



# **HALF-YEAR FINANCIAL REPORT**

## **JUNE 30, 2011**

This Half-year financial report contains information relating to the markets in which the EDF group is present. This information has been taken from surveys carried out by external sources. Considering the very rapid changes that characterize the energy sector in France and in the world, it is possible that this information could prove to be erroneous or outdated. Developments in the Group's activities could consequently differ from those described in this Half-year financial report and the declarations and information appearing in this report could prove to be erroneous.

The forward-looking statements contained in this Half-year financial report, notably in section 9 ("Financial Outlook for 2011") of the Half-year management report, are based on assumptions and estimates that could evolve or be impacted by risks, uncertainties (relating particularly to the economic, financial, competitive, regulatory and weather environment) or other factors that may cause the future results, performances and achievements of the Group to differ significantly from the objectives expressed and suggested. These factors may include changes in the economic and commercial environment, regulations, and the factors set forth in section 4.1 of the EDF group's 2010 reference document ("Risk Factors").

Pursuant to European and French legislation, the entities responsible for the transmission and distribution of electricity within the EDF group may not communicate certain information gathered in the course of their activities to the other entities of the Group, including its Management. Similarly, certain data specific to generation and supply activities may not be communicated to the entities responsible for transmission and distribution. This Half-year financial report has been prepared by the EDF group in compliance with these rules.

## Contents of the Half-year financial report

- 1 - Certification by the person responsible for the Half-year financial report
- 2 - Half-year management report at June 30, 2010
- 3 - Condensed consolidated half-year financial statements at June 30, 2011
- 4 - Statutory Auditors' Review Report on the first half-year financial information for 2011 (January 1 to June 30, 2011)

**Certification by the person responsible for the Half-year financial report**

I certify that, to the best of my knowledge, the condensed consolidated financial statements at June 30, 2011 are prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income of the company and of all the companies included in the scope of consolidation, and that the attached Half-year management report presents a true and fair view of the important events of the first six months of the financial year and their impact on the financial statements, the main related party transactions and a description of the main risks and uncertainties for the remaining six months of the financial year.

Paris, July 28, 2011  
Henri Proglio  
Chairman and CEO of EDF



BOARD OF DIRECTORS' MEETING, JULY 28, 2011

# **HALF-YEAR MANAGEMENT REPORT**

## **JUNE 30, 2011**

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# 1 Key figures

Pursuant to European regulation 1606/2002 of July 19, 2002 on the adoption of international accounting standards, the EDF group's condensed consolidated financial statements at June 30, 2011 are prepared using the presentation, recognition and measurement rules prescribed by the international accounting standards published by the IASB and approved by the European Union for application at June 30, 2011. These international standards are IAS (International Accounting Standards), IFRS (International Financial Reporting Standards), and interpretations issued by the SIC and IFRIC.

The accounting and valuation methods applied by the Group are presented in note 1 to the condensed consolidated half-year financial statements at June 30, 2011.

## Restatements

The figures presented in this document are taken from the EDF group's condensed consolidated half-year financial statements at June 30, 2011.

In compliance with accounting principles, the previously published figures for first-half 2010 have been restated for the effect of the following:

- application of IFRS 5, "Non-current assets held for sale and discontinued operations", and
- the change in presentation of SPE's energy purchase and sales optimization, which has no impact on EBITDA.

## Adjustments

For analysis of Group results, organic growth in 2011 is measured against adjusted 2010 figures, i.e. on a comparable scope of consolidation that does not include RTE, EnBW, the networks and Eggborough plant in the UK.

The table below shows details of restated and adjusted figures.

<b>In millions of Euros</b>	<b>H1 2010 (restated)</b>	<b>Impact of equity method for RTE</b>	<b>Impact of sale of EnBW<sup>(1)</sup></b>	<b>Impact of disposals in the UK<sup>(1)</sup></b>	<b>Total impacts</b>	<b>H1 2010 (adjusted)</b>
Sales	33,538	(119)	-	(779)	(898)	32,640
Operating profit before depreciation and amortization (EBITDA)	9,557	(791)	-	(625)	(1,416)	8,141
Operating profit (EBIT)	4,685	(493)	-	(399)	(892)	3,793
Income before taxes of consolidated companies <sup>(2)</sup>	2,458	(328)	14	(303)	(617)	1,841
EDF net income	1,659	-	(359)	(222)	(581)	1,078
Net income excluding non- recurring items <sup>(3)</sup>	2,969	-	(387)	(222)	(609)	2,360

(1) Including interest on net proceeds of disposals, set by convention at 1% before taxes.

(2) The income before taxes of consolidated companies corresponds to the EDF group's net income before income taxes, the share in net income of associates, net income attributable to non-controlling interests and the net income of discontinued operations.

(3) Net income excluding non-recurring items is not defined by IFRS, and is not directly visible in the consolidated income statements. It corresponds to the Group's share of net income excluding non-recurring items and the net change in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax (see section 3.9).

Key figures at June 30, 2011 are shown in the following table. Variations in value and percentage are calculated with reference to adjusted first-half 2010 figures.

### Extract from the consolidated income statements

In millions of Euros	H1 2011	H1 2010 (adjusted)	Variation	Variation (%)	Organic growth (%)
Sales	33,464	32,640	+824	+2.5	+2.7
Operating profit before depreciation and amortization (EBITDA)	8,616	8,141	+475	+5.8	+6.2
Operating profit (EBIT)	5,256	3,793	+1,463	+38.6	
Income before taxes of consolidated companies	3,446	1,841	+1,605	+87.2	
EDF net income	2,554	1,078	+1,476	+136.9	
Net income excluding non-recurring items	2,629	2,360	+269	+11.4	+12.5

### Operating cash flow

In millions of Euros	H1 2011	H1 2010 (restated)	Variation	Variation (%)
Operating cash flow <sup>(1)</sup>	5,965	6,329	-364	-5.8

*(1) Operating cash flow is not an aggregate defined by IFRS as a measure of financial performance, and is not directly comparable with indicators of the same name reported by other companies. This indicator, also known as Funds From Operations (FFO), is equivalent to net cash flow from operating activities excluding changes in working capital, adjusted for the impact of non-recurring items, less net financial expenses disbursed and income taxes paid.*

Operating cash flow at June 30, 2011 showed organic growth of +5.6% compared to adjusted operating cash flow at June 30, 2010.

### Indebtedness

In millions of Euros	June 30, 2011	December 31, 2010	Variation	Variation (%)
Net indebtedness	29,206	34,389	-5,183	-15.1
Equity (EDF's share)	31,317	31,317	-	-
Net indebtedness/EBITDA	<b>2.0</b> <sup>(1)</sup>	<b>2.2</b> <sup>(2)</sup>		

*(1) The ratio at June 30, 2011 is calculated based on cumulative EBITDA for the second half of 2010 and the first half of 2011.*

*(2) 2010 ratio using a numerator and denominator based on a comparable scope of consolidation: in the denominator, 2010 EBITDA has been adjusted for UK networks (10 months) and RTE EBITDA (12 months); the numerator, is adjusted for EnBW.*



## 2 Economic environment and significant events for the first half-year of 2011

### 2.1 Economic environment

#### 2.1.1 Trends in market prices for electricity and the principal energy sources

During the first half of 2011, energy prices in Europe were marked by two major external events that had worldwide repercussions: the political tensions in North Africa throughout the half-year, and the nuclear accident at Fukushima in March.

##### 2.1.1.1 Spot electricity prices in France, the United Kingdom, Italy and Germany<sup>1</sup>

	France	UK	Italy	Germany
Average baseload price for H1 2011 (€/MWh)	51.0	56.9	67.4	52.7
Variation in average baseload prices, H1 2011/2010	+13.2%	+31.2%	+9.7%	+27.8%
Average peakload price for H1 2011 (€/MWh)	62.1	63.0	76.1	62.2
Variation in average peakload prices, H1 2011/2010	+10.6%	+26.4%	+5.1%	+21.4%

In **France**, spot electricity prices rose due to the increase in coal prices, despite a relatively mild late winter.

In the **United Kingdom** and **Italy**, the upturn in gas prices led to higher spot electricity prices, resulting from an energy mix that emphasised Combined Cycle Gas plants.

In **Germany**, prices also registered a noticeable increase driven by the rise in fuel prices and greater use of fossil-fired and oil-fired generation facilities following the moratorium on nuclear power.

##### 2.1.1.2 Forward electricity prices in France, the United Kingdom and Germany<sup>2</sup>

	France	United Kingdom	Germany
Average baseload price for H1 2011 (€/MWh)	57.3	62.9	56.2
Average variation in baseload prices, H1 2011/2010	+9.0%	+30.2%	+12.6%
Forward baseload price at June 30, 2011	55.7	63.3	56.7
Average peakload price for H1 2011 (€/MWh)	71.7	70.8	69.0
Average variation in peakload prices, H1 2011/2010	-0.4%	+28.9%	+4.3%
Forward peakload price at June 30, 2011	71.0	71.6	70.8

European annual contract baseload prices rose on average compared to the first half of 2010, except in the **United Kingdom** where the increase in gas prices led to an increase of some 30% in forward electricity prices.

<sup>1</sup> *France and Germany: Average previous day EPEX price for same-day delivery; United Kingdom: Average previous day EDF Trading OTC price for same-day delivery; Italy: Average previous day GME price for same-day delivery*

<sup>2</sup> *France and Germany: Average year-ahead EPD price; United Kingdom: Average ICE annual contract prices, April 2011 then April 2012 (in the UK, annual contract deliveries take place from April 1 to March 31).*

In **France**, the 2011 annual contract baseload price settled at an average level that was 9.0% higher than in the first half of 2010. Early in the year, fossil fuel price trends caused a proportional rise in the costs of fossil-fired generation plants, resulting in higher French annual contract prices.

In mid-March, the accident at Fukushima, followed by the German moratorium and reconsideration of nuclear power in certain European countries, reshaped the future use patterns of the nuclear generation fleet. Forward electricity prices in **France** rose abruptly by approximately €5/MWh, in response to the prospects of structural change in the European generation fleet and rising fuel prices. A trend towards price consolidation was observed until the end of May, then in June the base annual contract price declined in the wake of CO<sub>2</sub> and fuel prices.

In **Germany**, the base annual contract price was higher than in the same period of 2010. First-half 2011 German prices were on average €1.1/MWh lower than French prices, compared to a €2.6/MWh differential in first-half 2010. Germany's successive announcements that nuclear plants would be shut down first for three months, then permanently, led to higher price rises than in France, and the spread narrowed accordingly.

From early June the price differential between the German and French annual contracts actually reversed. Following the German government's decision at the end of May to close down eight of the country's nuclear power plants permanently the spread was inverted, as French nuclear availability had been high since the beginning of the year. German prices remained above French prices throughout the month of June.

In the **United Kingdom**, the 2011 April Ahead baseload contract price followed the same pattern as forward gas prices.

### 2.1.1.3 CO<sub>2</sub> emission rights prices <sup>3</sup>

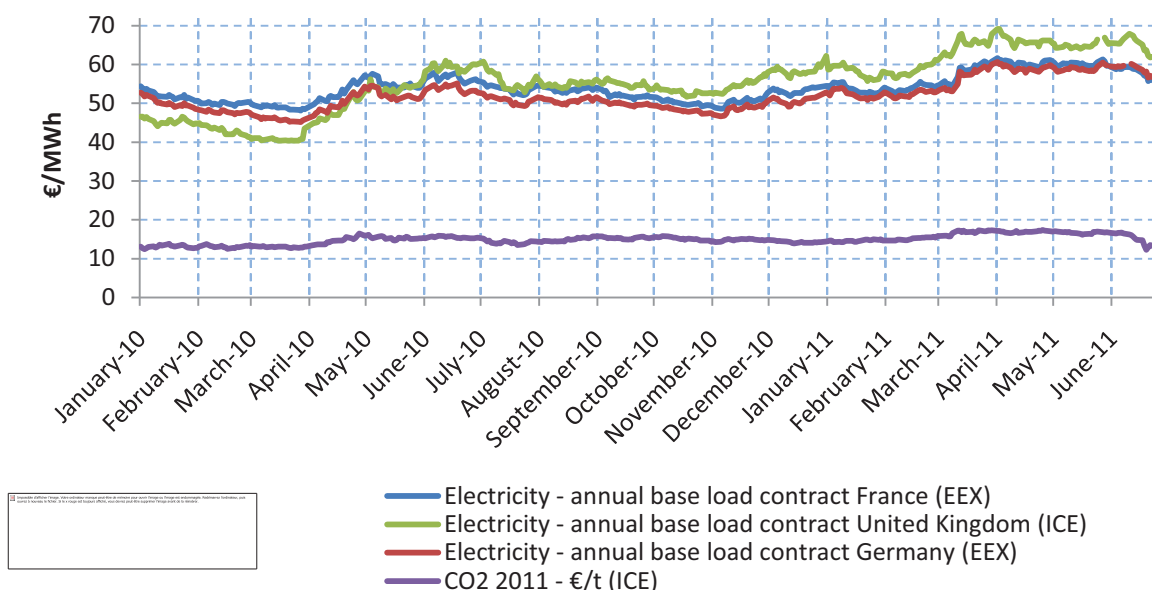
The price of CO<sub>2</sub> emission rights under Phase II (2008-2012) for delivery in December 2011 stood at €15.9/t in the first half of 2011, up by more than 12.5% from its first-half 2010 levels. This is because the closures of several German nuclear plants will lead to more extensive use of coal-fired and gas-fired plants, and therefore higher CO<sub>2</sub> emissions in Europe.

However, in June the European Commission proposed a directive to encourage member states to meet the target 20% improvement in energy efficiency between 2008 and 2020, given that the current pace of change will only achieve half this target. The proposed measures are designed to reduce energy consumption, and therefore CO<sub>2</sub> emissions. As the decision was not followed by a proposed cut in allocated quotas, the price of CO<sub>2</sub> emission rights fell in the second part of June to end the half-year at €13.5/t.

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<sup>3</sup> Average ICE prices for the annual contract of Phase II (2008-2012).

## Forward electricity prices in France, the United Kingdom and Germany and CO<sub>2</sub> emission rights prices (Phase II, 2008-2012)



### 2.1.1.4 Fossil fuel prices <sup>4</sup>

	Coal (\$/t)	Oil (\$/bl)	Natural gas (p/th)
Average price for H1 2011	125.6	111.4	64.9
Average price variation, H1 2011/2010	+31%	+42.2%	+48.0%
Highest price in H1 2011	134.5	126.7	71.8
Lowest price in H1 2011	114.8	93.3	56.1
Closing price, H1 2010	101.5	75.0	53.0
Closing price, H1 2011	128.6	112.5	68.3

Forward prices for coal saw an average rise from the first half of 2010, driven by forecasts of greater German demand for coal (following the decision to close several nuclear plants ahead of schedule), and growing demand in Asia.

