à l'exercice clos le 31 décembre 2003, tels qu'ils sont joints au présent rapport.

Les comptes consolidés ont été arrêtés par le Conseil d'Administration. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.

### **Opinion sur les comptes consolidés**

Nous avons effectué notre audit selon les normes professionnelles applicables en France ; ces normes requièrent la mise en œuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes consolidés ne comportent pas d'anomalies significatives. Un audit consiste à examiner, par sondages, les éléments probants justifiant les données contenues dans ces comptes. Il consiste également à apprécier les principes comptables suivis et les estimations significatives retenues pour l'arrêté des comptes et à apprécier leur présentation d'ensemble. Nous estimons que nos contrôles fournissent une base raisonnable à l'opinion exprimée ci-après.

Nous formulons une réserve sur le point suivant :

- Le personnel statutaire actif et inactif d'EDF en France bénéficie du régime spécial de retraite des Industries Electriques et Gazières ainsi que d'autres avantages. Les engagements d'EDF à ce titre ne font l'objet ni d'une provision au bilan, ni d'une information chiffrée dans l'annexe. Ces engagements représentent, sur la base du système actuel, un passif latent dont le montant est largement supérieur aux capitaux propres du groupe. Comme expliqué dans la note 28.3 de l'annexe, l'évaluation de ces engagements devrait être fortement modifiée par la réforme envisagée du financement du régime spécial des Industries Electriques et Gazières.

Sous cette réserve, nous certifions que les comptes consolidés sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du patrimoine, de la situation financière, ainsi que du résultat de l'ensemble constitué par les entreprises comprises dans la consolidation.

Sans remettre en cause l'opinion exprimée ci-dessus, nous attirons votre attention sur l'incertitude relative aux provisions nucléaires et sur l'importance des changements comptables intervenus en 2003 :

- L'évaluation des provisions liées à la production nucléaire, telle que décrite en notes 1.22, 26 et 27 de l'annexe, est sensible aux hypothèses retenues en termes de coûts, de taux d'inflation, de taux d'actualisation à long terme, d'échéanciers de décaissements, ainsi qu'à l'issue des négociations en cours avec Cogema. Compte tenu des éléments de sensibilité évoqués, la modification de certains paramètres pourrait conduire à une révision significative des montants provisionnés.
- Les notes 1.1 et 1.3 de l'annexe décrivent, d'une part, le référentiel comptable du groupe qui s'inscrit dans la perspective de l'application en 2005 des normes comptables de l'IASB et, d'autre part, les changements comptables et de présentation qui résultent en particulier de l'application anticipée à compter du 1<sup>er</sup> janvier 2003 du règlement CRC n° 2002-10 relatif à l'amortissement et à la dépréciation des actifs, ainsi que les changements d'estimation liés à l'allongement de la durée de vie des centrales nucléaires.

## **Rapport des Commissaires aux Comptes sur les Comptes Consolidés relatifs à l'exercice clos le 31 décembre 2003**

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### **Justification de nos appréciations**

En application des dispositions de l'article L. 225-235 du Code de commerce relatives à la justification de nos appréciations, qui s'appliquent pour la première fois à cet exercice, nous portons à votre connaissance les éléments suivants :

#### Règles et méthodes comptables

- Dans le cadre de notre appréciation des règles et principes comptables suivis par le groupe, nous nous sommes assurés que les changements mentionnés ci-dessus sont justifiés et que leurs effets sont correctement traduits dans les comptes. Nous avons également vérifié l'information donnée dans l'annexe sur les évolutions qui seraient susceptibles d'avoir des impacts significatifs sur les comptes.
- La note 1.3.3 de l'annexe expose la méthode comptable retenue par le groupe pour traiter du changement d'estimation des provisions pour déconstruction résultant de l'allongement de la durée de vie des centrales nucléaires. En l'absence de dispositions dans les textes comptables applicables en France, la méthode utilisée par le groupe s'inspire du projet révisé que le comité d'interprétation des normes internationales IFRIC a annoncé en décembre 2003 vouloir proposer au conseil de l'IASB.

#### Estimations

- Les notes 1.4, 1.9, 1.12, 15, 30.1 et 34.1.7. de l'annexe décrivent notamment les principes et les modalités retenus en matière d'évaluation des écarts d'acquisition, des autres actifs immobilisés et des engagements financiers liés aux participations, les provisions correspondantes constatées durant l'exercice, ainsi que la sensibilité des résultats aux hypothèses retenues. Nous avons procédé à l'appréciation des approches mises en œuvre par le groupe et, sur la base des éléments disponibles à ce jour, vérifié le caractère raisonnable des modalités retenues pour ces estimations.
- Comme décrit en note 17 de l'annexe, l'inventaire a couvert l'essentiel des immobilisations corporelles d'EDF maison-mère et les écarts constatés entre les données comptables et les fichiers représentatifs de la réalité physique ont été comptabilisés en 2003. Nous avons procédé à une analyse des méthodologies et mis en œuvre des tests de validation portant sur les opérations d'inventaire et sur les traitements comptables induits.

Les appréciations que nous avons portées sur ces éléments s'inscrivent dans le cadre de notre démarche d'audit qui porte sur les comptes consolidés pris dans leur ensemble et contribuent à la formation de l'opinion avec réserve et observations exprimée dans la première partie de ce rapport.

### **Vérification spécifique**

Par ailleurs, nous avons également procédé à la vérification des informations données dans le chapitre "gestion et résultats" du rapport annuel. A l'exception de l'incidence des faits exposés ci-dessus, nous n'avons pas d'autres observations à formuler sur leur sincérité et leur concordance avec les comptes consolidés.

Le 11 mars 2004

### **Les Commissaires aux comptes**

#### **Deloitte Touche Tohmatsu**

Philippe VASSOR  
Amadou RAIMI

#### **Ernst & Young Audit**

Patrick GOUNELLE  
Claire NOURRY

#### **Mazars & Guérard**

Jean-Louis LEBRUN  
Guy ISIMAT-MIRIN

# 2003 EDF GROUP CHAIRMAN OF THE BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROL PROCEDURES

## 1 INTRODUCTION

In compliance with French law n° 2003-706 dated 1 August 2003 on financial security, this report takes account of the internal control procedures within EDF, including those that apply to its consolidated subsidiaries.

This mainly descriptive report underscores the fact that in recent years the Group has been actively increasing the stringency of its internal control system.

Thus, the purpose of this document is not to provide an exhaustive description of all the existing means of control within the Group, but rather to highlight the procedures relating to activities or risks deemed to be particularly material. As of today, this report does not set out to assess the adequacy of these procedures in relation to the Group's activities.

The structure of this report is based on the COSO<sup>1</sup> reference system. The first section describes the internal control framework, which is a very important component of the corporate culture and the foundation of all other elements of the internal control system. The three following sections list the procedures designed to achieve the three recognised objectives of internal control:

- internal control procedures relating to the implementation and optimisation of the Group's operations;
- internal control procedures relating to the reliability of the financial information;
- internal control procedures relating to the Group's compliance with laws and regulations.

## 2 INTERNAL CONTROL FRAMEWORK

### 2.1 Board of Directors

Through its responsibility for the parent company, EDF's Board of Directors controls and directs the operations and results of the EDF Group. It deliberates over all of the Group's strategic aims and over matters expressly entrusted to it by law or which it has reserved for itself (the purchase or sale of strategic shareholdings, innovative financial deals...).

The Board of Directors comprises eighteen Directors appointed by the French Government: six representatives of the State, six appointed by government decree and six elected representatives of employees. In addition, the following attend Board meetings without the right to vote: members of the State Economic and Financial Control Commission, the State Financial and Economic Controller and his deputy, and the Secretary of the Works Council. Board members' terms of office last five years.

In order to perform its duties, the Board, which meets around nine times a year, has set up various committees made up of Board members and which are responsible for the prior consideration and preparation of certain matters:

- **The Investments Commission**, established in July 1947, is charged with examining all purchase contracts signed by the parent company worth 15 million euros or more;
- **The Operations Commission**, established in 1947, analyses the Group's development as reflected in its operating budgets and specific aspects of Group Branches and Departments, and assesses the main components of the EDF Group's results on a monthly basis;
- **The Audit Committee**, established in October 1999, is chaired by a respected figure from outside the EDF Group. Prior to their submission to the Board, it gives its opinion on the annual and consolidated financial statements, the financial management report, the performance of the Group

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<sup>1</sup> Committee of Sponsoring Organizations of the Treadway Commission.

## 2003 EDF Group Chairman of the Board of Directors' Report on Internal Control Procedures

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contract, the risk control policy and the internal audit programme; it also questions the statutory auditors;

- **The Strategy Committee**, established in February 2000, which is chaired by a respected figure from outside the EDF Group, gives its opinion on the Group's overall strategic aims and, in this capacity, expresses its views on the Group's business development policy, notably abroad, and on its industrial and sales policy;
- **The Ethics Committee**, established in September 2001, which is chaired by a respected figure from outside the EDF Group, is charged with developing awareness of the ethical implications of Group strategic decisions.

### 2.2 Ethics policy

As discussed at the Board meeting on 26 March 2003, Group Ethics policy aims to develop the Group's reputation as an ethical organisation by relying on the implementation of the company's five core values: respect for the individual, respect for the environment, performance, solidarity and integrity.

In particular, each employee and any of the Group's external partners are entitled to notify the company of any breach of ethical principles. The Ethics officer then investigates the complaint. Acting independently under the direct authority of the Chairman, he can rely, if necessary, on the company's experts (in the Legal Department, the Human Resources Management Department, etc.). He ensures that his proposals or recommendations for ending or correcting reported breaches of ethical values are actually implemented.