Oil prices continued to move upwards during the first half of 2011 against a background of political unrest in North Africa, especially Libya, reaching a peak of \$126.7/bl in early April. But a sharp downturn ensued, and the closing price for the month of June was \$112.5/bl. Market players' apprehensions of slower growth in demand, the Euro's decline against the dollar due to sovereign debt problems in Europe, and finally the International Energy Agency's decision to release 60 million barrels from its strategic reserves drove the price of a barrel of Brent oil down during the second quarter.

<sup>4</sup> Coal: Average ICE prices for delivery in Europe (CIF ARA) for the next calendar year (\$/t);

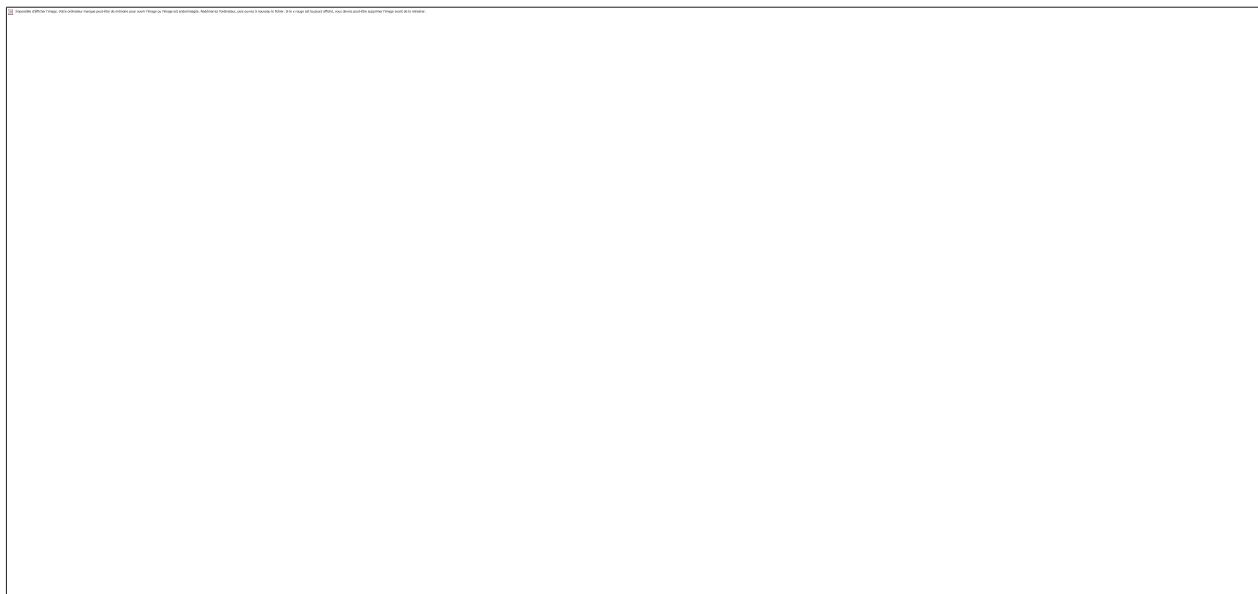
Oil: Brent first reference crude oil barrel, IPE index (front month) (\$/barrel);

Natural gas: Average ICE OTC prices, for delivery starting from October of the following year for the UK (NBP) (p/therm).

Natural gas prices under the **United Kingdom's** annual contract rose significantly over the first quarter of the year compared to the same period of 2010. From February, market players feared that supply would fall if the Libyan conflict spread to other gas-producing countries. Subsequently, the aftermath of the Fukushima accident suggested that a large amount of LNG (liquefied natural gas) would be diverted to Japan, and that the demand for gas would be higher in Europe. In the second quarter, large-scale LNG supplies in the United Kingdom, combined with a more relaxed situation in the short term that allowed significant injections into inventories, led to a downward trend in annual contract prices.

Meanwhile, spot prices in **Italy**<sup>5</sup> followed the rise observed in UK prices, although the increase was attenuated by foreign exchange effects. This upward movement was occasionally amplified by the unrest in Libya, due to the interconnection between the two countries.

### Natural gas and oil prices



#### 2.1.2 Electricity <sup>6</sup> and gas consumption

Overall electricity consumption in **France** during the first half of 2011 was 5.6% lower than in first-half 2010. This difference is mostly explained by higher-than-normal temperatures, especially in the spring, particularly as they were well above the temperatures of 2010 which is considered one of the two coolest years of the past two decades along with 1996. The lower volumes delivered in 2011 to Eurodif also played a smaller role in the difference compared to first-half 2010 (-2.4TWh).

Estimated domestic electricity consumption in first-half 2011 was down by 4.2% in the **United Kingdom** and up by 1.6% in **Italy**<sup>7</sup> compared to first-half 2010.

Consumption of natural gas in **France** fell sharply (-14%) over the first half of 2011 compared to the same period of 2010, primarily because temperatures were noticeably higher than in first-half 2010, when they had been below normal seasonal levels. After adjustment for weather effects, consumption was stable. However, this stability masks contrasting developments in different sectors: consumption by large industrial customers and electricity plants rose

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<sup>5</sup> Source: EDF Trading.

<sup>6</sup> France: Data provided by RTE, unadjusted for weather effects.

<sup>7</sup> For countries other than France, estimates are supplied by local EDF subsidiaries.

with the beginnings of an economic recovery, whereas consumption by residential customers, the service sector and small industrial customers connected to the distribution network was down due to an unfavorable gas price context.

### 2.1.3 Electricity and natural gas sales tariffs

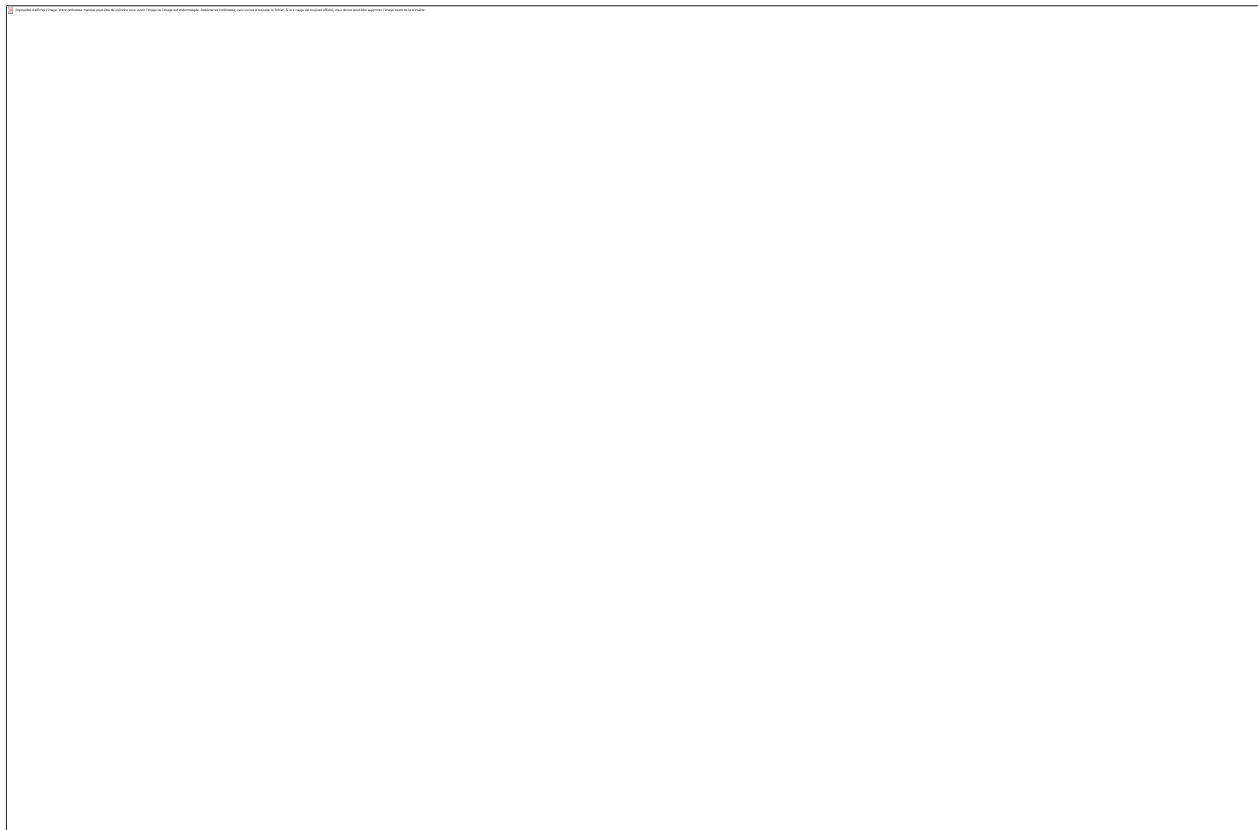
**In France**, on June 28, 2011 the Minister for Industry, Energy and the Digital Economy, raised the average “blue” tariff (for residential customers) by 1.7% and the “yellow” and “green” tariffs (for industrial and large business customers) by 3.2%. The rises are applicable from July 1, 2011.

**In the United Kingdom**, EDF Energy raised its electricity and gas tariffs for domestic customers by 7.5% and 6.5% respectively on March 2, 2011. Its electricity tariffs had risen by 2.6% on October 1, 2010 while its gas tariffs had been reduced by 3.6% on March 26, 2010.

### 2.1.4 Weather conditions

#### 2.1.4.1 Temperatures

#### Temperature variance from normal levels, January to June 2011<sup>8</sup>



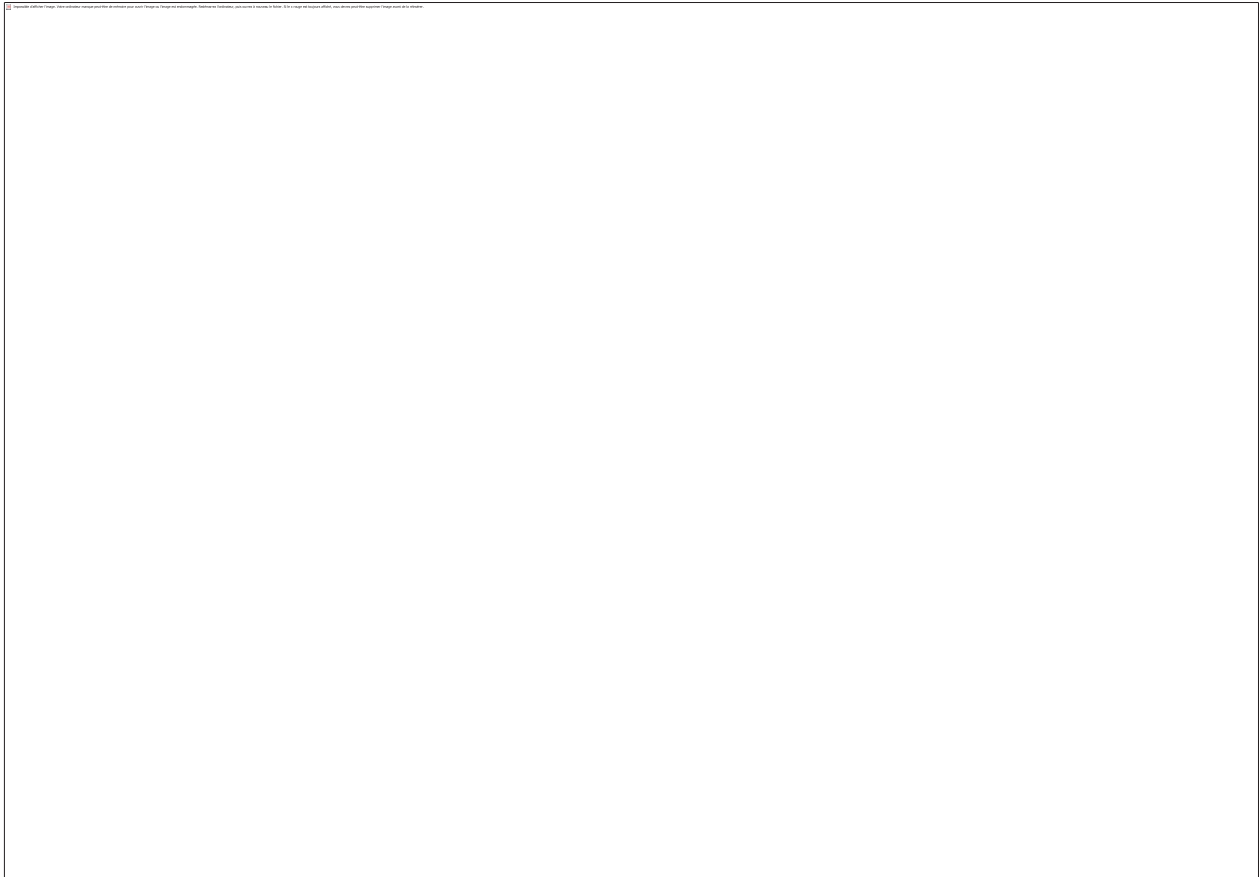
In France, temperatures in the first quarter of 2011 were equivalent to normal seasonal levels on average. They were slightly below normal in January, by  $-0.3^{\circ}\text{C}$ , then an upturn beginning in February led into a spring that saw persistent anticyclonic conditions across all of Europe. The weather became exceptionally hot, dry and sunny, as reflected in the positive differences of  $+0.2^{\circ}\text{C}$  in March,  $+2.2^{\circ}\text{C}$  in April and  $+1^{\circ}\text{C}$  in May above normal temperatures.

<sup>8</sup> Map comparing average temperatures with normal levels between January and June 2011. Normal temperatures are measured over 30 years (1971-2000 for Western Europe and 1961-1990 for Eastern Europe). Source: Base de Données Climatologiques, Météo France

This significant anomaly over April and May was also observed in France's neighboring countries (Spain, Italy, Switzerland and Germany). Temperatures cooled off slightly in June, registering an average  $-0.5^{\circ}$  variance from normal.

#### 2.1.4.2 Rainfall

##### Rainfall: January to June 2011<sup>9</sup>



During the first half of 2011, a large area of Europe – France in particular – experienced a significant shortfall in rain that took hold progressively from January onwards, peaking in April and May. In France, the cumulative rainfall for the five months from January to May 2011<sup>10</sup> was below most of the lowest levels recorded in the past fifty years. Only Spain, the southern half of Italy, Turkey and more than half of Scandinavia (Norway in particular) registered above-average rainfall.

Hydropower capacity in France gradually deteriorated over the months to reach record lows in April/May for the whole French fleet and along the major rivers where the nuclear power plants are located. Very low water levels in spring were also observed in the neighboring countries (especially the Alpine basins in Switzerland, Austria and Northern Italy) that were affected by these two abnormal rainfall and temperature situations.

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<sup>9</sup> Map comparing average rainfall with normal half-year levels between January and June 2011.

Normal rainfall is measured over 30 years (1971-2000 for Western Europe and 1961-1990 for Eastern Europe). Source: Base de Données Climatologiques, Météo France.

<sup>10</sup> Data for June were unavailable when this report went to press.

## **2.2 Significant events** <sup>11/12</sup>

### **2.2.1 Strategic developments**

#### **2.2.1.1 Simplified alternative public cash or exchange offer for EDF Energies Nouvelles shares**

On April 8, 2011 EDF announced the launch of a simplified alternative public offer to purchase or exchange the 50% of the capital of EDF Energies Nouvelles not held by the Group. The offer was made for cash at the price of €40 per EDF Energies Nouvelles share (ex coupon) or for shares based on the parity of 13 new EDF shares (to be issued, with dividend rights effective from January 1, 2011) for 11 EDF Energies Nouvelles shares (ex coupon). On May 24, 2011, the French financial markets authority AMF officially approved this offer, which was open from May 27 to June 16, 2011. Following the offer EDF now holds 75,012,639 shares representing 96.71% of the capital and voting rights in EDF Energies Nouvelles.

Since the shares that were not tendered to the offer initiated by EDF account for less than 5% of the share capital and voting rights, on July 21, 2011 EDF requested the approval of the AMF for a compulsory squeeze-out of the remaining EDF Energies Nouvelles shares at the price of €40 per share. This operation requires a prior compliance decision by the AMF. The final timetable and procedure for the squeeze-out will be published by the AMF and Euronext, and the EDF Energies Nouvelles shares will be delisted from Euronext Paris on completion of the squeeze-out.

#### **2.2.1.2 EDF and AREVA sign a technical and commercial agreement**

On July 25, 2011 EDF and AREVA signed a technical and commercial agreement finalizing the discussions initiated after the Nuclear Policy Council held by the French President on February 21, 2011. This agreement covers three key aspects of the cooperation between EDF and AREVA:

- continued optimization of the EPR, drawing on experience gained at the current EPR project sites (Olkiluoto, Flamanville, Taishan 1 and 2);
- improvement in maintenance and operation of the existing nuclear fleet, to raise operating performance and prepare for extended operating lives in excess of 40 years;
- management of the nuclear fuel cycle, to requalify new fuel products and reinforce industrial cooperation in radioactive waste storage.

#### **2.2.1.3 ERDF consolidates operations in Russia through signature of a delegated management contract**

On June 17, 2011, at the Saint Petersburg international economic forum, ERDF and Holding MRSK signed a delegated management contract for the Russian electricity distribution company of Tomsk (TRK).

At the previous Saint Petersburg international economic forum in June 2010, the two companies had signed a Memorandum of Understanding with the main aims of developing cooperation in projects concerning delegated management for Russian electricity distributors and technical matters.

ERDF thus became the first foreign partner to enter into a delegated management contract for energy distribution in Russia.

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<sup>11</sup> Significant events related to litigation are described in chapter 8.

<sup>12</sup> The reference document and a full list of press releases are available from the EDF website: [www.edf.com](http://www.edf.com).

#### **2.2.1.4 Confirmation of the investment in the Dunkirk methane terminal**

On June 29, having received the approval of its the Board of Directors on May 24, EDF announced its final investment decision in respect of the methane terminal at Dunkirk, along with Fluxys G and Total which confirmed their respective shares of 25% and 10% in Dunkerque LNG, the company responsible for building the industrial installations for the terminal. This company is now 65%-owned by EDF.

The Dunkirk methane plant, which is due to come on stream at the end of 2015, will have an annual re-gasification capacity of 13 Gm<sup>3</sup> and will increase the import capacity for LNG into France by nearly 20%.

This new terminal will enable EDF to offer a balanced and diversified supply portfolio including natural gas. The Group will be better-placed to respond to the demands of end customers through dual-energy (electricity + gas) offerings, and optimize sourcing of its combined cycle gas (CCG) plants. Thanks to the terminal's strategic location, it will be able to supply all the markets in north-west Europe.

The total value of the investment in this national and European-scale project is €1.5 billion. There will be three project managers: Grand Port Maritime de Dunkerque, which will be in charge of port infrastructures, EDF (to the extent of 65%) for industrial installations, and GRTgaz for connections to the gas transmission networks.

#### **2.2.1.5 Amendment of the shareholder agreement for Edison and TdE**

In the course of discussions on a new industrial project for Edison and the shareholder structure of TdE, A2A, Delmi and EDF agreed on March 15, 2011 to amend the shareholder agreement concerning Edison and TdE. The notice period for unilateral termination of the agreement has been extended to September 15, 2011. If no objection to renewal of the shareholder agreement is notified by either party by this deadline, it will be renewed for a further three years. If one party were to notify an objection then TdE would be dissolved under an auction process.

On April 26, 2011, Edison's new Board of Directors (made up of 13 members elected by the general shareholders' meeting, six of whom are appointed by EDF and six by Delmi) appointed Bruno Lescœur as Chief Executive Officer of Edison to replace Umberto Quadrino.

#### **2.2.1.6 Edison financial statements**

The Board of Directors of Edison approved the company's 2010 financial statements on March 21, 2011. These financial statements report net income (Edison group share) of €21 million (€240 million in 2009), including asset impairment of €407 million. Given the parent company's negative net income, no dividend will be paid to shareholders in 2011 from 2010 earnings. The EDF group had anticipated this situation and recorded a provision in its 2010 financial statements.

#### **2.2.1.7 Finalization of the sale of EnBW**

The Group completed its disposal of its 45.01% stake in EnBW to the Bade-Württemberg region on February 17, 2011 for the sum of approximately €4.7 billion (€4.5 billion was paid in addition to the €169 million downpayment received on December 16, 2010). This sale reduces the Group's indebtedness by €7.3 billion (€7.1 million of which concern the 2011 financial year).

#### **2.2.2 Potential impact for the EDF group of the nuclear accident in Japan**

Following the nuclear accident at the Fukushima power plant in Japan in the wake of the earthquake and tsunami of March 11, 2011, the administrative authorities in significant countries for the Group have responded with measures concerning plants already in operation and proposed new plants.



The following description of events is given to supplement the 2010 reference document (chapter 12) released on April 18, 2011.

- In France, the Prime Minister asked the Nuclear Safety Authority (ASN) in a letter dated 23 March to conduct further assessments of the safety of France's nuclear facilities. To ensure coherence in the actions undertaken at national and European level, the ASN presented specifications for these assessments on May 9, 2011, and on May 5 published certain decisions concerning each nuclear operator. In accordance with the decision concerning it, EDF will remit site-by-site reports to the ASN by September 15, 2011, including for projects in process. These additional safety assessments focus on the safety margins in the event of extreme natural phenomena (earthquake, floods or a combination of the two) and the loss of one or more safety functions implicated at Fukushima (power supplies and cooling systems, or both). Finally, they consider the management of serious accidents that may result from such events, and conditions in which use is made of subcontractors. After reviewing these reports, the ASN will publish its initial conclusions no later than November 15, 2011.

In April, as well as the additional safety assessments EDF presented its initial proposals to reinforce safety and control of its nuclear generation fleet to the ASN panel of commissioners. After Fukushima, EDF prepared a first program of actions for the short, medium and long term, covering several dimensions:

- assessment of the top-level technical and human resources that would be required in the event of an accident,
- establishment of a national rapid-intervention EDF "task force" to reinforce the crisis response, with dedicated transport equipment and human resources that can be mobilized within 24-48 hours,
- a detailed review of power plant design, to ensure that facilities have sufficient safety margins to cope with events such as earthquakes, floods, power loss and cooling.

- In Germany, the Government announced on May 30, 2011 that all German nuclear reactors would cease operation by the end of 2022 at the latest.

- In Italy, in a referendum held on June 12 and 13, 2011, electors voted in favor of repealing the law of July 2009 that had initiated a return to nuclear power in the country.

- In the United Kingdom, at the request of the Secretary of State for Energy, the Chief Inspector of Nuclear Installations released the "Weightman report" on May 18, 2011 concerning the consequences of Fukushima for the British nuclear industry. The report concluded that there were no immediate implications for the UK's nuclear program. EDF Energy's Nuclear Generation and New Nuclear divisions issued an initial joint response. Meanwhile, the Office for Nuclear Regulation asked EDF Energy to take part in stress tests as called for by the European Commission. The divisions of EDF Energy and the rest of the EDF group are continuing to work together to meet these demands by the deadline.

- In the US, the Nuclear Regulator Commission (NRC) has begun a systematic, methodical review of the safety of nuclear power plants in operation, to be based on short-term and long-term analysis of the accident in Japan. The first report, published on July 19, 2011, contained twelve recommendations with the following priorities: to reassess seismic and flooding risks, strengthen the plants' blackout mitigation capability, give more consideration to the risk of multi-reactor events and reinforce safety in the vent systems of BWR type reactors (Mark I and II), and the cooling systems of all spent fuel pools. A second evaluation with longer-term recommendations will be carried out by the end of 2011. The authorities, through President Obama and the Secretary of State for Energy, have continued to express support for the nuclear industry in the United States.

## **2.2.3 Business in France**

### **2.2.3.1 Flamanville 3**

While milestones have been reached in recent months in construction of the Flamanville EPR (80% of the civil engineering work has been completed and assembly of piping and mechanical equipment has begun), progress was

slowed in the first half of 2011 by two serious accidents at the site, one of which resulted in partial suspension of engineering work for several weeks.

Flamanville 3 is the first nuclear power plant to be built in France for 15 years, and the country's first EPR. The extent of the work to be done, particularly the civil engineering work, has had to be reassessed and EDF has decided to introduce a new approach to organization with its partners. As a result, the first KWh produced by the EPR at Flamanville will be sold in 2016, and the project cost was updated to approximately €6 billion.

### **2.2.3.2 Exeltium**

On March 25, 2010, EDF signed two amendments to the 2008 agreement with Exeltium, a consortium founded by seven large industrial groups, for long-term electricity supplies in two tranches. The first of the two tranches began in the first half of 2010. Deliveries for the second tranche of the agreement did not begin on February 1, 2011 as scheduled. Discussions are under way with the aim of starting the second tranche by the end of 2011.

## **2.2.4 Regulatory environment**

### **2.2.4.1 France**

#### **2.2.4.1.1 "NOME" Law on the new electricity market organization, and introduction of "ARENH" - regulated access to historical nuclear energy**

The French "NOME" law (*Nouvelle Organisation du Marché de l'électricité*) on the new electricity market organization was enacted on December 7, 2010 and the principal implementation decrees were issued during the first half of 2011. The basic principles of this law, which is intended to encourage greater competition on the electricity market in France, are:

- development of competition, by allowing other suppliers temporary access to a portion of EDF's baseload nuclear energy output until 2025. This is the principle of regulated access to historical nuclear energy (*ARENH – Accès Régulé à l'Électricité Nucléaire Historique*),
- the obligation for every supplier to have direct or indirect guarantees of its demand response capacity for consumption or generation, to encourage peak consumption management,
- continuation of the "blue" tariff for residential and small business customers, with the right to return to EDF for customers having opted for a different supplier; the calculation method will be modified from 2015 to reflect the ARENH principle;
- discontinuation of the "yellow" and "green" tariffs for business customers from 2015;
- deferral by 5 years, to June 29, 2016, of the deadline for building up the dedicated assets portfolio, provided certain criteria are met<sup>13</sup>.

The ARENH principle came into force on July 1, 2011, and the volumes of energy sold to competitors under this principle must go to their customers in France. No more than 100 TWh can be sold in this way each year; this limit will be raised in August 2013 by the quantities supplied to network managers to cover network losses.

The decisions setting the price of the ARENH under the NOME law at €40/MWh for the second half of 2011 and €42/MWh from January 1, 2012 were published in May 2011. This initial price has been established in coherence with the average price under the TaRTAM transition tariff system, which ended on June 30, 2011.

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<sup>13</sup> Assets built up in compliance with the Law of June 28, 2006 to cover long-term nuclear commitments.

On June 15, 2011 the French energy regulator CRE notified EDF of the volumes to be delivered for the period running from July 1, 2011 to June 30, 2012 (61.3 TWh).

The capacity obligation system should come into force by 2015.

#### **2.2.4.1.2 CSPE**

The Contribution to the Public Electricity Service (*Contribution au Service Public de l'Électricité* or CSPE) is intended to compensate for certain public service charges assigned to EDF in particular. This tax is collected directly from the final customer and applies to electricity consumption. It was raised by €3/MWh on January 1, 2011 to €7.5/MWh for the first half of 2011. The amended Finance Law for 2011 has set the CSPE at €9/MWh until June 30, 2012, then €10.5/MWh from July 1 to December 31, 2012.

Since 2007, CSPE income has been unable to cover expenses, which have been steadily rising, primarily due to the higher level of windpower and solar power output covered by purchase obligations. The shortfall, amounting to €3.3 billion at June 30, 2011 is borne solely by EDF. The unit amount proposed by the CRE for 2011 to cover these expenses and past shortfalls was €12.9/MWh.

To control the expenses covered by the CSPE, particularly the significant rise in the costs of purchasing photovoltaic electricity, a decree of December 9, 2010, published in France's Official Gazette (*Journal Officiel*) of December 10, 2010, suspended the obligation to purchase photovoltaic solar power for three months for all new projects except those concerning less than 3kW. At the end of this period, on March 9, 2011, new rules came into force to regulate the photovoltaic solar power sector, setting quotas for new projects and lowering the purchase tariff.

Application of the basic necessity tariff (*tarif de première nécessité*) has become automatic from 2011 so that the number of beneficiaries can be increased.

#### **2.2.4.2 United Kingdom**

##### **2.2.4.2.1 Introduction of a "carbon floor" price**

On March 24, 2011, the British government announced the introduction of a "carbon floor", i.e. a minimum carbon price, one of the conditions necessary for the spread of low carbon or nuclear energies.

This carbon floor price is set at £16/t, for application from April 1, 2013. It is expected to reach £30/t in 2020 with a long-term target of £70/t in 2030, based on 2009 prices. This tax should encourage development of new low-carbon energies in the United Kingdom.