### 2.3 Quality assurance

Within two and a half years, EDF made its **Environmental Management System** compliant with the ISO 14001 standard, one of the major requirements of which is strict compliance with environmental regulations. Thus, in April 2002, following audits carried out by an independent external body (the **French Quality Assurance Agency** or AFAQ) on Group entities whose activities are typical of EDF's lines of business, the company qualified for global quality certification. This matter has been discussed several times in meetings of the Board of Directors

### 2.4 Organisational structure and internal control players

#### 2.4.1 Organisation of the Group and management principles

In order to streamline management and to clarify lines of responsibility, the Group was reorganised at the beginning of 2002. This was discussed in advance by the Board of Directors.

To manage the Group, the Chairman relies on the Executive Committee (COMEX) made up of the Chairman himself, the Chief Operating Officer, the Chief Financial Officer and the Chief Human Resources Officer.

**The operational "Branches"** (Generation & Trading, Customers, Central Europe, Western Europe – the Mediterranean - Africa, the Americas, Asia-Pacific, Development, EDF-GDF Services Department, Energy Services (Dalkia) the Local Development Project and Gas-related Activities) made up of Departments, Divisions, Units (production, distribution, etc.) and other sections contribute to the Group's economic performance and are accountable for their own results.

**The business networks** develop synergies between the Senior Vice Presidents in charge of businesses within the various Divisions.

**The support services** help enhance the operational efficiency of the Branches. They are judged on the basis of the performance (quality and cost effectiveness) of the services produced. Their performance benchmarks are the same services produced by other comparable groups.

**Research and Development** focuses on the Group's long-term business development.

## **2003 EDF Group Chairman of the Board of Directors' Report on Internal Control Procedures**

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Furthermore the French Transmission System Operator (RTE), in compliance with the French law of February, 10<sup>th</sup> 2000 which gives RTE its management autonomy, has developed its own means of controls: Audit Mission and Management and Financial Control.

Management principles are based on a Strategic Development Plan (SDP), which sets the Group's policies according to its business model (growth and profitability targets) over the medium and long term, and on a Medium Term Plan (MTP), which lays down action plans based on target figures (earnings/income and resource allocations) that are consistent with the SDP. The first year of the MTP is the budget.

### ***2.4.2 Delegation of powers and technical authorisations***

EDF's Board of Directors has granted its Chairman a delegation of authority and the Chairman has delegated part of his powers to his immediate associates. Such delegation of powers provides the basis for further delegation of powers within the company's Branches, Divisions and Departments.

Thus, since June 2003, new delegations of powers have allowed greater control to be exercised over procurement contracts by restricting the power to sign such contracts to the Head of Procurement alone.

The powers of a "nuclear energy operator" have been delegated to the Executive Vice President in charge of Generation and Trading and then to the Senior Vice Presidents in charge of Nuclear Operations and Nuclear Engineering.

Each facility manager, subject to prior assessment of the relevant skills, issues the technical authorisations that allow workers to work in facilities (power stations, electricity transmission lines, etc.).

These requirements apply to all workers, be they employees of EDF or of outside providers.

### ***2.4.3 Internal control***

#### ***2.4.3.1. – Financial Control***

Financial Control, which reports to the Chief Financial Officer, performs the following tasks.

- It steers the processes of the Group's management cycle (medium term budgeting and planning based on the conclusions of the Strategic Development Plan), summarises the major results of these processes and arbitrates between conflicting claims at Branch and Group levels by notifying the parties concerned, prior to decision-making, of the financial consequences of the planned projects and by providing analytical advice.
- It helps operational management to keep track of performance: monitoring of budget execution (involving revision of forecasts at least three times a year) is effected through monthly performance reviews across all Branches, Divisions and Subsidiaries.
- It acts as Group financial controller, notably by participating in the investment monitoring and price negotiation processes with the Energy Regulation Commission (CRE).

Financial control is present at each managerial level (Group, Branches, Divisions, units and subsidiaries). The financial controllers are members of the Management Committees of the entities to which they belong. Branch Financial Managers are appointed and assessed by the Chief Financial Officer.

#### ***2.4.3.2. – Group Audit Function***

Since the autumn of 2002, the Group Audit Function is made up of all Group resources allocated to "control of the control".

The function operates as follows:

- Auditing is a management support function that operates independently of audited entities and processes. It enhances consistency across the Group, notably because all the auditors use the same Group methodology based on international standards;
- The Chairman is responsible for supervising this function; he has delegated this task to the Audit Department;
- Executive Vice Presidents in charge of Branches may ask the Audit Department for help in managing the risks associated with their business lines and in improving their results.

## 2003 EDF Group Chairman of the Board of Directors' Report on Internal Control Procedures

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The following tasks have been entrusted to EDF's Audit Department:

- Formulate and update Group control policy;
- Alert management to possible flaws in the control system;
- Draw up the audit programme based on risk mapping. After scrutiny by the Audit Committee, this programme is signed by the Chairman;
- Manage the network of auditors and coordinate internal control;
- Carry out around 60 audits a year covering the whole of the Group.

The audits lead to recommendations which are translated into action plans after ratification by the entities that have been audited. During the year that follows an audit, the Audit Department monitors the progress of the implementation of these action plans.

In 2003, the Audit function helped five Group entities to perform self-diagnoses of their internal control. The same programme is due to be carried out in 2004.

On 10 March 2003, the COMEX ratified a Group audit charter defining the scope of Internal Audit's activity within the EDF Group, stipulating the auditors' duties, laying down a code of ethics and setting out the rights and obligations of those who are audited. This charter makes particular reference to the fact that the Audit Department defines the benchmark for the Group in matters of internal control. It was submitted to the Audit Committee of the Board of Directors just as the audit programme and the audit reports carried out were submitted for an opinion

### 2.4.3.3. – *The Legal Department (LD)*

In order to remain as close as possible to decision-making bodies at Group (COMEX), Branch or regional level, the organisational structure of the LD is based on that of the EDF Group. The LD keeps track of changes in laws and regulations. It is consulted whenever contracts have to be drawn up and whenever the legal risks of corporate projects have to be analysed. It also monitors major ongoing litigation. Its task has led it to issue warnings and to play a role in preventing litigation.

### 2.4.3.4. – *Group Risk Management Department (GRMD)*

In April 2003, the Group established a Risk Management Department with six objectives:

- To ensure that management of the main risks is comprehensive and consistent in order to preserve the value of the Group's tangible and intangible assets;
- To consolidate and update Group risk management policy;
- To carry out and regularly update risk mapping across the Group;
- To design and implement effective sets of indicators and limits by category of risk, and to draw up and update sets of Group risk indicators;
- To anticipate future trends: for example, in Germany and the United Kingdom regulations now require that all organisations should set up a unit dedicated to risk management;
- To ensure that the Group remains vigilant with regard to the risks to which its business activities expose society and the community.

The scope of risk management is at the level of the Group as a whole. It covers three major classes of risk:

- *market risks*: financial market-related risks and energy market-related risks, for each of which EDF has set dedicated structures;
- *overall risks*: geopolitical, institutional, image-related, social/societal, environmental etc. risks;
- *specific operational risks*: industrial, commercial, IT, security of corporate assets, legal, client/supplier, fraud-related risks etc...

In carrying out its duties, the DCRG enjoys complete independence from the Branches. It relies on a network of risk managers at Branch level and on expert risk management units at Group level, the latter being dedicated to specific risks or risks that cut across branch, divisional or departmental boundaries. The risk management policy is regularly presented to the Audit Committee for discussion and comment.

## **2003 EDF Group Chairman of the Board of Directors' Report on Internal Control Procedures**

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### **2.5 Procedure for approving investments**

The Group Investments Committee (CIG), whose meetings are chaired by the Chairman, reviews all planned investments and approves all investments worth more than 20 million euros. Since late March 2003, all CIG meetings are preceded by meetings of the Risk Committee, whose membership represents the company's combined expertise at corporate level, thereby enabling it to ensure that the risks associated with investment projects submitted are subject to a comprehensive and in-depth analysis. Depending on the amount involved and their nature (strategic or other) investments by the parent company and major investments by the group are finally submitted to the Board of Directors for approval.

### **2.6 Administration and supervision of subsidiaries/affiliates**

Since 2002, EDF's general management has benefited from the existence of a "Directorships of Subsidiaries/Affiliates" unit, whose job is to formulate and implement the processes required to implement the Group's policy with regard to EDF's representation on the Boards of subsidiaries/affiliates.

Executive Vice Presidents in charge of Branches (or Senior Vice Presidents in charge of Corporate Divisions) who have been entrusted with the management of subsidiaries are required to define the appropriate "composition profile" of each Board of Directors. This profile should indicate the mix of collective and individual skills required of the Directors who will be representing EDF on the Boards of these subsidiaries/affiliates.

EDF appointees to Boards of subsidiaries are sent a letter setting out their remit and objectives.

### **2.7 External controls**

Like all industrial and trading companies that go public, EDF is subject to the scrutiny of statutory auditors and of financial market regulators (the "AMF" in France).

As EDF is a public sector corporation, it is subject to special controls of its finances, management, internal control and purchasing by external public authorities (Cour des comptes (French public accounting institution), Contrôleurs d'Etat, Inspection des Finances, Commission des Affaires Economiques de l'Assemblée Nationale et du Sénat, Commission des Marchés).

EDF is also regularly rated by financial, environmental and social responsibility rating agencies.

Owing to the nature of its business activities, EDF is subject to controls of its technology (for nuclear safety and radiation protection).

EDF's internal control programmes take account of the results of all these external controls.