##### **2.2.4.2.2 The British Parliament ratified the nuclear new build program**

On July 18, the British Parliament voted on the National Policy Statement for Nuclear Power Generation, ratifying the program for building new nuclear power plants in the United Kingdom. This vote is confirmation of the government's decision to use nuclear power to meet the UK's growing need for low-carbon electricity production.

The Parliament also confirmed the list of authorized sites for new nuclear plants, which includes Hinkley Point and Sizewell, the two priority sites identified by EDF for construction of its future power plants.

This vote is a major step forward for the development of nuclear power in the UK and for the EDF group. It follows the British government's announcement of July 12 confirming its decision to reform the UK electricity market.

## **2.2.5 Governance**

### **2.2.5.1 Board of Directors**

By decree of June 21, 2011, Julien Dubertret, Director of the budget at the French ministry for the Budget, public accounts and State reform, was appointed a member of EDF's Board of Directors. He replaces Philippe Josse as a director representing the French State.

### **2.2.5.2 Management Committee**

Two new members were appointed to the Group's Management Committee during the first half of 2011: Jean-Paul Bouttes, Chief Economist, Director of Strategy and Prospects, and Bernard Salha, Director of Research and Development.

## **2.2.6 Human resources**

### **2.2.6.1 Support measures for the reform of the special electricity and gas sector (IEG) pension system in France**

In the wake of the French pension reform law of November 9, 2010, the French government issued several decrees to affiliate electricity and gas sector (IEG – *Industries Electriques et Gazières*) status employees to the standard national pension system for public sector workers. However, these measures will only apply to the IEG sector from 2017.

### **2.2.6.2 EDF SA's 2011-2013 profit sharing agreement**

A new profit sharing agreement and the terms for contributions by the company were negotiated in April and May, and the Works Council was consulted on June 9. The agreement was signed on June 30 by the French unions FO, CFE-CGC and CFDT.

### **2.2.6.3 Commitments under the "Training Challenge" (*Défi Formation*)**

In order to offer employees more career prospects and stimulate social mobility, the EDF group has made commitments to develop innovative training leading to qualifications for managerial staff (for at least 50 to 150 people per year) and supervisory staff.

The Executive Committee meeting of February 1, 2011 defined the main lines of the Campus EDF project: ongoing improvements at the Les Mureaux Campus, doubling the number of courses offered in 2011, and the start of work on the new Saclay Campus, on the same site as R&D.

### 3 Analysis of the business and the consolidated income statements for the first half-years of 2010 and 2011

Presentation and analysis of the consolidated income statements for the first half-years of 2010 and 2011 is presented on two levels of analysis for sales and EBITDA: a first focusing on the Group, then a second reporting on the different business segments (France, United Kingdom, Italy, Other International and Other Activities). EBIT (operating profit) and net income are analyzed from a more general standpoint.

<b>In millions of Euros</b>	<b>H1 2011</b>	<b>H1 2010 (adjusted)<sup>(1)</sup></b>	<b>H1 2010 (restated)<sup>(2)</sup></b>
<b>Sales</b>	<b>33,464</b>	<b>32,640</b>	<b>33,538</b>
Fuel and energy purchases	(14,964)	(14,869)	(13,273)
Other external expenses	(4,483)	(4,396)	(4,734)
Personnel expenses	(5,479)	(5,166)	(5,707)
Taxes other than income taxes	(1,511)	(1,450)	(1,702)
Other operating income and expenses	1,589	1,647	1,700
Prolongation of the TaRTAM transition tariff system – Law of June 7, 2010	-	(265)	(265)
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>8,616</b>	<b>8,141</b>	<b>9,557</b>
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities	(28)	61	61
Net depreciation and amortization	(3,131)	(3,097)	(3,621)
Net increases in provisions for renewal of property, plant and equipment operated under concessions	(208)	(251)	(251)
(Impairment)/Reversals	(269)	(1)	(1)
Other income and expenses	276	(1,060)	(1,060)
<b>Operating profit (EBIT)</b>	<b>5,256</b>	<b>3,793</b>	<b>4,685</b>
<b>Financial result</b>	<b>(1,810)</b>	<b>(1,952)</b>	<b>(2,227)</b>
<b>Income before taxes of consolidated companies</b>	<b>3,446</b>	<b>1,841</b>	<b>2,458</b>
Income taxes	(977)	(924)	(1,111)
Share in income of associates	259	309	93
Net income of discontinued operations	-	-	386
<b>Group net income</b>	<b>2,728</b>	<b>1,226</b>	<b>1,826</b>
Net income attributable to non-controlling interests	174	148	167
<b>EDF net income</b>	<b>2,554</b>	<b>1,078</b>	<b>1,659</b>
<b>Earnings per share (in Euros)</b>	<b>1.38</b>	<b>0.58</b>	<b>0.90</b>
<b>Diluted earnings per share (in Euros)</b>	<b>1.38</b>	<b>0.58</b>	<b>0.90</b>

(1) 2010 figures are based on a comparable scope of consolidation to 2011, excluding RTE, EnBW, the Eggborough plant and the networks in the UK.

(2) 2010 figures have been restated in accordance with accounting principles (see section 1).

### 3.1 Sales

Consolidated sales rose by 2.5%, with organic growth of 2.7%.

#### 3.1.1 Change in Group sales

In millions of Euros	H1 2011	H1 2010 (adjusted)	Variation	Variation (%)	Organic growth (%)
Sales	33,464	32,640	+824	+2.5	+2.7

Sales growth reflects organic growth of €870 million (2.7%) and to a lesser extent changes in the scope of consolidation (+€23 million). It also incorporates negative foreign exchange effects of €69 million, principally resulting from the fall of the British and American currencies against the Euro.

#### 3.1.2 Change in sales by segment

In millions of euros	H1 2011	H1 2010 (adjusted)	Variation	Variation (%)	Organic growth (%)
<b>France</b>	<b>19,495</b>	<b>18,844</b>	<b>+651</b>	<b>+3.5</b>	<b>+3.5</b>
United Kingdom	4,390	4,861	-471	-9.7	-8.5
Italy	3,052	2,766	+286	+10.3	+10.1
Other International	3,800	3,530	+270	+7.6	+8.5
Other Activities	2,727	2,639	+88	+3.3	+1.9
<b>Total excluding France</b>	<b>13,969</b>	<b>13,796</b>	<b>+173</b>	<b>+1.3</b>	<b>+1.6</b>
<b>Group sales</b>	<b>33,464</b>	<b>32,640</b>	<b>+824</b>	<b>+2.5</b>	<b>+2.7</b>

Sales outside France for the first half of 2011 represented 41.7% of total consolidated sales compared to 42.3% for first-half 2010 (adjusted).

##### 3.1.2.1 France

#### Change in sales in the "France" segment

France's contribution to Group sales amounted to €19,495 million, showing organic growth of 3.5% from first-half 2010 (adjusted).

Electricity sales contributed a 4.6% rise, while sales of gas and other products were down by 1.1%.

The growth in electricity sales is mainly due to positive price effects (+4.4 points) resulting from the tariff increase of August 15, 2010 and market prices some €6/MWh higher than in the first half of 2010. A secondary factor was the increase in volumes sold.

At June 30, 2011, EDF's share of the electricity market for all final customers is 81.5%, 2.5 points lower than at June 30, 2010.

**Breakdown of sales for the "France" segment between deregulated activities<sup>14</sup>, network activities<sup>15</sup> and island activities<sup>16</sup>**

In millions of Euros	H1 2011	H1 2010 (adjusted)	Variation	Variation (%)
<b>Sales</b>	<b>19,495</b>	<b>18,844</b>	<b>+651</b>	<b>+3.5</b>
<b>Deregulated activities</b>	<b>18,510</b>	<b>17,955</b>	<b>+555</b>	<b>+3.1</b>
<b>Network activities</b>	<b>6,289</b>	<b>6,335</b>	<b>-46</b>	<b>-0.7</b>
- including ERDF	6,289	6,335	-46	-0.7
<b>Island activities</b>	<b>427</b>	<b>410</b>	<b>+17</b>	<b>+4.1</b>
<b>Eliminations</b>	<b>(5,731)</b>	<b>(5,856)</b>	<b>+125</b>	<b>-2.1</b>

The 3.1% increase in **sales by the deregulated activities** is primarily attributable to the favorable impact of the 2010 tariff rise and higher net sales on the wholesale markets.

**Sales by the network activities** were stable: tariff rises offset the effect of the lower volumes delivered in winter 2011, which was milder than in 2010.

### Electricity generation

Nuclear generation produced 218.4 TWh in the first half of 2011, compared to 202.9 TWh for the first half of 2010. This noticeable 15.5 TWh rise is explained by the good availability of the fleet over the first few months of the year, which was largely due to the absence of unscheduled shutdowns.

Hydropower generation produced 14.1 TWh, a marked downturn from first-half 2010 (-7.6 TWh) caused by the weather conditions described in section 2.1.4.

Fossil-fired generation produced 6.0 TWh, 3.2 TWh less than in the first half of 2010. This decline is mainly attributable to the price differential between electricity and fossil fuels: it was less favorable to fossil-fired generation due to a more relaxed supply-demand balance.

Sales volumes to final customers, including Eurodif and local distribution firms, were down by 18.6 TWh. In contrast to 2011 and its very mild weather, the first half of 2010 was marked by very cold temperatures, and the temperature differential alone explains -13.3 TWh of the decrease. Also, losses of customers, mainly at the high end of the portfolio<sup>17</sup>, and the reduction in supplies to Eurodif were not offset by rising demand.

Compared to first-half 2010, the net volumes sold on the wholesale markets showed a marked rise (+23.6 TWh). Excluding VPP<sup>18</sup> auctions, EDF was a net seller of 12.9 TWh on the markets in the first half of 2011. At 20 TWh, VPP auctions were stable compared to first-half 2010.

<sup>14</sup> Generation, supply and optimization in mainland France, and sales of engineering and consulting services.

<sup>15</sup> From the first half of 2011, network activities only include Distribution, as a result of application of the equity method to the Transmission activity from December 31, 2010. In mainland France, network activities are regulated via the network access tariff TURPE (Tarifs d'Utilisation des Réseaux Publics d'Électricité). Sales for the regulated activities include the delivery cost included in integrated tariffs.

<sup>16</sup> EDF's generation and distribution activities in the island energy systems (IES).

<sup>17</sup> Very large business and industrial customers.

<sup>18</sup> Virtual Power Plant capacity auction system.

### 3.1.2.2 United Kingdom

Since the sale of the Networks activities to the CKI group on October 29, 2010, **EDF Energy** has comprised three operating divisions: Energy Sourcing and Customer Supply, the Nuclear Generation division, and development of the Nuclear New Build project in the United Kingdom.

Sales in this segment amounted to €4,390 million in first-half 2011, down by 9.7% compared to first-half 2010 (adjusted), with organic degrowth of 8.5%.

The operating performance of the Nuclear Generation division is reflected in the higher level of nuclear generation (31.0 TWh in the first half of 2011 compared to 24.8 TWh in first-half 2010), which was particularly affected in 2010 by an unplanned shutdown at the Sizewell B plant and a rise in average sale prices (£47/MWh in first-half 2011 compared to £44/MWh in first-half 2010).

Despite the good performance by the Nuclear Generation division and the overall rise in tariffs (for electricity, +2.6% on October 1, 2010 and +7.5% on March 2, 2011; for gas, -3.6% on March 26, 2010 then +6.5% on March 2, 2011), sales revenues were down as a result of supply activities, which were affected by the following factors:

- for electricity, lower volumes of contractual sales to business customers following rationalization of the portfolio which reduced the number of customers without significantly affecting results,
- for gas, a decline in sales to domestic customers because the winter of 2011 was less harsh than in 2010.

### 3.1.2.3 Italy

**Italy**<sup>19</sup> contributed €3,052 million to consolidated sales, up by 10.3% with organic growth of 10.1%.

Sales by **Edison** rose by €275 million (+10.9%), boosted by the electricity business, which benefited from a positive price effect and to a lesser degree a generally favorable volume effect driven by the wholesale markets, despite a downturn in volumes sold to end-customers. In the hydrocarbon business, the rise in volumes sold on the wholesale and thermoelectric markets was accompanied by a rise in commodity prices.

### 3.1.2.4 Other International

The **Other International** segment principally covers operations in Europe outside the United Kingdom and Italy, and operations in the United States, Brazil and Asia (China, Vietnam and Laos).

This segment contributed €3,800 million to Group sales in the first half of 2011, up by €270 million from first-half 2010 (adjusted).

Foreign exchange effects between the first half of 2010 (adjusted) and the first half of 2011 amounted to - €18 million. The effect of changes in the scope of consolidation in this segment essentially concern changes in the consolidation method for Unistar<sup>20</sup> and the Polish subsidiaries Zielona Gora and Kogeneracja<sup>21</sup>.

Without these scope and exchange effects, sales would show organic growth of 8.5% compared to first-half 2010 (adjusted).

Most of this increase concerns Belgium, and to a smaller extent Poland and Austria.

In **Belgium**, sales stood at €1,760 million, with organic growth of +16% resulting chiefly from the higher volumes of electricity sold to final customers, while gas volumes were down due to the milder first-half weather in 2011 than 2010.

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<sup>19</sup> Edison Group and Fenice.

<sup>20</sup> From proportional consolidation to full consolidation in November 2010.

<sup>21</sup> From full consolidation to proportional consolidation in February 2011.



Sales in **Poland** amounted to €631 million. The organic growth of +1.9% was essentially driven by higher electricity and heat prices, partly offset by lower sales of electricity and heat due to the milder weather of first-half 2011 compared to first-half 2010.

In **Austria**, sales reached €195 million corresponding to organic growth of +28.3%, reflecting an increase in electricity sales volumes due to the cold winter of early 2011, and an upturn in business with industrial customers.

### 3.1.2.5 Other Activities

**Other activities** comprise, among other entities, EDF Energies Nouvelles, EDF Trading, Electricité de Strasbourg and the investment in Dalkia.

The contribution by the **Other activities** segment to Group sales in the first half of 2011 was €2,727 million, up by €88 million or 3.3%, with organic growth of 1.9% from first-half 2010 (adjusted).

Sales at **EDF Energies Nouvelles** showed organic growth of 4.3% over first-half 2010 (adjusted). This growth was driven by wind power generation which benefited from the full-year effect of facilities commissioned during 2010, and also by photovoltaic solar power generation which developed significantly in first-half 2011. However, it was adversely affected by the lower level of sales generated by Development-Sales of Structured Assets.

**EDF Trading**'s<sup>22</sup> first-half sales registered organic growth compared to first-half 2010 (adjusted) (+7.3%), particularly in electricity.

**Dalkia's** contribution to sales showed organic growth of €20 million (+1.7%), reflecting business growth primarily in the UK and China.

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<sup>22</sup> EDF Trading sales consist of trading margins.

## 3.2 EBITDA

EBITDA rose by 5.8%, with organic growth of 6.2%.

In millions of euros	H1 2011	H1 2010 (adjusted)	Variation	Variation (%)	Organic growth (%)
<b>Sales</b>	<b>33,464</b>	<b>32,640</b>	<b>+824</b>	<b>+2.5</b>	+2.7
Fuel and energy purchases	(14,964)	(14,869)	-95	+0.6	+1.0
Other external expenses	(4,483)	(4,396)	-87	+2.0	+1.3
Personnel expenses	(5,479)	(5,166)	-313	+6.1	+6.2
Taxes other than income taxes	(1,511)	(1,450)	-61	+4.2	+4.2
Other operating income and expenses	1,589	1,647	-58	-3.5	-2.7
Prolongation of the TaRTAM transition tariff – Law of June 7, 2010	-	(265)	+265	n.a.	n.a.
<b>EBITDA</b>	<b>8,616</b>	<b>8,141</b>	<b>+475</b>	<b>+5.8</b>	<b>+6.2</b>

### 3.2.1 Change in consolidated EBITDA and analysis

**Consolidated EBITDA** for the first half-year of 2011 amounted to €8,616 million, up by 5.8% from first-half 2010 (adjusted), corresponding to organic growth of 6.2%. Foreign exchange effects amounted to -€12 million and reflect the unfavorable movements by the UK and American currencies against the Euro.

**Fuel and energy purchases** amounted to €14,964 million, an increase of €95 million (+0.6%) compared to first-half 2010 (adjusted). The organic growth in these purchases stood at +1.0%. **France** registered an organic rise of 2.1%, explained essentially by growth in purchase obligations. In **Italy**, the organic growth of 17.3% was driven by both gas and electricity purchases. In the **Other International** segment, the 14.6% organic growth was mainly associated with the higher volumes sold in Belgium and price and CO<sub>2</sub> cost effects in Poland. For fuel and energy purchases in the **United Kingdom**, however, organic growth was negative at -22.2% due to unfavorable developments in sales volumes combined with the greater nuclear power output.

The Group's **Other external expenses** amounted to €4,483 million, up by €87 million (+2.0%) from first-half 2010 (adjusted). Organic growth was +1.3%. It mostly concerned **France** (organic growth of 1.7% essentially resulting from the rise in maintenance costs for the generation fleet).

The Group's **personnel expenses** totaled €5,479 million, €313 million (+6.1%) higher than in the first half of 2010 (adjusted), with organic growth of 6.2%. Most of this change related to **France**, where personnel expenses totaled €4,106 million, showing organic growth of 7.1% from first-half 2010 (adjusted). This reflects the increase in the workforce, pay measures, and pension-related expenses.

**Taxes other than income taxes** stood at €1,511 million for the first half of 2011, up by €61 million from first-half 2010 (adjusted) (+4.2%, identical to organic growth). The increase was mainly located in **France**.

**Other operating income and expenses** generated income of €1,589 million in the first half of 2011, €58 million lower than in first-half 2010 (adjusted), with an organic variation of -2.7%. In **France**, the higher CSPE income in first-half 2011 was partly offset by a €118 million charge resulting from adjustment of the energy regulator CRE's forecast of the cost of the TaRTAM transition tariff system. In the **United Kingdom**, other operating income and expenses were lower following the fair value adjustment of British Energy electricity sale contracts, which had a less favorable effect in first-half 2011 than first-half 2010. The **Other Activities** segment's contribution reflects the unfavorable effect of the gain on disposal of Usti, which was recorded by Dalkia in the first half of 2010 and had no equivalent in first-half 2011.

Following enactment of the law of June 7, 2010 which extended the TaRTAM transition tariff system for six months, a net €265 million allocation to provisions was recorded on a specific line in the first half-year of 2010.

### 3.2.2 Change in consolidated EBITDA by segment and analysis

In millions of Euros	H1 2011	H1 2010 (adjusted)	Variation	Variation (%)	Organic growth (%)
<b>France</b>	<b>5,688</b>	<b>5,240</b>	<b>+448</b>	<b>+8.5</b>	<b>+8.3</b>
United Kingdom	1,172	976	+196	+20.1	+20.7
Italy	218	365	-147	-40.3	-40.5
Other International	638	602	+36	+6.0	+10.0
Other Activities	900	958	-58	-6.1	-4.8
<b>Total excluding France</b>	<b>2,928</b>	<b>2,901</b>	<b>+27</b>	<b>+0.9</b>	<b>+2.3</b>
<b>Consolidated EBITDA</b>	<b>8,616</b>	<b>8,141</b>	<b>+475</b>	<b>+5.8</b>	<b>+6.2</b>

### 3.2.2.1 France

#### Change in EBITDA for the France segment

France contributed €5,688 million of consolidated EBITDA for the first half of 2011, 8.5% higher than in first-half 2010 (adjusted), corresponding to organic growth of 8.3%. This contribution accounted for 66.0% of Group EBITDA, compared to 64.4% in first-half 2010 (adjusted).

#### Breakdown<sup>23</sup> of EBITDA for the "France" segment between deregulated activities, network activities and island activities

In millions of Euros	H1 2011	H1 2010 (adjusted)	Variation	Variation (%)
<b>EBITDA</b>	<b>5,688</b>	<b>5,240</b>	<b>+448</b>	<b>+8.5</b>
<b>Deregulated activities</b>	<b>4,136</b>	<b>3,721</b>	<b>+415</b>	<b>+11.2</b>
<b>Network activities</b>	<b>1,434</b>	<b>1,424</b>	<b>+10</b>	<b>+0.7</b>
-including ERDF	1,434	1,424	+10	+0.7
<b>Island activities</b>	<b>118</b>	<b>95</b>	<b>+23</b>	<b>+24.2</b>

EBITDA for the deregulated activities rose by 11.2%. This increase essentially comprises the effect of improved nuclear power output, amounting to €717 million, partly counterbalanced by the lower hydropower output (-€380 million) as final demand dropped slightly due to the milder weather in first-half 2011 than first-half 2010. EDF was thus a net seller on the wholesale markets, where prices were higher than in first-half 2010. The rise in regulated sales tariffs generated a positive effect of +€304 million.

EBITDA for the network activities was stable, reflecting the less pronounced weather effects of 2011, offset by higher sales tariffs.

EBITDA for the island activities increased due to the tariff increase.

### 3.2.2.2 United Kingdom

The United Kingdom's contribution to Group EBITDA was €1,172 million for the first half of 2011, up by 20.1% from first-half 2010 (adjusted). The organic growth in EBITDA was 20.7%.

EBITDA for the Nuclear Generation division registered significant growth of €308 million, driven by the higher nuclear power output.

Energy Sourcing and Customer Supply saw a decline in EBITDA, in keeping with the less favorable weather compared to first-half 2010.

### 3.2.2.3 Italy

The **Italy** segment contributed €218 million to the Group's consolidated EBITDA, down by 40.3% from first-half 2010 (adjusted) (organic decline of -40.5%).

**Edison** contributed €158 million to consolidated EBITDA in first-half 2011 against €305 million in first-half 2010 (adjusted), corresponding to an organic decline of €147 million or -48.2%.

EBITDA for the electricity activities also declined, due to the combined effect of expiry or early termination in December 2010 of the CIP6 subsidies for certain plants, and shrinking unit margins. The electricity segment nonetheless benefited from the positive contribution by renewable energies and activities outside Italy.

<sup>23</sup> Further details of this breakdown can be found in section 3.1.2.1.

The hydrocarbon activities' contribution to EBITDA was noticeably lower compared to first-half 2010 (adjusted), despite the progression of Exploration and Production. These activities were strongly affected by the fall in margins on gas sales to final customers, which resulted from a highly competitive environment for gas sales, associated with supply costs on long-term contracts subject to ongoing negotiations and arbitration procedures.

On July 21, 2011, Edison successfully completed renegotiations with Promgas concerning the long-term contract for natural gas supplies from Russia. In the EDF group's half-year consolidated financial statements, the impact of this renegotiation is a pre-tax profit of €56 million. In practice, this amount will be recognized in the Group's consolidated financial statements in the second half-year of 2011.

**Fenice's** contribution to consolidated EBITDA was stable in first-half 2011 compared to first-half 2010.

#### 3.2.2.4 Other International

EBITDA for the **Other International** segment was up by 6.0%, with organic growth of 10.0%.

EBITDA in **Belgium** registered organic growth of 42.5%, reflecting a progression in electricity sales volumes and better margins on electricity and gas.

**Poland** saw organic growth of +9.2%, including a gain resulting from deconsolidation of Zielona Gora and Kogeneracja, which was partly counterbalanced by a fall in margins. This was explained by the increase in coal and biomass purchase prices, together with lower sales of electricity and heat due to less favorable weather effects than in first-half 2010.

In **Hungary**, EBITDA showed organic degrowth (-9.5%), especially at EDF Demasz where margins were in decline and a new tax on energy sector companies was recognized in 2011.

EBITDA decreased significantly (-52.8%) in the **United States** compared to first-half 2010 (adjusted). The organic decline in EBITDA was -30.6% and is explained by the adverse effect of unscheduled outages at CENG, and a change in status for Unistar's new nuclear project Calvert Cliffs 3. Now it has been classified as being in the pre-development phase, the related expenses are recorded as charges and no longer capitalized (see section 4.3).

#### 3.2.2.5 Other Activities

**Other Activities** contributed €900 million to Group EBITDA for the first half of 2011, €58 million less than in first-half 2010 (adjusted), with an organic variation of -4.8%.

**EDF Energies Nouvelles'** contribution to consolidated EBITDA registered an organic increase of 18.0% from first-half 2010 (adjusted), in line with development of its businesses.

EBITDA at **EDF Trading** is stabilizing, and was +5.7% higher than in first-half 2010 (adjusted). This movement was driven by an increase in electricity trading volumes primarily associated with the state of the demand-supply balance in France.

**Dalkia's** EBITDA saw an organic decline of €92 million (-40.9%), primarily due to the gain recognized in first-half 2010 on the sale of Usti in the Czech Republic. Lower earnings, especially in Italy and Spain, also explain this downturn.

### 3.3 EBIT

36.8% increase in EBIT.

In millions of euros	H1 2011	H1 2010 (adjusted)	Variation	Variation (%)
<b>EBITDA</b>	8,616	8,141	+475	+5.8
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities	(28)	61	-89	n.a.
Net depreciation and amortization	(3,131)	(3,097)	-34	+1.1
Net increases in provisions for renewal of property, plant and equipment operated under concessions	(208)	(251)	+43	-17.1
(Impairment)/reversals	(269)	(1)	-268	n.a.
Other income and expenses	276	(1,060)	+1,336	n.a.
<b>Operating profit (EBIT)</b>	<b>5,256</b>	<b>3,793</b>	<b>+1,463</b>	<b>+38.6</b>

The Group's **consolidated EBIT** amounted to €5,256 million for the first half of 2011, €1,463 million higher than in first-half 2010 (adjusted), chiefly as a result of changes in other income and expenses (the provision recorded in respect of business in the US in the first half-year of 2010).

#### 3.3.1 Net changes in fair value on Energy and Commodity derivatives, excluding trading activities

The net changes in fair value on Energy and Commodity derivatives, excluding trading activities, fell from €61 million in the first half of 2010 (adjusted) to -€28 million in the first half of 2011. Negative changes were mainly located in the **Other Activities** segment (SPE), and were partly offset by positive changes in the **United Kingdom** segment (+€37 million).

#### 3.3.2 Net depreciation and amortization

Net depreciation and amortization was practically stable compared to first-half 2010 (adjusted) (+1.1%).

The **United Kingdom** and **Italy** both registered lower net depreciation and amortization in the first half of 2011. In the UK, this was due to extension of the operating lifetimes of the Heysham 1 and Hartlepool plants authorized by the Nuclear Installations Inspectorate (NII)<sup>24</sup> in 2010, while in Italy it is explained by the fact that impairment on industrial assets was recorded in 2010.

**France**, in contrast, reported higher net depreciation and amortization (+€150 million) as a result of new investments. Also, commissioning of the generation fleet at EDF Energies Nouvelles led to a €15 million increase in depreciation expenses.

<sup>24</sup> Part of the Office for Nuclear Regulation (ONR) since April 1, 2011.

### 3.3.3 Net increases in provisions for renewal of property, plant and equipment operated under concessions

The €43 million decrease in net increases in provisions for renewal of property, plant and equipment operated under concessions between the first half of 2010 and the first half of 2011 is mainly attributable to ERDF (the basis for valuation of assets renewable during the concession was reduced).

### 3.3.4 Impairment / reversals

The unfavorable €268 million change compared to first-half 2010 (adjusted) mainly concerns €174 million of impairment booked in the **Other Activities** segment by Dalkia in respect of operations in the Italy zone and to a lesser extent the Spain zone, and €60 million of impairment booked in **Italy** by Edison in respect of generation assets.

### 3.3.5 Other income and expenses

In the first half of 2010, other income and expenses included a €1,060 million allocation to provisions related to business in the **United States**.

In the first half of 2011, they include the €276 million gain on sale of EnBW.

## 3.4 Financial result

In millions of Euros	H1 2011	H1 2010 (adjusted)	Variation	Variation (%)
Cost of gross financial indebtedness	(1,107)	(1,123)	+16	-1.4
Discount effect	(1,524)	(1,480)	-44	+3.0
Other financial income and expenses	821	651	+170	+26.1
<b>Financial result</b>	<b>(1,810)</b>	<b>(1,952)</b>	<b>+142</b>	<b>-7.3</b>

The financial result for first-half 2011 is a financial expense of €1,810 million, down by €142 million from first-half 2010 (adjusted) as a result of:

- practically stable interest expenses (-1.4%);
- a €44 million increase in discount expenses, essentially in France;
- a favorable €170 million change in other financial income and expenses, mainly comprising gains on sales of financial investments, which were higher in first-half 2011 than in first-half 2010 (adjusted).

## 3.5 Income taxes

Income taxes amounted to €977 million in the first half of 2011, corresponding to an effective tax rate of 28.4% (compared to an expense of €924 million corresponding to an effective tax rate of 50.2% for the first half of 2010 (adjusted)). They are calculated by applying the forecast effective tax rate for 2011 to the pre-tax income at June 30, 2011.