## **3 INTERNAL CONTROL PROCEDURES RELATING TO THE IMPLEMENTATION AND OPTIMISATION OF THE GROUP'S OPERATIONS**

### **3.1 Risk management framework**

The EDF Group has formulated a set of risk management policies:

- a currency risk management policy and an interest rate risk management policy, both of which were approved by the Board of Directors in December 2001;
- a financial market risk management policy, which has been in place since late 2001;
- an energy market risk management policy, which is currently being deployed in the various operational Branches;
- a Group insurance policy, which was approved by the COMEX in March 2003 which will be presented to the Board of Directors by the end of the first half of 2004;
- a healthcare and safety policy, which was signed by the Chairman in October 2003;
- a counterparty risk management policy, which was submitted to the Audit Committee in January 2004, which will be presented to the Board of Directors by the end of the first half 2004.

## **2003 EDF Group Chairman of the Board of Directors' Report on Internal Control Procedures**

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These policies are an integral part of the Group's overall risk management policy, which is due to be finalised during 2004 and which will then be submitted to the Board of Directors.

### **3.2 Risk management**

In 2003, the GRMD with the support of the Audit Department, completed the first comprehensive mapping of risks relating to all of the Group's lines of business.

To achieve this goal, the Group adopted a methodology common to all operational Branches, main subsidiaries and corporate Divisions.

Moreover, a reference system for analysing business development projects was created to secure all mergers, acquisitions and disposals. The purpose of this system is to take all the impact of a project into account and, more particularly, to assess a number of stress scenarios. The Risk Management Committee, which was set up in March 2003, relies on this reference system.

This comprehensive approach to risk management was presented to the Audit Committee on 20 June 2003 and then again on 21 January 2004.

### **3.3 Keeping risks under control**

On the basis of the mapping of identified risks, each operational Branch, main subsidiary and corporate Division has drawn up and begun to implement action plans designed to ensure a satisfactory degree of control over identified risks. Since the start of 2004, the GRMD has been checking the exhaustiveness, reliability and effectiveness of this approach, and will verify its implementation and overall consistency.

Furthermore, in order to organise and coordinate the risk management systems at Group level, the Group Risk Management network has started to introduce sets of risk monitoring indicators, of both a financial and non-financial nature, with associated limits (which are already in place in the case of market risks).

Finally, decisions on future changes in insurance and risk hedging policies will be made in line with risk mapping considerations and will be incorporated into the Group's overall risk management policy.

## **4 INTERNAL CONTROL PROCEDURES RELATING TO THE RELIABILITY OF THE FINANCIAL INFORMATION**

### **4.1 The Group's accounting principles and standards**

The accounting standards used by the EDF Group comply with French regulations, while at the same time systematically favouring options that are compatible with international standards (IFRS), with the following notable exceptions:

- the accounting of concessions, as the accounting doctrine is being discussed;
- the accounting of retirement and other employee benefits for French entities, pending changes in the relevant legislation;
- the accounting of financial instruments to which the application of the IAS 39 accounting standard has yet to be clarified.

Thus, EDF has significantly anticipated the implementation of IFRS principles and is preparing for a complete switchover on 1 January 2005. These changes were submitted to the Audit Committee and to the Board of Directors during 2003.

The accounting principles and methods are set out in the Group's accounting principles manual.

### **4.2 Procedures for drawing up and controlling unbundled accounts**

In compliance with French law, EDF produces unbundled accounts for each line of business: generation and trading, transmission, electricity distribution and other activities.

These accounts are prepared in compliance with principles of unbundled accounts and the recommendations made by the Energy Regulation Commission (CRE). They are submitted to the Audit Committee and then the Board of Directors.



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### **4.3 Procedure for drawing up and controlling consolidated accounts**

Since 2003, EDF's consolidated financial statements have been published every half-year. The first half-yearly consolidated financial statements published by EDF were reviewed by the same statutory auditors who certify the annual and consolidated financial statements closed on 31 December. The consolidated financial statements are submitted to the Audit Committee, then to the Board of Directors.

The consolidated accounts are based on data entered locally by each entity, in line with Group standards. Local data including a balance sheet, income statement and notes to the financial statements are drawn up in accordance with a common chart of accounts. Local auditors also check data from subsidiaries.

Among the established control procedures, those pertaining to assets to off-balance sheet commitments must be highlighted:

- The Group's assets are valued on their acquisition date at their cost price. The gradual use of the assets is accounted for by depreciation. Estimated management data is checked to make sure that the carrying value of assets have not been overstated in relation to whichever of the two following values is the higher: value in use or market value, if available. The value in use is calculated using the future discounted cash flow method. Discounting rates take into account the cost of capital and the specific risks of each business line;
- Off-balance sheet financial commitments are also subject to the investment authorisation procedures. They are revalued every time the accounts are closed. The annual accounts provide relevant information on the amount of off balance sheet commitments, in accordance with the Group's accounting standards.

### **4.4 Internal control of the quality of the parent company's accounting**

The Accounting Department defines the reference system for controlling the degree of accounting quality that must be reached in the parent company. This system is based on major processes that cut across the company's organisational structure: sales, purchases, personnel costs, fixed assets, inventories, cash flow, taxation and production of accounts. It stipulates, in particular, what test criteria to use, the recommended random sampling methods to use and the reporting to be done.

The procedures for controlling the production of accounts mainly aim to check that the accounts are accurate and complete. They also check whether the principle of separate accounting periods has been complied with, that book entries meet the legally required criteria, that processes have been secured, that inventories have been drawn up, that accounts are vouched for on a monthly basis, that the quality of the accounting is regularly checked, that the provisions booked in the accounts accurately reflect the depreciation of asset values and the company's obligations, and that centralization operations are reliable and complete.

The quality of the accounts produced by the Branches is ensured by contractual relationships with the Accounting Department. At each level, an annual certificate is issued at the end of the accounting period certifying that the accounting gives a true and fair view of the previous accounting period and highlighting improvements that need to be made in the following accounting period. In addition, under the audit plan, several audits are scheduled that focus on the scope of the accounting function.

At the central corporate department level, formal checks are carried out, notably on the strict equality of treatment of internal transfers between accounting entities and of entries relative to fixed assets and provisions.

Central controls on consistency and plausibility are also carried out by analysing account variations, on the one hand, and their balances at the end of the period, on the other hand.

### **4.5 2004 action plans**

In anticipation of the publication of the EDF Group's 2006 accounts in mid-February 2007, the Accounting Department's objectives for 2004 are to strengthen the process of controlling the quality of the production of closing accounts to meet the requirements of the new accounting timetables (shorter lead-time for the

## 2003 EDF Group Chairman of the Board of Directors' Report on Internal Control Procedures

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production of accounts and monthly closings) and to broaden the process of internal control of the quality of accounting production.

The process of gradual integration of financial information systems must continue.

Finally an essential objective is to emphasise the notion of confidentiality of financial information throughout the company as practised in major listed companies as the Group has repeatedly suffered serious leaks in recent years.

### 5 INTERNAL CONTROL PROCEDURES RELATING TO THE GROUP'S COMPLIANCE WITH LAWS AND REGULATIONS

On the industrial operations side, numerous control procedures exist in addition to those mentioned above (see the "Approach to Quality" paragraph in the "Control Framework" section).

- In nuclear operations, two authorities are particularly worth mentioning:  
*L'Inspecteur Général pour la Sécurité Nucléaire (Inspector General for Nuclear Safety - IGSN)*, who, on behalf of the Chairman, makes sure that safety and radiation protection concerns are fully taken into account in all nuclear plant and facilities and are the subject of a published annual report;  
*L'Inspection Nucléaire (Nuclear Inspection)*, a section that reports directly to the Director of the Nuclear Production Division (DPN), whose job is to check the level of safety of the DPN's various entities;
- In other fields, such as for example, the control of pressure devices and the inspection of dams, each entity is responsible for defining and implementing adequate control procedures;
- Control procedures also exist on compliance with regulations on working conditions, labour law and social benefits.

### 6 THE DYNAMICS OF CHANGE

For several years, changes in the Group's organisation and modus operandi have allowed EDF to clarify and enhance the efficiency of internal control at all levels, including the Board of Directors (with the formation of several dedicated committees), streamlining of the Group's organisational structure (Branches being held responsible for their results) and the creation and strengthening of central corporate functions (the Legal Department, the Financial Control Department, the Risk Management Department, the Group Audit Function, etc.). This approach is also seen in the determination to standardise and speed up the production of consolidated financial statements, particularly by anticipating the adoption of the new accounting standards.

The will to continue developing internal control in 2004 will lead to the strengthening of these approaches, notably by enhancing the quality of accounting, the introduction of plans to control operational risks in Branches and the continuation of audits of internal control in the Group's various entities.

Paris, 11 March 2004

The Chairman and Chief Executive Officer of Electricité de France

François ROUSSELY

*This report was reviewed by the Audit Committee meeting on March 9<sup>th</sup> and the Board of Directors on March 11<sup>th</sup>. It was also discussed with the Statutory Auditors.*

## **2003 EDF Group Chairman of the Board of Directors' Report on Internal Control Procedures**

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### **Statutory auditors' report on the report prepared by the President of EDF, on the internal control procedures relating to the preparation and processing of financial and accounting information**

*(This is a free translation of the original French text for information purposes only)*

In our capacity as statutory auditors of EDF and at your request, we report to you on the report prepared by the President of EDF on the basis of the dispositions of the French law "Loi de Sécurité Financière n° 2003-706" dated 1 August 2003, for the year ended 31 December 2003.

Under the responsibility of the board of directors, management is responsible for defining and implementing appropriate and effective internal control procedures. It is for the President to give an account, in his report, of the conditions in which the tasks of board of directors are prepared and organized and the internal control procedures in place within the company.

It is our responsibility to report to you our observations on the information and assertions set out in the President's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

In accordance with the professional guidelines applicable in France we have obtained an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the President's report.

On the basis of the procedures we have performed, we have no matters to report in connection with the description of the internal control procedures of the Company relating to the preparation and processing of financial and accounting information, contained in the President's report.