The decrease in the effective tax rate is mainly explained by the recognition in first-half 2010 of a provision in respect of the Group's business in the US.

### 3.6 Share in income of associates

The Group's share in income of associates was a positive €259 million at June 30, 2011, compared to €309 million at June 30, 2010 (adjusted). This decrease is mainly due to RTE's lower net income compared to first-half 2010.

### 3.7 Net income attributable to non-controlling interests

Net income attributable to non-controlling interests amounted to €174 million for the first half of 2011, a slight increase from first-half 2010 (adjusted) (+€26 million). The main factor in this increase was the rise in EDF Energy's net income attributable to Centrica.

### 3.8 EDF net income

EDF net income was €2,554 million at June 30, 2011, up by 136.9% compared to first-half 2010 (adjusted).

### 3.9 Net income excluding non-recurring items

The Group's net income excluding non-recurring items<sup>25</sup> stood at €2,629 million for first-half 2011, €269 million (11.4%) higher than at June 30, 2010 (adjusted).

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<sup>25</sup> Group net after-tax income excluding non-recurring items.

Non-recurring items and net changes in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax in first-half 2011 (-€75 million):

- +€263 million for the gain on disposal of EnBW,
- -€321 million for the TaRTAM provision and other risks and impairment (mainly concerning Dalkia and Edison)
- -€17 million of net changes in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax.

Non-recurring items and net changes in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax in first-half 2010 (adjusted) (-€1,282 million):

- -€1,060 million for a provision related to business in the US,
- -€230 million for the TaRTAM provision and other risks and impairment,
- +€8 million of net changes in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax.



## 4 Net indebtedness, cash flows and investments

Net indebtedness comprises total loans and financial liabilities, less cash and cash equivalents and liquid assets. Liquid assets are financial assets consisting of funds or securities with initial maturity of over three months that are readily convertible into cash regardless of their maturity and are managed according to a liquidity-oriented policy. The definition of net indebtedness has been revised in 2010 to reflect the Group's loans to RTE, which is accounted for under the equity method from December 31, 2010.

Changes in the Group's net indebtedness were as follows:

In millions of Euros	H1 2011	H1 2010 (restated)	Variation	H1 2010 (adjusted)	Variation (%) <sup>(4)</sup>
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>8,616</b>	<b>9,557</b>	<b>-941</b>	<b>8,141</b>	<b>+5.8</b>
Cancellation of non-monetary items included in EBITDA	-1,352	-1,027	-325	-1,031	
Net financial expenses disbursed	-1,007	-1,124	+117	-860	
Income taxes paid	-582	-1,135	+553	-1,064	
Other items	290	58	+232	463	
<b>Net cash flow from operations<sup>(1)</sup></b>	<b>5,965</b>	<b>6,329</b>	<b>-364</b>	<b>5,650</b>	<b>+5.6</b>
Change in working capital	-855	836	-1,691	354	
Net operating investments (gross CAPEX less disposals)	-4,805	-5,651	+846	-4,678	
<b>Free cash flow</b>	<b>305</b>	<b>1,514</b>	<b>-1,209</b>	<b>1,326</b>	<b>n.a.</b>
Allocation to dedicated assets, France	-210	-881	+671		
Net financial investments	3,610	-138	+3,748		
Dividends paid	-1,239	-1,193	-46		
Other changes <sup>(2)</sup>	-225	221	-446		
<b>(Increase)/ decrease in net indebtedness, excluding the impact of changes in scope of consolidation and exchange rates</b>	<b>2,241</b>	<b>-477</b>	<b>+2,718</b>		
Effect of change in scope of consolidation	2,582	15	+2,567		
Effect of change in exchange rates	413	-1,342	+1,755		
Effect of other non-monetary changes <sup>(3)</sup>	-53	-204	+151		
<b>(Increase)/Decrease in net indebtedness</b>	<b>5,183</b>	<b>-2,008</b>	<b>+7,191</b>		
<b>(Increase)/Decrease in net indebtedness of discontinued operations</b>	<b>-</b>	<b>404</b>	<b>-404</b>		
<b>Net indebtedness at beginning of period</b>	<b>34,389</b>	<b>42,496</b>			
<b>Net indebtedness at end of period</b>	<b>29,206</b>	<b>44,100</b>			

(1) Operating cash flow is not an aggregate defined by IFRS as a measure of financial performance, and is not directly comparable with indicators of the same name reported by other companies. This indicator, also known as Funds From Operations (FFO), is equivalent to net cash flow from operating activities excluding changes in working capital after adjustment for the impact of non-recurring items, less net financial expenses disbursed and income taxes paid.

(2) Mainly the change in accrued interest on debt, contributions received on concessionary assets, investment subsidies and the payment to AREVA for decommissioning of the plant at La Hague (2011: €664 million paid in June, whereas in 2010 payment took place in July).

(3) Mainly corresponds to changes in fair value and accounting reclassifications affecting net indebtedness.

(4) Variation between H1 2010 adjusted and H1 2011.

In the table above:

- Figures for the first half-year (adjusted) are not reported after the Free cash flow: this is a less relevant notion as the items concerned are by nature closely related to disposals and changes in consolidation method.
- The decline in EnBW's net indebtedness is reported on a specific line in 2010 (discontinued operations), but this is not the case for RTE and the UK networks. Explanations of the variances between first-half 2010 (adjusted) and first-half 2011 therefore indicate the effects of the disposals undertaken in the United Kingdom and application of the equity method to RTE.

Compared to first-half 2010 (adjusted), the rise in cash flow from operations at June 30, 2011 (+5.6%) essentially reflects the increase in EBITDA (€475 million), while the decrease in the free cash flow (-€1,021 million) is principally explained by the advance received in April 2010 under the contract with the Exeltium consortium (€1,747 million) (see section 2.2.3.2), which had no equivalent in first-half 2011.

In the following analyses, comparisons are based on first-half 2010 (restated).

#### **4.1 Operating cash flow**

The operating cash flow declined to €5,965 million for first-half 2011 from its first-half 2010 level of €6,329 million.

This change essentially reflects the lower EBITDA (-€941 million), incorporating the impacts of the disposals in the United Kingdom and accounting for RTE by the equity method (-€1,416 million), and the variation in income taxes paid (€553 million), which were lower in 2011 due mainly to the differences in payments of outstanding tax for previous years.

The positive impacts of the €232 million increase in other items (including €188 million for the RTE dividend following application of the equity method to RTE in late 2010), and the lower financial expenses disbursed (€117 million) following the decline in average net indebtedness, are offset by the rise in non-monetary items (-€325 million), essentially related to fair value adjustments on hedging instruments.

#### **4.2 Change in working capital**

Working capital increased by €855 million over the first half of 2011.

This rise in working capital in first-half 2011 is caused by higher inventories (-€330 million), essentially located in France (-€235 million including -€109 million concerning nuclear fuels), and the increase in the CSPE receivable (- €451 million for EDF SA).

The increase in working capital in the first half of 2010 reflected the advance received under the contract with the Exeltium consortium (€1,747 million). Excluding this advance, the change at June 30, 2010 was -€911 million.

#### **4.3 Operating investments (Gross capex)**

Operating investments (gross capital expenditure) amounted to €4,883 million at June 30, 2011, €844 million (-14.7%) lower than for first-half 2010. In first-half 2010 they include investments by RTE (€513 million) and the UK networks (€462 million). Excluding these impacts, operating investments rose by €130 million or +2.7%.

Changes over the period in the Group's gross capital expenditure were as follows:

In millions of euros	H1 2011	H1 2010 (restated)	Variation	Variation (%)	H1 2010 (adjusted)
Network activities	1,315	1,726	-411	-23.8%	1,213
Deregulated activities	1,930	1,742	+188	+10.8%	1,742
Island activities	299	233	+66	+28.3%	233
<b>France</b>	<b>3,544</b>	<b>3,701</b>	<b>-157</b>	<b>-4.2%</b>	<b>3,188</b>
United Kingdom	397	894	-497	-55.6%	432
Italy	155	213	-58	-27.2%	213
Other International	194	256	-62	-24.2%	256
<b>Total International</b>	<b>746</b>	<b>1,363</b>	<b>-617</b>	<b>-45.3%</b>	<b>901</b>
<b>Other Activities</b>	<b>594</b>	<b>664</b>	<b>-71</b>	<b>-10.5%</b>	<b>664</b>
<b>Operating investments</b>	<b>4,883</b>	<b>5,728</b>	<b>-844</b>	<b>-14.7%</b>	<b>4,753</b>

Capital expenditure in **France** decreased by €157 million or -4.2%. Excluding the impact of application of the equity method to RTE, operating investments rose by €356 million (+11.2%). In the network activities, this increase is largely explained by ERDF's investments in connections for customers and producers. For the deregulated activities, the increase was concentrated in nuclear maintenance, mainly for asset maintenance and extension of the plants' useful lives. For the island activities, the increase is attributable to development investments for production capacities, which are being made in Guadeloupe (Pointe Jarry), Martinique (Bellefontaine) and Réunion island (Port Est).

**Outside France (International)**, the decline in operating investments was €617 million (-45.3%), mainly explained by sale of the networks in the United Kingdom.

In the **United Kingdom**, gross capital expenditure amounted to €497 million at June 30, 2011, 55.6% lower than in first-half 2010 due largely to the impact of disposal of the networks. Disregarding this factor, the decrease was mainly attributable to cuts in investments in the West Burton B CCGT, which is in a less capital-intensive construction phase than in first-half 2010, and lower investments during shutdowns in nuclear generation. This impact was partly offset by investments in the new nuclear program, which are continuing to rise.

In **Italy**, capital expenditure for the first half of 2011 was €58 million (27.2%) lower than for the same period of 2010. Edison registered a €38 million decrease resulting from a cutback in development operations for the electricity business, and the real estate investment in Milan in 2010, which had no equivalent in 2011. These effects are partly counterbalanced by higher development investments for hydrocarbons. Operating investments were also down at Fenice, due to the downturn in Italy.

In the **Other International** segment, capital expenditure for first-half 2011 was down by €62 million (-24.2%) compared to first-half 2010. Most of the decrease concerns the United States following reclassification of the Calvert Cliffs 3 project as in pre-development (see section 3.2.2.4). Operating investments were also lower in the Western Europe and Poland zones.

Capital expenditure in the **Other Activities** was down by €71 million (-10.5%). This change was mainly explained by a timing effect related to investments by EDF Energies Nouvelles, which will be particularly concentrated on the second half-year in 2011. Nevertheless, investments were up at Dalkia, EDF Trading and gas activities.

#### 4.4 Free cash flow

The Group's free cash flow at June 30, 2011 was positive at €305 million, compared to +€1,514 million for first-half 2010. The main factors were:

- operating cash flow of €5,965 million (see section 4.1);
- a decrease in working capital over the first half of 2011 (-€855 million, see section 4.2);
- gross capital expenditure of €4,883 million (see section 4.3).

The €1,209 million decrease compared to first-half 2010 results mainly from the advance received in April 2010 under the contract with the Exeltium consortium (€1,747 million) (see section 2.2.3.2), which had no equivalent in first-half 2011.

#### 4.5 Allocation to dedicated assets

In compliance with the French Law of June 28, 2006 on the sustainable management of radioactive materials and waste, EDF is continuing to build up a portfolio of dedicated assets to cover long-term nuclear commitments.

The cash allocation to dedicated assets in France for the first half of 2011 amounted to €210 million. The decrease compared to first-half 2010 (€671 million) is explained by the impacts of allocation of 50% of RTE shares (€2.3 billion) to dedicated assets, and article 20 of the NOME law (on France's new electricity market organization) which authorizes extension of the period for building up the dedicated asset portfolio to June 30, 2016.

#### 4.6 Net financial investments (excluding the allocation to dedicated assets)

The first half of 2011 was marked by a net financial divestment (excluding allocations to dedicated assets) of €3,610 million, comprising:

- gains on disposals (€4,608 million), primarily the receipt in February 2011 of €4,500 million for the sale of EnBW (the total sale price was €4,669 million including the €169 million payment already received in 2010),
- investments for external growth, mainly in France with the purchase and exchange offer for shares of EDF Energies Nouvelles (€1,292 million).

#### 4.7 Dividends

Dividends paid in cash (€1,239 million) comprise the balance of the 2010 dividends (€1,068 million) and the dividends paid by Group subsidiaries to their minority shareholders (€171 million), principally Centrica in the UK (€70 million). In first-half 2010, dividends paid in cash amounted to €1,193 million.

#### 4.8 Changes in scope of consolidation and foreign exchange effects

Changes in the scope of consolidation primarily result from deconsolidation of EnBW's financial debt, which contributed €2,591 million of the reduction in net indebtedness.

Foreign exchange effects (the fall of the US dollar and the pound sterling against the Euro<sup>26</sup>) accounted for € 413 million of the decrease in the Group's net indebtedness.

#### 4.9 Net indebtedness

The Group's net indebtedness stood at €29,206 million at June 30, 2011 compared to €34,389 million at December 31, 2010, thus decreasing by €5,183 million over the first half of the year.

The main factor in this decrease was the sale of EnBW (€7,091 million). It also includes the negative impact of the purchase and exchange offer for EDF Energies Nouvelles shares (-€1,292 million), and the final payment to AREVA for decommissioning of La Hague facility (-€664 million excluding taxes).

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<sup>26</sup> The US dollar fell by 7.5% against the Euro, from €0.7484/\$1 at December 31, 2010 to €0.6919/\$1 at June 30, 2011. The pound sterling fell by 4.6% against the Euro, from €1.1618/£1 at December 31, 2010 to €1.1080/£1 at June 30, 2011.

## 5 Management and control of market risks

The policy and principles for management and control of the Group's market risks are presented in Section 9.9 of the 2010 reference document. There have been no significant changes during the first half-year of 2011.

This chapter sets forth the main changes since December 31, 2010 in financial data concerning the management and control of market risks.

### 5.1 Management and control of financial risks

#### 5.1.1 Liquidity position and management of liquidity risks

##### 5.1.1.1 Liquidity position

At June 30, 2011, the Group's liquidities totaled €16,313 million compared to €14,114 million at December 31, 2010, and available credit lines amounted to €11,072 million compared to €11,085 million at December 31, 2010.

##### 5.1.1.2 Management of liquidity risks

The Group undertook no bond issues during the first half of 2011. The average maturity of consolidated debt was 8.4 years at June 30, 2011 compared to 8.6 years at December 31, 2010. EDF SA debt had average maturity of 9.9 years compared to 10.2 years at December 31, 2010. In April 2011, Edison made a drawing of €200 million on the €1.5 billion syndicated loan maturing in 2013. Edison set up a second syndicated loan for €700 million on June 13, 2011, maturing in December 2012, and €100 million was drawn on this loan in June 2011. No drawings were made during the first half of 2011 on any other syndicated loans available to EDF group entities.

##### 5.1.2 Credit ratings

The financial ratings agencies Standard & Poor's, Moody's and Fitch Ratings attributed the following long-term and short-term ratings to EDF group entities at June 30, 2011:

Company	Agency	Long-term rating	Short-term rating
EDF	Standard & Poor's	A+, stable outlook	A-1
	Moody's	Aa3, stable outlook	P-1
	Fitch Ratings	A+, stable outlook	F1
RTE-EDF Transport	Standard & Poor's	A+, stable outlook	A-1
EDF Trading	Moody's	A3, stable outlook	n.a
EDF Energy	Standard & Poor's	A, negative outlook <sup>(1)</sup>	A-1
	Moody's	A3, on negative watch	P-2
	Fitch Ratings	n.a <sup>(2)</sup>	n.a
Edison SpA	Standard & Poor's	BBB, on creditwatch <sup>(3)</sup>	A-2
	Moody's	Baa3, negative outlook <sup>(4)</sup>	n.a
	Fitch Ratings	BBB, on negative watch <sup>(5)</sup>	F2

<sup>(1)</sup> Taken off credit watch on January 28, 2011 with confirmation of rating as A, negative outlook.

<sup>(2)</sup> Fitch rating withdrawn at EDF Energy's request in February 2011.

<sup>(3)</sup> Changed from BBB, stable outlook to BBB, on creditwatch on June 21, 2011.

<sup>(4)</sup> Changed from Baa3, stable outlook to Baa3, negative outlook on June 17, 2011.

<sup>(5)</sup> Changed from BBB, negative outlook to BBB, on negative watch on May 11, 2011.

Since June 30, 2011, there have been changes to two Group entities' ratings. On July 7, 2011, the long-term Standard & Poor's rating for EDF was raised to AA- with a stable outlook. On July 11, 2011, EDF Energy withdrew from Standard & Poor's rating system.

### 5.1.3 Management of foreign exchange risk

The Group's gross debt at June 30, 2011 breaks down as follows by currency after hedging as defined by IFRS: 55% in euros, 28% in pounds sterling and 10% in US dollars. The balance of 7% includes the Swiss franc, the Hungarian forint, the Polish zloty, the Brazilian real, and the Japanese yen.

#### Gross debt structure by currency, before and after hedging

June 30, 2011 In millions of Euros	Initial debt structure	Impact of hedging instruments <sup>(1)</sup>	Debt structure after hedges	% of debt
EUR	28,962	-3,461	25,501	55%
USD	8,524	-3,620	4,904	10%
GBP	4,648	8,356	13,004	28%
Other currencies	4,669	-1,275	3,394	7%
<b>TOTAL DEBT</b>	<b>46,803</b>	<b>0</b>	<b>46,803</b>	<b>100%</b>

(1) Hedges of liabilities and net assets of foreign subsidiaries

The table below presents the impact on equity of an unfavorable variation in exchange rates on the Group's gross debt at June 30, 2011.

#### Sensitivity of the Group's gross debt to foreign exchange rate risks

June 30, 2011 In millions of Euros	Debt after hedging instruments converted into Euros	Impact of a 10% unfavorable variation in exchange rates	Debt after a 10% unfavorable variation in exchange rates
EUR	25,501	-	25,501
USD	4,904	490	5,394
GBP	13,004	1,300	14,304
Other currencies	3,394	339	3,733
<b>TOTAL DEBT</b>	<b>46,803</b>	<b>2,129</b>	<b>48,932</b>

The table below sets forth the foreign exchange position after management relating to net non-operating investments in foreign currency of the Group's principal subsidiaries.

#### Net asset position

In millions of currency units	Net asset position after management at June 30, 2011	Net asset position after management at December 31, 2010
USD	1,098	1,227
CHF (Switzerland)	147	172
HUF (Hungary)	34,756	25,449
PLN (Poland)	994	566
GBP (United Kingdom)	2,951	2,068
BRL (Brazil)	714	686
CNY (China)	5,797	5,187

#### 5.1.4 Management of interest rate risk

The Group's debt after hedging instruments at June 30, 2011 was structured as follows: 78% of debt bore interest at fixed rates and 22% at floating rates (86% and 14% respectively at December 31, 2010).

A 1% uniform rise in interest rates would generate an increase of approximately €101 million in financial expenses at June 30, 2011, based on gross floating-rate debt after hedging.

The average cost of Group debt (weighted interest rate on outstanding amounts) was 4.2% at June 30, 2011 against 4.4% at December 31, 2010.

The table below sets forth the structure of Group debt and the impact of a 1% variation in interest rates at June 30, 2011.

#### Group debt structure and sensitivity to interest rate risks

June 30, 2011 In millions of euros	Initial debt structure	Impact of hedging instruments	Debt structure after hedges	Impact on net income of a 1% variation in interest rates
Fixed rate	39,609	-2,901	36,708	-
Floating rate	7,194	2,901	10,095	101
<b>Total debt</b>	<b>46,803</b>	<b>0</b>	<b>46,803</b>	<b>101</b>

#### 5.1.5 Management of equity risks

The equity risk is concentrated in the following areas:

##### Coverage of EDF's nuclear obligations

Analysis of the equity risk on coverage of EDF's nuclear obligations is presented below in section 5.1.6, "Management of financial risk on EDF's dedicated asset portfolio".

##### Coverage of employee benefit commitments for EDF, EDF Energy and British Energy

31.4% of the assets covering EDF's employee benefit obligations were invested in equities at June 30, 2011, corresponding to a total amount of €2,115 million of equities.

Also at June 30, 2011, the two pension funds set up by EDF Energy (EEGSG: EDF Energy Generation & Supply Group and EEPS: EDF Energy Pension Scheme) were invested to the extent of 33% in equities, representing an amount of £212 million of equities.

37% of the British Energy funds were invested in equities at June 30, 2011, corresponding to an amount of £1,214 million.

##### CENG fund

CENG is exposed to equity risks in the management of its funds established to cover nuclear plant decommissioning and employee benefit obligations.

##### EDF's long-term cash management

Over the first half-year of 2011 EDF continued to reduce the portion of equity-correlated liquid investments included in its long-term cash management instruments. At June 30, 2011 these investments amounted to a residual €6 million and were in the process of being sold.

## Direct investment securities

At June 30, 2011, EDF's investment in Veolia Environnement amounted to €400 million, with estimated volatility of 41.7% (annualized volatility of monthly returns observed over three years).

At the same date, EDF's investment in AREVA amounted to €221 million, with estimated volatility of 32.3% (annualized volatility of monthly returns observed over three years).

### 5.1.6 Management of financial risk on EDF's dedicated asset portfolio

#### EDF's dedicated asset portfolio: content and performance

At June 30, 2011, the overall value of the dedicated asset portfolio was €15,792 million (€15,815 million at December 31, 2010). Details of the portfolio contents are as follows:

	June 30, 2011	December 31, 2010
Equities sub-portfolio	41.7 %	43.0 %
Bonds sub-portfolio	42.7 %	42.3 %
Cash sub-portfolio	0.9 %	-
RTE – EDF Transport shares	14.7 %	14.7 %
<b>Total</b>	<b>100%</b>	<b>100%</b>

Details of portfolio performance are shown below:

	June 30, 2011 Stock market or realizable value (in millions of euros)	Performance at June 30, 2011		Dec 31, 2010 Stock market or realizable value (in millions of euros)	Performance at December 31, 2010	
		Portfolio	Benchmark index <sup>(1)</sup>		Portfolio	Benchmark index <sup>(1)</sup>
Equities sub-portfolio	6,583	- 0.81 %	+ 0.17 %	6,807	16.15%	14.03%
Bonds sub-portfolio	6,745	+ 1.23 %	- 0.01 %	6,683	2.50%	0.99%
Cash sub-portfolio	135	+ 0.48 %	+ 0.43 %	1	0.49%	0.44%
<b>Total portfolio excluding RTE</b>	<b>13,463</b>	<b>+ 0.22 %</b>	<b>+ 0.10 %</b>	<b>13,491</b>	<b>8.79%</b>	<b>7.60%</b>
RTE EDF Transport shares	2,329			2,324		
<b>Total dedicated asset portfolio</b>	<b>15,792<sup>(2)</sup></b>			<b>15,815</b>		

(1) Benchmark index: MSCI World DN hedged 50% in euros for the equities sub-portfolio, Citigroup EGBI for the bonds sub-portfolio, Eonia Capitalisé for the cash sub-portfolio, 50% MSCI World DN hedged 50% in euros + 50% Citigroup EGBI for the total portfolio.

(2) The portfolio's stock market value or realizable value includes foreign exchange hedges, which explain the difference from the book value of dedicated assets.

After the very strong performances in 2010, particularly in the US and Asia and emerging countries, the equity markets saw significant geographical and sector rotation in the first half of 2011. Equity markets in Asia and emerging countries registered significant profit-taking and withdrawals. Japanese equities were affected by the tsunami and the Fukushima accident, and geopolitical crises in North Africa and the Middle East also influenced the markets. In this troubled environment, the expectation of a slowdown in economic growth gradually took hold. The US market stood up relatively well, and growth partly caught up on the European market after lagging behind in 2010.



Against this background, the "equities" sub-portfolio's performance was slightly below its benchmark, while the "bonds" sub-portfolio noticeably outperformed its benchmark thanks to very broad diversification into inflation-linked bonds, and "investment grade" and international euro credit. The gradual move towards a greater portion of bonds enabled the Group to register an overall positive performance (+0.22%) for the first half-year of 2011, slightly above the composite benchmark (+0.10%).

The market value of the "equities" sub-portfolio in EDF's dedicated asset portfolio was €6,583 million at June 30, 2011. The volatility of the "equities" sub-portfolio can be estimated on the basis of the volatility of the benchmark index, the MSCI World index hedged 50% in Euros, which at June 30, 2011 was 11.65% based on 52 weekly performances. Applying this volatility to the value of equity assets at the same date, the Group estimates the annual volatility of the equities portion of dedicated assets at €767 million. This volatility is likely to affect the Group's equity.

At June 30, 2011, the sensitivity of the bond sub-portfolio (€6,745 million) was 4.72, i.e. a uniform 100 base point rise in interest rates would result in a €318 million decline in market value, which would be recognized in Group equity. This bond sub-portfolio sensitivity was 4.65 at December 31, 2010.

### 5.1.7 Management of counterparty/credit risk

The table below gives details, by rating, of the EDF group's consolidated exposure to counterparty risk at March 31, 2011. 86% of the main counterparties for the Group's business still qualify as "investment grade", a stable proportion compared to the consolidated risk for December 2010.

	AAA	AA	A	BBB	BB	B	CCC/C	Unrated	Total
At March 31, 2011	12%	23%	44%	5%	2%	0%	0%	14%	100%
At December 31, 2010	12%	23%	42%	7%	1%	0%	0%	15%	100%

The exposure to counterparty risk by nature of activity is distributed as follows:

	Purchases	Insurance	Sales and distribution	Cash and asset management	Energy purchases and trading	Total
At March 31, 2011	5%	34%	7%	43%	11%	100%
At December 31, 2010	6%	35%	7%	40%	12%	100%

### 5.2 Management and control of energy market risks

This section presents the main changes in energy market risks affecting the Group since December 31, 2010.

The principles for management and control of energy market risks are unchanged from December 31, 2010. They are presented in section 9.9.2.3 of the 2010 reference document.

For operationally controlled entities in the Group, positions on the energy markets are taken predominantly by EDF Trading, the Group's trading entity, which operates on the markets on behalf of other group entities and for the purposes of its own trading activity. As such, EDF Trading is subject to a strict governance and control framework in line with current practices in trading companies.

The principles for management of the Group's energy market risks presented above are unaffected by the Group's disposal of its investment in EnBW. They are now applied in SPE and CENG (in respect of EDF's share of energy).

The table below shows values for the risk indicators used to monitor EDF Trading's markets commitments for the first half-year of 2011 and the second half-year of 2010.

The stop-loss was not triggered during the first half-year of 2011.

<b>In millions of Euros</b>	<b>H1 2011</b>	<b>H1 2010</b>
VaR limit (97.5% 1-day)	45	45
Stop-loss limit	225	225
Minimum VaR	4.7	3.8
Average VaR	10.4	7.3
Maximum VaR	18.7	11.3

## 6 Transactions with related parties

The types of transaction undertaken with related parties are described in note 25 to the condensed consolidated first-half financial statements at June 30, 2011.

## 7 Principal risks and uncertainties for the second half of 2011

The principal risks and uncertainties to which the EDF group considers itself exposed are described in section 4.1 of the 2010 reference document.

The EDF group policies for risk management and control are described in section 4.2 of the 2010 reference document.

This presentation of the major risks remains valid at the date of publication of this report for assessment of the principal risks and uncertainties for the second half of 2011, and the Group remains subject to the usual risks specific to its business.

## 8 Significant events related to litigation in process

Litigations concerning the EDF group are described in section 20.5 of the 2010 reference document. This chapter reports on litigations which have seen significant developments since the release of the 2010 reference document.

### 8.1 National Association of Independent Producers and Heat Engineers (SNPIET)

On December 1, 2010, France's National Association of Independent Producers and Heat Engineers (*Syndicat National des Producteurs Indépendants d'Electricité Thermique* – SNPIET) filed a complaint with the French Competition Authority and an application for interim measures. SNPIET alleges that EDF and RTE EDF Transport used anticompetitive practices in order to exclude independent producers belonging to SNPIET from the tender offers initiated by RTE EDF Transport in 2005 and 2007 for express and complementary stock, and negotiation of electricity purchase contracts with EDF on the free market with no purchase obligations. After discussions involving both parties, a French Competition Authority hearing on the merits of the case and the application for interim measures was held on May 10, 2011. In a decision of June 8, 2011, the Competition Authority rejected SNPIET's complaint and application due to lack of supporting evidence. SNPIET had one month from notification of this decision to lodge an appeal with the Paris Court of Appeal.

### 8.2 Fessenheim

Certain associations petitioned the French Ministers in charge of nuclear safety (the Minister for the Economy and the Minister for Energy) to order permanent shutdown and dismantling of the nuclear power plant at Fessenheim, France. This request was founded on article 34 of French law 2006-686 of June 13, 2006 relating to transparency and safety in nuclear matters; under this law, when no other course of action is possible the French Council of State may, after consultation with the Nuclear Safety Authority, issue a decree ordering permanent shutdown and dismantling of a nuclear power plant that involves serious risks.