### **The Statutory Auditors**

**Deloitte Touche Tohmatsu**  
Philippe Vassor Amadou Raimi

**Ernst & Young Audit**  
Patrick Gounelle Claire Nourry

**Mazars & Guérard**  
Jean-Louis Lebrun Guy Isimat-Mirin

# RAPPORT 2003 DU PRESIDENT DU CONSEIL D'ADMINISTRATION RELATIF AUX PROCEDURES DE CONTRÔLE INTERNE

## 1 INTRODUCTION

En application de la loi n° 2003-706 du 2 août 2003 de sécurité financière, ce rapport rend compte des procédures de contrôle interne mises en place au sein d'EDF, incluant celles appliquées à l'égard de ses filiales comptablement consolidées.

Essentiellement descriptif, ce rapport souligne la dynamique de renforcement du contrôle interne engagée dans le Groupe ces dernières années.

Ainsi, l'objectif de ce document n'est pas de présenter de façon exhaustive l'ensemble des moyens de contrôle existant au sein du Groupe mais plutôt de mettre l'accent sur les procédures concernant les activités ou risques estimés significatifs. Il n'a pas, aujourd'hui, vocation à porter une appréciation sur l'adéquation de ces procédures avec les activités du Groupe.

Le plan de ce rapport s'inspire du référentiel COSO<sup>1</sup>. Un premier paragraphe décrit les éléments relatifs à l'environnement de contrôle. Cet environnement de contrôle est un élément très important de la culture de l'entreprise et le fondement de tous les autres éléments du contrôle interne. Les trois paragraphes qui suivent listent les procédures associées aux trois objectifs reconnus du contrôle interne :

- Les procédures de contrôle interne relatives à la réalisation et l'optimisation des opérations;
- Les procédures de contrôle interne relatives à la fiabilité des informations financières;
- Les procédures de contrôle relatives à la conformité aux lois et aux règlements.

## 2 ENVIRONNEMENT DE CONTROLE

### 2.1 Le Conseil d'administration

Le Conseil d'administration d'EDF oriente et contrôle l'action et les résultats du Groupe EDF au travers de sa responsabilité sur la maison-mère. Il délibère sur toutes les orientations stratégiques concernant le Groupe ainsi que sur les sujets que la loi lui a expressément confiés ou qu'il s'est réservé (la prise ou cession de participations à caractère stratégique, les opérations financières à caractère novateur...).

Le Conseil d'administration est constitué de dix-huit Administrateurs nommés par le Gouvernement : six représentants de l'Etat, six personnalités nommées par décret et six représentants élus des salariés. Assistent également au Conseil, sans voix délibérative, les membres de la mission de contrôle économique et financier de l'Etat, le Commissaire du Gouvernement et son Adjoint et le Secrétaire du Comité d'Entreprise. Les membres du Conseil ont un mandat d'une durée de cinq ans.

Pour l'exercice de ses missions, le Conseil, qui se réunit environ neuf fois par an, s'est doté d'instances de travail, constituées d'Administrateurs, chargées d'examiner et de préparer en amont certains dossiers :

- **La Commission des investissements**, mise en place depuis juillet 1947, qui est chargée d'examiner tous les marchés concernant la maison-mère d'un montant égal ou supérieur à 15 M€ ;
- **La Commission de l'exploitation**, mise en place depuis juillet 1947, qui analyse l'évolution du Groupe à travers la présentation des budgets d'exploitation et des points particuliers concernant les Branches et Directions et la préparation d'un bilan mensuel des principaux éléments concernant le Groupe EDF ;

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<sup>1</sup> Committee of Sponsoring Organisations of the Treadway Commission.

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- **Le Comité d'audit**, mis en place depuis octobre 1999, est présidé par une personnalité externe au Groupe EDF. Il donne, avant présentation au Conseil, son avis sur les comptes annuels et consolidés, le compte-rendu de la gestion financière, le bilan du contrat de Groupe, la politique de contrôle des risques et le programme d'audit ; il procède également à l'audition des Commissaires aux Comptes ;
- **Le Comité de la stratégie**, mis en place depuis février 2000, est présidé par une personnalité externe au Groupe EDF. Il donne son avis sur les grandes orientations stratégiques du Groupe et, à ce titre, sur la politique de développement notamment à l'international et sur la politique industrielle et commerciale ;
- **Le Comité d'éthique**, mis en place depuis septembre 2001 et présidé par une personnalité externe au Groupe EDF, qui a pour mission de veiller à développer le questionnement éthique dans les décisions stratégiques du Groupe.

### **2.2 Démarche Éthique**

Cette démarche, débattue en Conseil d'administration du 26 mars 2003, a pour objectif de construire l'identité éthique du Groupe en s'appuyant sur la mise en œuvre des cinq valeurs de l'Entreprise : respect de la personne, respect de l'environnement, performance, solidarité et intégrité.

En particulier tout salarié, comme tout partenaire externe du Groupe, peut exercer un droit d'alerte éthique. Le Délégué Éthique instruit alors la réclamation en toute indépendance, par délégation directe du Président, et en s'appuyant si nécessaire sur des experts (Direction Juridique, Direction des Ressources Humaines, ...). Il s'assure de la suite effective donnée aux propositions ou recommandations qu'il forme pour faire cesser ou corriger les manquements aux valeurs signalés et établis.

### **2.3 Démarche Qualité**

En deux ans et demi, EDF a mis son Système de Management Environnemental en conformité avec la norme ISO 14001, dont l'une des exigences majeures est la maîtrise de la conformité réglementaire dans le domaine environnemental. Une certification globale a ainsi été obtenue en avril 2002 à partir d'audits menés par un organisme externe indépendant (Agence Française pour l'Assurance de la Qualité : AFAQ) sur des entités représentatives des activités du Groupe. Ce dossier a été présenté à plusieurs reprises dans les instances du Conseil d'administration.

### **2.4 Structure organisationnelle et acteurs du contrôle**

#### **2.4.1. *Organisation du Groupe et principes de pilotage***

La nouvelle organisation du Groupe a été mise en place début 2002 afin de faciliter le pilotage et de clarifier les responsabilités. Elle avait au préalable été présentée pour débat en Conseil d'administration. Le Président, pour diriger le Groupe, s'appuie sur le Comité Exécutif (COMEX) qui réunit, outre le Président, les trois Directeurs Généraux : Opérations, Finances et Ressources Humaines.

**Les "Branches" d'activités opérationnelles** (Energies, Commerce, Europe Centrale, Europe de l'Ouest - Méditerranée - Afrique, Amériques, Asie - Pacifique, Développement, la Direction EDF-GDF Services, les Services Energétiques (Dalkia), le Projet Collectivités Locales et les Activités Gaz) regroupent les Directions, Divisions, Unités (centres de production, de distribution, ...) et autres services. Ces Branches contribuent à la performance économique du Groupe et sont responsables de leurs résultats.

**Les filières métier** développent les synergies métier en mettant en relation les responsables métier des différentes Divisions.

**Les services support** contribuent à l'efficacité opérationnelle des Branches. Ils sont régulés par la performance (qualité, coût) des services produits. Ils se comparent à la performance des mêmes services dans des groupes comparables.

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**La recherche et développement** favorisent le développement du Groupe dans la durée.

Par ailleurs le Gestionnaire du Réseau de Transport d'Electricité (RTE), dans le cadre de la loi du 10 février 2000 qui lui donne l'autonomie de gestion, a développé ses propres moyens de contrôle : Mission Audit et Révision Comptable et Financière.

Les principes de pilotage reposent sur l'établissement d'un Plan de Développement Stratégique (PDS) qui fixe les orientations du Groupe relatives à son modèle d'activité (objectifs de croissance et rentabilité) à moyen et long terme et sur un Plan à Moyen Terme (PMT) qui fixe les plans d'actions chiffrés (en terme de résultats à obtenir et d'allocations ressources) en cohérence avec le PDS, la première année du PMT étant le budget.

### ***2.4.2. Délégations de pouvoir et Habilitations techniques***

Le Conseil d'Administration d'EDF a consenti une délégation de pouvoirs à son Président qui subdélègue certaines de ses compétences à ses collaborateurs directs. Ces délégations servent de fondement aux délégations qui sont ensuite consenties au sein des Branches, Directions, services de l'Entreprise.

Ainsi, depuis juin 2003, les nouvelles délégations de pouvoirs ont permis une mise sous contrôle plus forte des achats en restreignant le pouvoir de signature des contrats d'achat au seul Directeur des Achats.

La délégation "exploitant nucléaire" est portée par le Directeur de la Branche Energies puis par les Directeurs des Divisions Exploitation Nucléaire et Ingénierie Nucléaire.

Les habilitations techniques qui donnent l'aptitude à exercer des activités relatives aux installations (centrales de production, lignes électriques,...) sont délivrées par chaque chef d'établissement. Au préalable, les compétences afférentes sont évaluées. Ces exigences s'appliquent à l'ensemble des intervenants : personnel EDF et prestataires.

### ***2.4.3. Les acteurs du contrôle interne***

#### ***2.4.3.1. - Le Contrôle de Gestion***

Le Contrôle de Gestion, rattaché au Directeur Général Finances, a pour missions :

- De piloter les processus de cycle de gestion du Groupe (élaboration des budgets et plans à moyen terme issus des conclusions du Plan de Développement Stratégique), d'en assurer la synthèse et de proposer des arbitrages au niveau des Branches et du Groupe en jouant un rôle d'alerte et de conseil dans l'analyse, avant décision, des conséquences financières des opérations envisagées;
- D'assister le management opérationnel dans le pilotage de la performance : le suivi de l'exécution du budget (faisant l'objet de re-prévisions au minimum trois fois par an) est assuré au travers de revues de performances mensuelles généralisées au sein des Branches et des Divisions ou Filiales;
- D'assurer la fonction de contrôle financier du Groupe en contribuant notamment aux processus de contrôle des investissements et de négociations tarifaires avec la Commission de Régulation de l'Energie (CRE).

Le contrôle de gestion est implanté au niveau de chacune des entités managériales (Groupe, Branches, Divisions, unités ou filiales). Les contrôleurs de gestion font partie du Comité de Direction des entités auxquelles ils appartiennent. Les Directeurs Gestion Finances des Branches sont nommés et évalués par le Directeur Général Finances.

#### ***2.4.3.2. - La Fonction Audit de Groupe***

La Fonction Audit de Groupe est constituée depuis l'automne 2002 de l'ensemble des moyens du Groupe exerçant une activité de "contrôle du contrôle".

Les principales dispositions sont les suivantes :

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- L'audit est une fonction d'appui au management, indépendante des entités et des processus audités. L'audit contribue à la cohérence du Groupe notamment par l'utilisation par tous les auditeurs d'une méthode commune au Groupe alignée sur les normes internationales;
- Le pilotage de cette fonction est placé sous la responsabilité du Président qui en confie la mission à la Direction de l'Audit;
- Les Directeurs de Branches peuvent solliciter l'audit pour s'assurer de la bonne maîtrise des risques de leur activité et améliorer leurs résultats;

Les missions confiées à la Direction de l'Audit d'EDF sont les suivantes :

- Définir et actualiser la politique de contrôle du Groupe;
- Alerter le management sur les failles éventuelles du dispositif de contrôle;
- Elaborer le programme d'audit sur la base de la cartographie des risques. Ce programme est signé par le Président après examen par le Comité d'Audit;
- Piloter le réseau d'audit et animer le contrôle interne;
- Conduire les missions d'audit, environ une soixantaine par an, celles-ci couvrant l'ensemble du Groupe.

Les audits donnent lieu à des recommandations qui, après validation par les audités, font l'objet de plans d'action. L'avancement de ces plans d'action est suivi par la Direction de l'Audit pendant l'année qui suit la réalisation de l'audit.

Il est à signaler qu'une contribution à un auto-diagnostic du contrôle interne de cinq entités du Groupe a été réalisée en 2003 et qu'un programme de travail identique est retenu pour 2004.

Une charte d'audit Groupe définissant le champ des activités de l'Audit Interne au sein du Groupe EDF, le devoir des auditeurs, les règles d'éthique et les droits et obligations des audités a été validée en COMEX le 10 mars 2003. Cette charte mentionne en particulier que la Direction de l'Audit définit la référence du Groupe en matière de contrôle interne. Elle a été présentée au Comité d'audit, de même que lui sont présentés pour avis le programme d'audit ainsi que le bilan des audits effectués.

### **2.4.3.3. - La Direction Juridique (DJ)**

Afin d'intervenir au plus près des instances de décision, que cela soit au niveau du COMEX, des Branches ou au niveau régional, l'organisation de la DJ est calée sur celle du Groupe EDF. La DJ exerce une mission de veille concernant les évolutions législatives et réglementaires ; elle est saisie pour la rédaction des contrats ainsi que pour l'analyse des risques juridiques relatifs aux projets de l'entreprise. Elle assure également le suivi des contentieux importants. Sa mission induit donc une fonction d'alerte et de prévention des contentieux.

### **2.4.3.4. - La Direction du Contrôle des Risques Groupe (DCRG)**

Le Groupe s'est doté, depuis avril 2003, d'une Direction du Contrôle des Risques, destinée à répondre à six objectifs :

- Garantir l'exhaustivité et l'homogénéité de la maîtrise des risques principaux afin de préserver la valeur du patrimoine matériel et immatériel du Groupe;
- Consolider et actualiser la politique de risques du Groupe;
- Construire et tenir à jour la cartographie des risques à l'échelle du Groupe;

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- Définir et mettre en place les systèmes d'indicateurs et de limites pertinents par catégorie de risques, construire et tenir à jour les tableaux de bord "risques" du Groupe;
- Anticiper les évolutions futures : l'exigence d'une organisation dédiée au contrôle des risques constitue par exemple une obligation réglementaire en Allemagne et au Royaume-Uni;
- Assurer la vigilance du Groupe sur la gestion des risques pour la collectivité.

Le périmètre d'exercice du contrôle des risques se situe à l'échelle du Groupe. Il couvre trois grandes classes de risques:

- *Les risques de marché* : risques liés aux marchés financiers d'une part et risques liés aux marchés de l'énergie d'autre part. Ces risques font l'objet de structures dédiées;
- *Les risques globaux* : risques géopolitiques, institutionnels, d'image, sociaux et sociétaux, environnementaux....;
- *Les risques opérationnels spécifiques* : risques industriels, commerciaux, technologies de l'information, sécurité du patrimoine, risques juridiques, clients/fournisseurs, fraude....

La DCRG assure ses missions en toute indépendance vis-à-vis des Branches. Elle s'appuie sur une filière contrôle des risques, constituée des contrôleurs des risques relevant des Branches ainsi que des structures d'expertise et de contrôle, de niveau Groupe, dédiées aux risques transverses ou spécifiques. Ce dispositif de maîtrise des risques est présenté pour débat et avis de façon régulière au Comité d'audit.

### **2.5 Procédure d'approbation des investissements**

Le Comité des Investissements Groupe (CIG), présidé par le Président, examine l'ensemble des projets d'investissement et valide tout montant d'investissement supérieur à 20 M€. Depuis fin mars 2003, les réunions du CIG sont systématiquement précédées d'un Comité Risques rassemblant les différentes expertises concernées de niveau "Corporate" et permettant de vérifier l'exhaustivité et la profondeur des analyses de risque des projets présentés. En fonction de leur montant financier et de leur nature (stratégique ou non), les investissements de la maison mère et les investissements majeurs du Groupe sont ensuite soumis pour approbation au Conseil d'administration.

### **2.6 L'administration et la surveillance des filiales**

Depuis 2002, la Direction de l'entreprise s'est dotée d'une cellule "Mission Administrateurs et Sociétés" dédiée à la définition et à la mise en œuvre des processus de la "politique administrateurs".

Le Directeur de la Branche (ou le Directeur de Division Corporate) à qui est confiée la gestion de l'actif est en charge de définir pour chaque société une "composition cible", vision anticipée et collective des compétences et les profils nécessaires de la représentation d'EDF au conseil de la société.

La désignation d'un administrateur est accompagnée d'une lettre de mission et d'une lettre d'objectifs.

### **2.7 Les contrôles externes**

Comme toute entreprise à caractère industriel et commercial faisant appel public à l'épargne, EDF est soumis aux contrôles des Commissaires aux Comptes et de l'Autorité des marchés financiers.

Par son caractère d'entreprise publique, EDF est soumise à des contrôles spécifiques tant dans les domaines financiers, de gestion et de contrôle interne (Cour des Comptes, Contrôleurs d'Etat, Inspection des Finances, Commission des Affaires Economiques de l'Assemblée Nationale et du Sénat) que d'achats (Commission des Marchés).

EDF fait l'objet d'évaluations par les agences de notation financières, environnementales et sociétales.



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Compte-tenu de son activité, EDF fait également l'objet de contrôles dans les domaines techniques (Direction Générale de la Sûreté Nucléaire et de la Radioprotection).

Les résultats de ces différents contrôles externes alimentent les programmes de contrôle interne.

### **3 LES PROCEDURES DE CONTROLE RELATIVES A LA REALISATION ET L'OPTIMISATION DES OPERATIONS**

#### **3.1 Cadrage de la gestion des risques**

Le Groupe EDF a défini :

- Une politique de gestion des risques de change et une politique de gestion des risques de taux, validées en Conseil d'Administration en décembre 2001;
- Une politique de gestion des risques marchés financiers, mise en œuvre depuis fin 2001;
- Une politique de gestion des risques marchés énergie, en cours de déploiement au sein des différentes Branches opérationnelles;
- Une politique assurance Groupe, validée par le COMEX en mars 2003 et qui sera soumise au Conseil d'administration d'ici la fin du premier semestre 2004;
- Une politique santé-sécurité, signée par le Président en octobre 2003;
- Une politique de gestion des risques de contrepartie soumise au Comité d'Audit en janvier 2004 et qui sera soumise au Conseil d'administration d'ici la fin du premier semestre 2004.

Ces éléments font parties intégrantes de la politique générale de contrôle des risques Groupe, dont la finalisation est prévue au cours de l'année 2004 et qui sera alors soumise au Conseil d'administration.

#### **3.2 Contrôle des risques**

En 2003, une première cartographie globale des risques au niveau de l'ensemble des activités du Groupe EDF a été réalisée sous l'égide de la DCRG avec l'appui de la Direction de l'Audit.

Pour ce faire, le Groupe s'est doté d'une méthodologie commune à l'ensemble des Branches opérationnelles, principales filiales et Directions corporate.

Par ailleurs, un référentiel d'analyse des risques des projets de développement a été mis au point afin de sécuriser l'ensemble des opérations de fusions-acquisitions-cessions. Cette analyse vise à intégrer l'ensemble des impacts du projet et en particulier à valoriser des scénarios de stress. Les travaux du Comité Risque, mis en place en mars 2003, s'appuient sur ce référentiel.

L'ensemble de cette démarche a été présenté au Comité d'Audit le 20 juin 2003 puis à nouveau le 21 janvier 2004.

#### **3.3 Mise sous contrôle des risques**

Sur la base de la cartographie des risques identifiés, chaque Branche opérationnelle, principale filiale et Direction corporate a lancé et organisé la mise en place de plans d'actions de nature à garantir un contrôle satisfaisant des risques identifiés. La DCRG en vérifiera, à partir de début 2004, l'exhaustivité, la robustesse et l'efficacité et s'assurera de leur mise en œuvre et de leur cohérence d'ensemble.

En outre, pour structurer et harmoniser les dispositifs de gestion des risques au niveau du Groupe, la filière Contrôle des Risques Groupe a débuté la mise en place d'indicateurs de suivi des risques, financiers et non financiers, et de limites associées (d'ores et déjà en place pour les risques marchés).

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Enfin, les évolutions de la politique d'assurance et de couverture des risques seront décidées en cohérence avec la cartographie des risques et seront intégrées à la politique globale de contrôle des risques du Groupe.

### **4 LES PROCEDURES DE CONTROLE RELATIVES A LA FIABILITE DES INFORMATIONS FINANCIERES**

#### **4.1 Principes et normes comptables du Groupe**

Les normes comptables utilisées par le Groupe EDF sont conformes à la réglementation française en privilégiant systématiquement les options compatibles avec les règles internationales (IFRS) à l'exception principalement :

- Du traitement des concessions pour lequel la doctrine comptable est en cours de discussion;
- Du traitement des retraites et autres avantages au personnel des entités françaises dans l'attente d'une évolution de la législation;
- Du traitement des instruments financiers pour lesquels les modalités d'application de la norme IAS 39 restent à préciser.

EDF a ainsi largement anticipé la mise en œuvre des règles IFRS et se prépare à un passage complet au 1er janvier 2005. Ces évolutions ont été présentées au comité d'audit et au Conseil d'administration courant 2003.

Les règles et méthodes comptables sont décrites dans le manuel des principes comptables du Groupe.

#### **4.2 Procédures d'établissement et de contrôle des comptes dissociés**

Aux termes de la loi, EDF produit des comptes dissociés par domaine d'activité : production, transport, distribution d'électricité et autres activités.

Ces comptes sont élaborés en conformité avec les principes de dissociation et les recommandations formulées par la CRE. Ils sont présentés au comité d'audit puis au Conseil d'administration

#### **4.3 Procédure d'établissement et de contrôle des comptes consolidés**

Les comptes consolidés sont publiés semestriellement depuis 2003. Ces premiers comptes semestriels ont été revus par les Commissaires aux Comptes qui certifient par ailleurs les comptes au 31 décembre. Les comptes consolidés sont présentés au comité d'audit puis au Conseil d'administration.

Les comptes consolidés sont établis à partir des données saisies localement dans chaque entité conformément aux normes du Groupe. Les données locales incluant un bilan, un compte de résultat et des annexes sont établies selon un plan de compte unique. Les données des filiales sont également vérifiées par les auditeurs locaux.

Parmi les procédures de contrôle mises en place, celles relatives aux actifs et aux engagements hors bilan sont à distinguer :

- Les actifs du Groupe sont valorisés à la date d'acquisition à leur prix de revient. Il est tenu compte, par le biais d'un amortissement, de l'utilisation progressive des biens. Les informations de gestions prévisionnelles sont examinées pour vérifier que la valorisation des actifs dans les comptes n'est pas surévaluée par rapport à la valeur la plus élevée entre leur valeur d'usage ou à leur valeur de marché si elle est disponible. La valeur d'usage est calculée par actualisation des cash flow futurs attendus. Les taux d'actualisation prennent en compte le coût des capitaux et les risques spécifiques de chaque activité;
- Les engagements financiers hors bilan relèvent également des procédures d'autorisation des investissements. Leur valorisation fait l'objet d'une réévaluation à chaque arrêté comptable. Les

## **Rapport 2003 du Président du Conseil d'Administration relatif aux procédures de contrôle interne**

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comptes annuels donnent une information pertinente sur le montant des engagements hors bilan conformément aux principes comptables du Groupe.

### **4.4 Contrôle interne de la qualité de la comptabilité de la maison mère**

La Division Comptabilité définit le référentiel de contrôle de la qualité comptable qui s'applique au sein de la maison-mère. Ce référentiel se décline par grands processus transverses : ventes, achats, frais de personnel, immobilisations, stocks, trésorerie, fiscalité et production comptable. Il précise notamment les critères à tester, les méthodes d'échantillonnage préconisées et le reporting à fournir.

Les procédures de contrôle de la production comptable visent notamment à vérifier que les comptes ont déterminés de façon exacte et exhaustive, que le principe de séparation des exercices est respecté, que les enregistrements répondent aux critères légaux, que les processus sont sécurisés, que des inventaires sont réalisés, que les comptes sont justifiés mensuellement, que la qualité de la production comptable fait l'objet d'un contrôle régulier, que les provisions comptabilisées traduisent correctement la dépréciation des valeurs d'actifs et les obligations de l'entreprise, et que les opérations de centralisation sont fiables et exhaustives.

La qualité de la production comptable des Branches est garantie par une contractualisation avec la Division Comptabilité. Cette contractualisation donne lieu, pour chaque niveau, à une attestation annuelle de fin d'exercice qui fournit l'image de la qualité comptable pour l'exercice écoulé et définit les voies d'amélioration pour l'exercice suivant. Par ailleurs plusieurs missions d'audit portant sur le périmètre de la fonction comptable sont inscrites au plan d'audit.

Des contrôles formels de grands équilibres portant notamment sur l'égalité stricte des opérations de cessions internes entre les différentes entités comptables et sur les flux relatifs aux immobilisations et aux provisions sont réalisés au sein du département central.

Des contrôles de cohérence et de vraisemblance par l'analyse des variations de comptes d'une part et de leur solde en fin de période d'autre part sont également réalisés au plan central.

### **4.5 Plans d'action 2004**

Dans la perspective d'une publication des comptes 2006 du Groupe EDF à mi-février 2007, la Division Comptabilité a pour objectifs, en 2004, de renforcer le processus de contrôle qualité de la production comptable des arrêtés aux exigences des nouveaux calendriers (raccourcissement du délai de production des comptes et arrêté mensuel) et d'élargir le processus de contrôle interne de la qualité de la production comptable.

Le processus d'intégration progressive des systèmes d'information financiers qui a été initié doit se poursuivre.

Enfin un objectif essentiel est de renforcer la confidentialité de l'information financière dans l'ensemble de l'entreprise à l'image des pratiques des grandes sociétés cotées, des déficiences graves ayant été constatées de façons répétées au cours des années passées.

## **5 LES PROCEDURES DE CONTROLE RELATIVES A LA CONFORMITE AUX LOIS ET AUX REGLEMENTS**

Dans le domaine de l'exploitation industrielle, de nombreuses procédures de contrôle existent en plus de celles précédemment citées (cf. paragraphe "Démarche Qualité" dans "Environnement de Contrôle") :

- Dans le domaine nucléaire, deux acteurs peuvent être mentionnés en particulier :

*L'Inspecteur Général pour la Sécurité Nucléaire (IGSN)* qui s'assure, pour le compte du Président, de la bonne prise en compte des préoccupations de sûreté et de radioprotection, dans toutes leurs composantes, pour les installations nucléaires et dont le rapport annuel est publié;

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*L'Inspection Nucléaire, service directement rattaché au directeur de la Division Production Nucléaire (DPN), dont les actions de vérification permettent d'évaluer le niveau de sûreté des différentes entités de la DPN;*

- Dans les autres domaines, par exemple, le contrôle des appareils à pression, la surveillance des barrages, chaque entité est responsable de la définition et de la mise en œuvre des procédures de contrôles adéquates;
- Des procédures de contrôle sont également effectuées sur l'application de la réglementation sociale et du travail.

### **6 DYNAMIQUE D'ÉVOLUTION**

Depuis plusieurs années, les différentes évolutions dans l'organisation et les modes de fonctionnement du Groupe ont permis de clarifier et de renforcer l'efficacité du contrôle interne à tous les niveaux, depuis le Conseil d'Administration avec la création de plusieurs comités spécialisés, en passant par la clarification de la structure du Groupe avec la mise en place de Branches responsabilisées sur les résultats puis par la création et le renforcement des structures centrales jouant un rôle particulier dans le contrôle (Direction Juridique, Direction du Contrôle de Gestion, Direction du Contrôle des Risques, Fonction Audit du Groupe, ...). La volonté de normaliser et d'accélérer la production des comptes consolidés notamment en anticipant sur les nouvelles normes comptables s'inscrit également dans cette perspective.

La volonté de poursuivre le développement du contrôle interne en 2004 se traduira par l'approfondissement de ces démarches et notamment par le renforcement de la qualité comptable, la mise en place de plans de contrôle des risques opérationnels dans les branches et la poursuite des audits sur le contrôle interne des différentes entités du Groupe.

Paris le 11 mars 2004,

Le Président d'EDF

François ROUSSELY

*Ce rapport a été examiné successivement, en Comité d'Audit du 9 mars et en Conseil d'Administration du 11 mars. Il a également fait l'objet d'échanges avec les Commissaires aux Comptes.*

**Rapport 2003 du Président du Conseil d'Administration relatif aux procédures de contrôle interne**

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**Rapport des commissaires aux comptes sur le rapport du Président d'EDF, pour ce qui concerne les procédures de contrôle interne relatives à l'élaboration et au traitement de l'information comptable et financière**

Exercice clos le 31 décembre 2003

En notre qualité de Commissaires aux comptes d'EDF et à la demande de l'Entreprise, nous vous présentons notre rapport sur le rapport établi par le Président d'EDF en se référant aux dispositions de la loi n° 2003-706 du 1er août 2003 de sécurité financière, au titre de l'exercice clos le 31 décembre 2003.

Sous la responsabilité du Conseil d'Administration, il revient à la Direction de définir et de mettre en œuvre des procédures de contrôle interne adéquates et efficaces. Il appartient au Président de rendre compte, dans son rapport, notamment des conditions de préparation et d'organisation des travaux du Conseil d'Administration et des procédures de contrôle interne mises en place au sein de l'Entreprise.

Il nous appartient de vous communiquer les observations qu'appellent de notre part les informations et déclarations contenues dans le rapport du Président concernant les procédures de contrôle interne relatives à l'élaboration et au traitement de l'information comptable et financière.

Nous avons, conformément à la doctrine professionnelle applicable en France, pris connaissance des objectifs et de l'organisation générale du contrôle interne, ainsi que des procédures de contrôle interne relatives à l'élaboration et au traitement de l'information comptable et financière, présentés dans le rapport du Président.

Sur la base de nos travaux, nous n'avons pas d'observation à formuler sur la description des procédures de contrôle interne de l'Entreprise relatives à l'élaboration et au traitement de l'information comptable et financière, contenues dans le rapport du Président.

Le 11 mars 2004

**Les Commissaires aux comptes**

**Deloitte Touche Tohmatsu**  
Philippe Vassor Amadou Raimi

**Ernst & Young Audit**  
Patrick Gounelle Claire Nourry

**Mazars & Guérard**  
Jean-Louis Lebrun Guy Isimat-Mirin

## TAXATION

**The information provided below does not purport to be a complete summary of French tax law and practice currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisers.**

Subject to the exceptions set out in Condition 8.02 of the Terms and Conditions of the Instruments, payments in respect of the Instruments will be made without withholding or deduction for, or on account of, taxes imposed by or on behalf of the Republic of France as provided by Article 131 *quater* of the French General Tax Code, to the extent that the Instruments are issued (or deemed to be issued) outside France and constitute *obligations*.

Instruments constituting *obligations* under French law will be issued (or deemed to be issued) outside France (i) in the case of syndicated or non-syndicated issues of Instruments, if such Instruments are denominated in euro, (ii) in the case of syndicated issues of Instruments denominated in currencies other than euro, if, *inter alia*, the Issuer and the relevant Dealers agree not to offer the Instruments to the public in the Republic of France in connection with their initial distribution and such Instruments are offered in the Republic of France only through an international syndicate to qualified investors (*investisseurs qualifiés*) as described in Article L.411-2 of the French *Code monétaire et financier* or (iii) in the case of non-syndicated issues of Instruments denominated in currencies other than euro, if each of the subscribers of the Instruments is domiciled or resident for tax purposes outside the Republic of France in each case as more fully set out in the Circular of the *Direction Général des Impôts* dated 30 September 1998.

However, Instruments constituting *obligations* denominated in currencies other than Euro may be issued on a non-syndicated basis and placed with subscribers not all of whom are resident outside the Republic of France. In such cases, the Instruments will not benefit from the exemption from deduction at source provided by Article 131 *quater* of the French General Tax Code and payments under such Instruments made to a non-French resident will be exempt from withholding or deduction at source only if the beneficiary of the payment provides certification that he is not resident in the Republic of France, all in accordance with the provisions of Article 125 A III of the French General Tax Code, as more fully described in "Terms and Conditions of the Instruments - Taxation".

The tax regime applicable to Instruments which do not constitute *obligations* will be set out in the relevant Pricing Supplement.

A Holder of an Instrument will not be subject to French income taxes (other than withholding taxes) with respect to any payment under the Instruments, provided that such Holder is neither domiciled in the Republic of France nor deemed to be resident, established or carrying on an activity in the Republic of France for French tax purposes.

A Holder of an Instrument will not be subject to French taxes on capital gains with respect to any gains realised on the disposal of the Instruments provided that such Holder is neither domiciled in the Republic of France nor deemed to be resident, established or carrying on an activity in the Republic of France for French tax purposes.

## SUBSCRIPTION AND SALE

Instruments may be sold from time to time by the Issuer to any one or more of BNP Paribas, Dresdner Bank Aktiengesellschaft, Goldman Sachs International, J.P. Morgan Securities Ltd., Merrill Lynch International, Mizuho International plc, Morgan Stanley & Co. International Limited, and UBS Limited, (the "**Dealers**" and individually a "**Dealer**"). Instruments may also be sold by the Issuer directly to institutions who are not Dealers. The arrangements under which Instruments may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealership agreement dated 4 August 2004 (the "**Dealership Agreement**") and made between the Issuer and the Dealers. Any such agreement will, inter alia, make provision for the form and terms and conditions of the relevant Instruments, the price at which such Instruments will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Instruments.

**United States of America:** *Regulation S Category 2 TEFRA D, unless TEFRA C is specified as applicable in the relevant Pricing Supplement; Rule 144A Eligible if so specified in the relevant Pricing Supplement.*

Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except that Instruments in registered form may be offered or sold to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on the exemption from registration requirements of the Securities Act provided by Rule 144A. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Instruments in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealership Agreement, it will not offer or sell Instruments (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Instruments comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Instruments to or through more than one Dealer, by each of such Dealers as to Instruments of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons (other than Instruments sold pursuant to Rule 144A), and it will have sent to each distributor, dealer or person to which it sells Instruments during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the respective meanings given to them by Regulation S under the Securities Act.

In addition, until forty days after the commencement of the offering of Instruments comprising any Tranche, any offer or sale of Instruments within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act (if available).

Each purchaser of Instruments in registered form in the United States will, by its purchase of such Instruments, be deemed to have represented and agreed as follows:

- (i) it is (a) a qualified institutional buyer as defined in Rule 144A under the Securities Act, (b) aware that the sale to it is being made in reliance on Rule 144A and (c) acquiring such Instruments for its own account or for the account of a qualified institutional buyer who has been advised that the sale is being made to it in reliance on Rule 144A;
- (ii) it understands if it decides to offer, sell or otherwise transfer such Instruments, it may do so only (a) outside the United States in a transaction exempt from the registration requirements of the Securities Act pursuant to Rule 904 of Regulation S under the Securities Act, (b) in accordance with Rule 144A under the Securities Act to a person

## Subscription and Sale

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whom the seller and any person acting on behalf of the seller reasonably believe is a qualified institutional buyer that is purchasing for its own account or for the account of a qualified institutional buyer and to whom notice is given that the offer, sale or transfer is being made in reliance on Rule 144A under the Securities Act or (c) if available, pursuant to the exemption from registration under the Securities Act provided by Rule 144 thereunder; and

- (iii) it understands that any Instrument in registered form purchased in the United States will bear a legend setting forth the representations and agreements in (ii) above.

Each Tranche of Instruments will also be subject to such further United States selling restrictions as the Issuer and the relevant Dealer(s) may agree and as indicated in the relevant Pricing Supplement.

### United Kingdom

Each Dealer further represents, warrants and agrees that:

- (i) No offer to public: in relation to Instruments which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of the period of six months from the issue date of such Instruments, it will not offer or sell any such Instruments to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (ii) No deposit taking: in relation to any Tranche of Instruments having a maturity of less than one year from the date of issue, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Instruments other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Instruments would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;
- (iii) Financial Promotion: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (iv) General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

### The Republic of France

Each Dealer has agreed to comply with the following restrictions:

- (a) **Non-Euro syndicated issues:** in respect of syndicated issues of Instruments constituting obligations (except issues of Instruments denominated in Euro), each Dealer has represented and agreed that, for Euronext Paris S.A. listed Instruments only in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, Instruments to the public in the Republic of France and that offers of Instruments will be made in the Republic of France only to qualified investors in accordance with Article L.411-2 of the *Code monétaire et financier* (the "Code") and Decree no. 98-880 dated 1 October 1998 (the "Decree");



## Subscription and Sale

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- (b) **Non-Euro non-syndicated issues:** in respect of non-syndicated issues (except issues of Instruments denominated in Euro), each Dealer has represented and agreed that, for Euronext Paris S.A. listed Instruments only in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, Instruments in the Republic of France and that each subscriber of Instruments will be domiciled or resident for tax purposes outside the Republic of France; and
- (c) **Euro issues (syndicated or non-syndicated):** in respect of issues (whether syndicated or non-syndicated) of Instruments constituting obligations denominated in Euro, each Dealer has represented and agreed that, for Euronext Paris S.A. listed Instruments only in connection with their initial distribution, it has not offered or sold and will not offer or sell directly or indirectly, any Instruments to the public in the Republic of France and that offers and sales of Instruments in the Republic of France will be made only in accordance with the Code and the Decree relating to offers to a limited number of investors and/or qualified investors.

In addition, each Dealer has represented and agreed that, for Euronext Paris S.A. listed Instruments only in connection with their initial distribution, it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France the Information Memorandum or any other offering material relating to any Instruments issued under the Programme other than to those investors to whom offers and sales of the Instruments may be made as described above.

Investors in the Republic of France may only participate in the issue of Instruments for their own account in accordance with the conditions set out in the Decree. Instruments may only be issued, directly or indirectly, to the public in the Republic of France in accordance with the Code and the Decree. Where an issue of Instruments is effected as an exception to the rules relating to an *appel public à l'épargne* in the Republic of France (public offer rules) by way of an offer to a restricted circle of investors, such investors must, to the extent that the Instruments are offered to 100 or more such investors, provide certification as to their personal relationship, of a professional or family nature, with a member of the management of the Issuer.

### Japan

The Instruments have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, each Dealer has undertaken that it will not offer or sell any Instruments directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for reoffering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### Federal Republic of Germany

Each Dealer has confirmed that it is aware of the fact that no German selling prospectus (Verkaufsprospekt) has been or will be published in respect of the Programme and that it will comply with the Securities Selling Prospectus Act (the "**Act**") of the Federal Republic of Germany (Wertpapier-Verkaufsprospektgesetz). In particular each Dealer has undertaken not to engage in public offering ("**Öffentliches Anbieten**") or other selling activities in the Federal Republic of Germany with respect to any Instruments issued under the Programme otherwise than in accordance with the Act and any other act replacing or supplementing the Act and all other applicable laws and regulations.

### Switzerland

Each Dealer has represented and agreed that any issue of Instruments denominated in Swiss Francs will be in compliance with the guidelines of the Swiss National Bank regarding issues of Swiss Franc denominated debt securities.

## Subscription and Sale

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### The Netherlands

The Instruments may not be, directly or indirectly, issued, offered, sold or transferred and each Dealer represents and agrees that it has not, directly or indirectly, offered, sold or transferred and will not, directly or indirectly, offer, sell or transfer within The Netherlands any Instruments with a denomination of less than EUR 50,000 (or its foreign currency equivalent) other than to individuals or legal entities situated in The Netherlands who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institutions, central governments, large international and supranational organizations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities; hereinafter "**Professional Investors**") provided that it is made clear both upon making the offer and in any documents or advertisements in which a forthcoming offering of such Instruments is publicly announced (whether electronically or otherwise) in The Netherlands that such offer is exclusively made to such Professional Investors, unless one of the other exemptions from or exceptions to the prohibition contained in article 3 of the Dutch Securities Transactions Supervision Act 1995 ("*Wet toezicht effectenverkeer 1995*") is applicable and the conditions attached to such exemption or exception are complied with, provided in each case that non-interest bearing Definitive Instruments may not be offered, sold, or transferred directly or indirectly, within or from The Netherlands except in conformity with the requirements of the Dutch Savings Certificates Act ("*Wet Inzake spaarbewijzen*").

### General

Other than with respect to the listing of the Instruments on the relevant stock exchange, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Instruments, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Information Memorandum or any Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Instruments) or (in any other case) in a supplement to this document.

## GENERAL INFORMATION

1. Application has been made to list the Instruments issued under the Programme on the Luxembourg Stock Exchange. Prior to the listing of any Instruments, the relevant documents establishing the Issuer and the legal notice relating to the issue will be deposited with the Luxembourg trade and companies register (*Registre de commerce et des sociétés de Luxembourg*), where copies of these documents may be obtained upon request.

However, Instruments may be issued pursuant to the Programme which will not be listed on the Luxembourg Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

2. The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 22 March 1996. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Instruments.

The maximum aggregate amount of Instruments to be issued under the Programme of €11,000,000,000 was authorised by a resolution of the Board of Directors of the Issuer passed on 2 June 2004.

3. The Instruments have been accepted for clearance through Euroclear and Clearstream. The appropriate common code and the International Securities Identification Number, in relation to the Instruments of each Series will be specified in the Pricing Supplement relating thereto. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Instruments for clearance together with any further appropriate information.

4. Bearer Instruments (other than Temporary Global Instruments) and any Coupon appertaining thereto will bear a legend substantially to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to in such legend provide that a United States person who holds a Bearer Instrument or Coupon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Instrument or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

5. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Fiscal Agent or, as the case may be, the Registrar in relation to each Tranche of Instruments.

6. On 3 June 2003, the Council of the European Union adopted a new directive regarding the taxation of savings income (the "Directive").

Subject to certain conditions being met, it is proposed that Member States will be required, as from 1 January 2005, the expected date of implementation of the Directive, to provide to the tax authorities of another Member State details of payments of interest within the meaning of the Directive (interest, products, premiums or other debt income) made by a paying agent within its jurisdiction to or for the benefit of an individual resident in that other Member State (the "Disclosure of Information Method"). In this way, the term "paying agent" would be defined widely and would include in particular any economic operator who is responsible for making interest payments, within the meaning of the Directive, for the immediate benefit of individuals.

However, throughout a transitional period, certain Member States (the Grand-Duchy of Luxembourg, Belgium and Austria) would withhold an amount on interest payments instead of using the Disclosure of Information Method used by other Member States. The rate of such withholding tax would equal 15 per cent. as from 1 January 2005, 20 per cent. as from 1 January 2008 and 35 per cent. as from 1 January 2011.

According to the agreement reached by the ECOFIN Council, such transitional period would end if and when the European Community enters into agreements on exchange of information upon request with several jurisdictions (the United States, Switzerland, Liechtenstein, San Marino, Monaco and Andorra).

7. The Luxembourg Stock Exchange has allocated to the Programme the number 10819 for listing purposes.

8. Except as disclosed in the Information Memorandum, there are no legal, arbitration or administrative proceedings against or affecting the Issuer or any of its fully consolidated subsidiaries which are material in the context of the Programme or the issue of Instruments thereunder.

## General information

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9. Since 31 December 2003, the last day of the financial period in respect of which the most recent audited consolidated financial statements of the Issuer have been prepared, and save as disclosed in this Information Memorandum, there has been no adverse change in the financial or trading position of the Issuer and its fully consolidated subsidiaries that is material in the context of the Programme or the issue of Instruments thereunder.

10. The consolidated financial statements of the Issuer have been audited by Ernst & Young Audit and Mazars et Guérard for the years ending 31 December 2001 and by Deloitte and Touche, Ernst & Young Audit and Mazars et Guérard for the year ending 31 December 2002 and 31 December 2003. The audit reports relating to 2001 consolidated financial statements contains a scope limitation, a qualification on pension commitments and several comments on provisions relating to nuclear production, consequences of market deregulation, and financial results of the Brazilian subsidiary. The audit report relating to the 2002 consolidated financial statements contains a qualification on pension commitments, comments on provisions relating to nuclear production, on the valuation of the investment in Italenergia Bis and related financial commitments and on the ongoing physical inventory of fixed assets, and an emphasis matter paragraph relating to the changes in accounting policies as of 1st January 2002. The audit report relating to the 2003 consolidated financial statements contains a qualification on pension commitment, comments on provisions relating to nuclear production and includes an emphasis matter paragraph relating to the accounting changes as of 1st January 2003.

11. For so long as the Programme remains in effect or any Instruments shall be outstanding, copies and, where appropriate, English translations of the following documents may be inspected and obtained during normal business hours at the specified offices of each of the Paying Agents, namely:

- (a) the relevant documents establishing the Issuer;
- (b) the Information Memorandum and any document incorporated by reference therein;
- (c) the Issue and Paying Agency Agreement;
- (d) the Deed of Covenant;
- (e) the Dealership Agreement;
- (f) the most recent publicly available audited financial statements and interim financial statements of the Issuer; and
- (g) any Pricing Supplement relating to Instruments which are listed on any stock exchange. (In the case of any Instruments not being listed on any stock exchange, copies of the relevant Pricing Supplement will only be available for inspection by a Holder of or, as the case may be, a Relevant Account Holder (as defined in the Deed of Covenant) in respect of, such Instruments).

12. In connection with the application to list the Instruments on Euronext Paris S.A.:

- (a) a legal notice relating to the issue of such Instruments will be published in the *Bulletin des Annonces Légales Obligatoires* prior to such listing;
- (b) the Pricing Supplement applicable to such issue will be submitted to the approval of the AMF and Euronext Paris S.A. and the relevant approval will be evidenced by the issue of the visa by the AMF which will be disclosed in the relevant Pricing Supplement applicable to the relevant Instruments and by publication in the *Bulletin Officiel de Euronext Paris S.A.*;
- (c) the Pricing Supplement applicable to such issue will specify the additional places in Paris at which documents required to be made available for inspection may be inspected during normal business hours;
- (d) the Information Memorandum, Issue and Paying Agency Agreement and Deed of Covenant will be available to Holders at the Paris offices of the Paris Paying Agent for as long as the Instruments are listed on Euronext Paris S.A.;
- (e) issues of Instruments listed on Euronext Paris S.A. will be made in compliance with the guidelines provided by the letter dated 1 October 1998 from the French Minister of the Economy, Finance and Industry to the *Président* of the *Association française des Etablissements de crédit et des entreprises d'investissement*; and
- (f) issues of Instruments constituting warrants and index linked Instruments to be listed on Euronext Paris S.A. will be made in accordance with the General Principles (*principes généraux de la Commission des opérations de bourse (COB) et du Conseil des marchés financiers (CMF) relatifs aux bons*

## General information

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*d'options et aux titres de créances complexes*) issued by the COB and the CMF or any successor authority.

## **INFORMATIONS RELATIVES À L'ADMISSION À LA CÔTE D'EURONEXT PARIS S.A.**

*PERSONNES QUI ASSUMENT LA RESPONSABILITE DU DOCUMENT DE BASE EN CE QUI CONCERNE LES TITRES QUI SERONT NEGOCIES AU PREMIER MARCHE DE LA BOURSE DE PARIS.*

### ***Au nom de l'Emetteur***

*A la connaissance de l'Emetteur, les données du présent Document de Base sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.*

*Anne Le Lorier*

*Directeur Corporate Finance et Trésorerie*

*Electricité de France (E.D.F.), Service National*

### ***Au nom de la banque présentatrice***

*A la connaissance de la banque présentatrice, les données du présent Document de Base sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.*

*James Walter*

*Vice President*

*Morgan Stanley & Co. International Limited*

## **AUTORITE DES MARCHES FINANCIERS**

*En application de son Règlement 98-01 de la Commission des opérations de bourse, l'Autorité des marchés financiers a enregistré le présent Document de Base sous le numéro P04-160 du 3 août 2004.*

*Il ne peut être utilisé à l'appui d'une opération financière que s'il est complété par une note d'opération visée par l'Autorité des marchés financiers. Ce Document de Base a été établi par l'Emetteur et engage la responsabilité de ses signataires. Cet enregistrement, effectué après examen de la pertinence et de la cohérence de l'information donnée sur la situation de l'émetteur, n'implique pas l'authentification des éléments comptables et financiers présentés.*

*La notice préalable à la cotation éventuelle à Paris de tout titre émis dans le cadre de ce Programme sera publiée au Bulletin des Annonces Légales Obligatoires.*

**REGISTERED OFFICE OF THE ISSUER**

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*To the Dealers as to English and French Law*

*To the Issuer as to English and French Law*

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