After the dismissal of this petition by the Ministers, the petitioners filed an appeal with the Strasbourg Administrative Tribunal on December 10, 2008, which was rejected on March 9, 2011. The petitioners appealed this decision on May 4, 2011.

### **8.3 Discharge at Flamanville**

On November 15, 2006 EDF applied to France's Nuclear Safety Authority (ASN) for authorization to draw and discharge liquid and gas effluents for the Flamanville nuclear power plant in north-west France. This application covered drawings and discharge by the two existing reactors on the site (Flamanville 1 and 2), and the future EPR-type reactor (Flamanville 3) currently under construction, for which authorization was granted by decree 2007-534 of April 10, 2007.

The ASN set the limits for discharge of liquid and gas effluents into the environment for operation of the three reactors in a decision of July 7, 2010, approved by the ministers in charge of nuclear safety on September 15, 2010. A local association CRILAN filed a petition for cancellation of this decision with the Caen Administrative Court on March 23, 2011. The French State and EDF are both preparing their defense arguments, and will file their respective statements in autumn 2011.

### **8.4 Packaging and interim storage installation for radioactive waste (ICEDA)**

Decree 2010-402 of April 23, 2010 authorized EDF to establish a regulated nuclear installation, specifically a packaging and interim storage installation for radioactive waste (*Installation de Conditionnement et d'Entreposage de Déchets Activés* – ICEDA), on land belonging to the town of Saint-Vulbas in France's Ain region. Two petitions for cancellation of the decree were filed with the French Council of State in June 2010, one by Roozen, a horticultural company operating near the site, and the other by a group of environmental protection associations. The defense statements were submitted by the French State and EDF in mid-January 2011.

Roozen has also filed two petitions with the Lyon Administrative Court, against the decision of February 22, 2010 in which the Ain local administrative authority (Préfet) granted the ICEDA building permit. The first of these petitions was filed on April 21, 2010 and sought cancellation of the building permit. The French State and EDF filed their defense statement in mid-July 2010. The second petition, dated November 25, 2010, requested an emergency injunction to suspend the building permit. This petition was dismissed by an order of the Lyon Administrative Court on December 13, 2010, and on May 24, 2011 the Council of State rejected the resulting appeal lodged by Roozen. This litigation is therefore now closed.

### **8.5 Statoil**

On February 14, 2003 EDF and Statoil signed a 15-year natural gas supply contract. In January 2009, an index included in the contractual price calculation ceased to be published, and EDF and Statoil began discussions over its replacement. After the new index to use was determined by an independent expert, the parties signed an agreement on May 30, 2011 ending their dispute over the date for retroactive application of this new index.

### **8.6 Proceedings concerning EDF subsidiaries and investments - BE ZRT**

Following an investigation relating to the European regulations on State aid, on June 4, 2008 the European Commission issued a decision requiring the Hungarian Government to terminate existing long-term electricity purchase agreements (PPAs) by the end of 2008, and the electricity producers to refund by April 2009 any amounts of State aid received since May 1, 2004, the date on which Hungary joined the European Union.

BE ZRt decided to appeal this European Commission decision before the European Court on May 4, 2009. The proceedings are still ongoing. The Hungarian Government did not challenge the European Commission's decision, and the Hungarian legislator enacted a law on November 10, 2008 for termination on December 31, 2008 of all PPAs. In late April 2010, the European Commission and the Hungarian government accepted the principle of netting stranded costs with the State aid paid, and as a result BE ZRt had no illegal State aid to repay.

In order to pursue its business after termination of its PPAs, BE ZRt negotiated an 8-year sales contract with MVM (the state-owned sole Hungarian buyer) for half of its electricity output, and benefited from the "Cogen decree"<sup>27</sup> for the sale of the other half of its output, for a period due to run until 2013. However, on March 16, 2011 Hungary adopted an amendment to the law on electricity ending support for cogeneration in Hungary from July 2011.

EDF International, whose investment in BE ZRt was undertaken after the company's privatization on specific terms that are now in question, sent a notice of arbitration to the Hungarian State on May 12, 2009 founded on the Energy Charter Treaty (ECT), in accordance with UNCITRAL regulations. These arbitration proceedings were postponed to October 1, 2011 following several successive agreements reached before EDF International filed its statement.

Negotiations are in process between EDF International and the Hungarian government to reach an amicable solution.

### **8.7 Proceeding concerning the sale of Ausimont**

On completion of the preliminary investigation opened by the Public Prosecutor of Pescara into a suspected case of water pollution and ecological disaster affecting the river Aterno basin at Bussi sul Tirino, the site of an industrial complex belonging to Ausimont SpA that was sold to Solvay Solexis SpA in 2002, the Prosecutor notified certain former directors and managers of Solvay Solexis and Edison that the case would go to court on charges of water poisoning, ecological disaster and fraud to the prejudice of the site's purchaser.

Charges against MontEdison (now Edison) were dropped on December 15, 2009, but the proceedings on the matters of environmental disaster and poisoning continued. In a decision of May 10, 2011, the judge at the preliminary hearing reclassified the water poisoning charges as "water adulteration" charges which incur lower sentences and potential financial damages.

In this context, an attachment order was placed on a plot of land belonging to Edison adjacent to the industrial plant, where a large quantity of industrial waste was found. By order of October 4, 2007, the President of the Italian Council of Ministers appointed a deputy special commissioner empowered to undertake urgent measures: identification, safety and rehabilitation measures for the land. The commissioner ordered Edison to prepare a characterization plan of the zone, take urgent measures to make it safe and present proposals for decontamination of the ground and ground water. Edison, which has never used this site for its business, filed an appeal with the Regional Administrative Court in June 2008.

### **8.8 Casino**

The announcement by the French Ministry of Ecology, Energy, Sustainable Development and the Sea in autumn 2009 of a decrease in the photovoltaic electricity purchase prices set by the order of July 10, 2006, caused an upsurge in applications for purchase contracts that is likely to generate a very significant increase in costs to be compensated by the CSPE. The French Government therefore decided, by an order of January 12, 2010, to modify both the purchase prices of electricity generated from photovoltaic energy and their terms of application.

Several producers, including the Green Yellow companies, subsidiaries of the retail group Casino, then decided to bring proceedings against EDF, asking the courts to order EDF to purchase the generated electricity at the more favorable tariff conditions set out by the previous order of July 10, 2006.

In a judgment of July 11, 2011, the Paris Commercial Court ruled that the purchase contracts concerned by this dispute should be deemed to exist as soon as EDF receives the completed contract application. The Court thus considered that for contracts meeting this requirement, the plaintiffs are entitled to the tariffs set in the order of July 10, 2006.

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<sup>27</sup> Decree setting out terms including the tariff for renewable energies and cogeneration, adopted by the Hungarian Government on November 28, 2008, known as the "Cogen" decree.

## 9 Financial outlook

The Group can confirm its financial objectives for 2011:

- Organic growth in EBITDA of between 4% and 6%<sup>28</sup>,
- Net indebtedness/EBITDA ratio of between 2.1 and 2.3<sup>29</sup>x, including the impact of the EDF Energies Nouvelles operation.
- Dividend for 2011 at least equal to the dividend paid for 2010.

In view of the sustained investments planned for the next 5 years, the increased selectivity in development projects and the savings made through the Group's Synergies and Transformation, the Group has set itself the following financial objectives for the period 2011-2015:

- Average annual growth in EBITDA<sup>30</sup> of between 4% and 6%,
- Average annual growth in net income excluding non-recurring items of between 5% and 10%,
- Net indebtedness/EBITDA ratio for the period of less than 2.5 x,
- A dividend distribution rate for the period of between 55% and 65%.

These objectives exclude the effects of regulatory changes following the nuclear accident in Japan.

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<sup>28</sup> Growth based on constant scope of consolidation and exchange rates, excluding the impact of the decision of July 4, 2011 concerning non-recurring compensation for TaRTAM transition tariff expenses. This objective includes the initial ARENH price set by governmental decision of April 19, 2011 at €40/MWh at July 1, 2011 then €42/MWh at January 1, 2012.

<sup>29</sup> Excluding any external growth operation.

<sup>30</sup> Growth based on constant scope of consolidation and exchange rates.



BOARD OF DIRECTORS' MEETING OF JULY 28, 2011

**CONDENSED CONSOLIDATED  
HALF-YEAR FINANCIAL STATEMENTS  
AT JUNE 30, 2011**

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## Consolidated Income Statements

(in millions of Euros)	Notes	H1 2011	H1 2010 <sup>(1)</sup>
Sales		33,464	33,538
Fuel and energy purchases		(14,964)	(13,273)
Other external expenses		(4,483)	(4,734)
Personnel expenses		(5,479)	(5,707)
Taxes other than income taxes		(1, 511)	(1,702)
Other operating income and expenses		1,589	1,700
Prolongation of the transition tariff system (TaRTAM) – Law of June 7, 2010		-	(265)
<b>Operating profit before depreciation and amortization</b>	<b>7</b>	<b>8,616</b>	<b>9,557</b>
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities		(28)	61
Net depreciation and amortization		(3,131)	(3,621)
Net increases in provisions for renewal of property, plant and equipment operated under concession (Impairment) / reversals	<b>8</b>	(269)	(1)
Other income and expenses	<b>9</b>	276	(1,060)
<b>Operating profit</b>		<b>5, 256</b>	<b>4,685</b>
Cost of gross financial indebtedness		(1,107)	(1,295)
Discount effect	<b>10.1</b>	(1,524)	(1,573)
Other financial income and expenses		821	641
<b>Financial result</b>	<b>10</b>	<b>(1,810)</b>	<b>(2,227)</b>
<b>Income before taxes of consolidated companies</b>		<b>3,446</b>	<b>2,458</b>
Income taxes	<b>11</b>	(977)	(1,111)
Share in income of associates	<b>14</b>	259	93
Net income of discontinued operations		-	386
<b>Group net income</b>		<b>2,728</b>	<b>1,826</b>
<b>Net income attributable to non-controlling interests</b>		<b>174</b>	<b>167</b>
Net income of continuing operations		174	148
Net income of discontinued operations		-	19
<b>EDF Net income</b>		<b>2,554</b>	<b>1,659</b>
Net income of continuing operations		2,554	1,292
Net income of discontinued operations		-	367
<b>Earnings per share in Euros :</b>			
Earnings per share in Euros		<b>1.38</b>	<b>0.90</b>
Diluted earnings per share in Euros		<b>1.38</b>	<b>0.90</b>
Earnings per share of continuing operations, in Euros		<b>1.38</b>	<b>0.70</b>
Diluted earnings per share of continuing operations, in Euros		<b>1.38</b>	<b>0.70</b>

(1) Figures for the first half of 2010 have been restated for the impact of IFRS 5 "Non-current assets held for sale and discontinued operations" and the change in presentation of SPE's optimization activities (see note 2).

## Statements of net income and gains and losses recorded directly in equity

(in millions of Euros)	Notes	H1 2011	H1 2010 <sup>(1)</sup>
<b>Group net income</b>		<b>2,728</b>	<b>1,826</b>
Changes in the fair value of available-for-sale financial assets <sup>(2)</sup>	18.4.1	(172)	31
Changes in the fair value of available-for-sale financial assets transferred to income on sale <sup>(3)</sup>		(194)	(75)
Changes in the fair value of hedging instruments <sup>(4)</sup>	18.4.2	161	(478)
Changes in the fair value of hedging instruments transferred to income on sale		309	20
Translation adjustments		(1,227)	2,716
Taxes <sup>(5)</sup>		76	(150)
<b>Gains and losses recorded directly in equity</b>		<b>(1,047)</b>	<b>2,064</b>
<b>Net income and gains and losses recorded directly in equity</b>		<b>1,681</b>	<b>3,890</b>
<b>Attributable to EDF</b>		<b>1,628</b>	<b>3,484</b>
- From continuing operations		1,628	3,018
- From discontinued operations		-	466
<b>Attributable to non-controlling interests</b>		<b>53</b>	<b>406</b>
- From continuing operations		53	387
- From discontinued operations		-	19

(1) Figures for the first half of 2010 have been restated for the impact of application of IFRS 5 (see note 2).

(2) EDF's share amounts to €(172) million for the first half of 2011 (€29 million for the first half of 2010).

(3) Including €(147) million attributable to the sale of EnBW in the first half of 2011.

(4) EDF's share amounts to €130 million for the first half of 2011 (€(448) million for the first half of 2010).

(5) Taxes break down as follows:

(in millions of Euros)	H1 2011	H1 2010
Taxes on changes in the fair value of available-for-sale financial assets	66	(1)
Taxes on changes in the fair value of hedging instruments	10	(149)
<b>Total</b>	<b>76</b>	<b>(150)</b>

## Consolidated Balance Sheets

<b>ASSETS</b> (in millions of Euros)	<b>Notes</b>	<b>06.30.2011</b>	<b>12.31.2010</b>
Goodwill	12	11,171	12,028
Other intangible assets		4,290	4,616
Property, plant and equipment operated under French public electricity distribution concessions	13	44,464	43,905
Property, plant and equipment operated under concessions for other activities	13	6,043	6,027
Property, plant and equipment used in generation and other tangible assets owned by the Group	13	56,826	57,268
Investments in associates	14	7,903	7,854
Non-current financial assets	15	24,387	24,921
Deferred tax assets		1,782	2,125
<b>Non-current assets</b>		<b>156,866</b>	<b>158,744</b>
Inventories		12,723	12,685
Trade receivables		18,430	19,524
Current financial assets	15	17,923	16,788
Current tax assets		507	525
Other receivables	16	10,944	9,319
Cash and cash equivalents		5,693	4,829
<b>Current assets</b>		<b>66,220</b>	<b>63,670</b>
<b>Assets classified as held for sale</b>	17	<b>152</b>	<b>18,145</b>
<b>TOTAL ASSETS</b>		<b>223,238</b>	<b>240,559</b>
<b>EQUITY AND LIABILITIES</b> (in millions of Euros)	<b>Notes</b>	<b>06.30.2011</b>	<b>12.31.2010</b>
Capital	18	930	924
EDF net income and consolidated reserves		30,387	30,393
<b>Equity (EDF share)</b>		<b>31,317</b>	<b>31,317</b>
Non-controlling interests		4,086	5,586
<b>Total equity</b>		<b>35,403</b>	<b>36,903</b>
Provisions for back-end nuclear cycle		16,964	17,000
Provisions for decommissioning and last cores		19,626	19,383
Provisions for employee benefits		11,964	11,745
Other provisions		1,399	1,337
<b>Non-current provisions</b>	19.1	<b>49,953</b>	<b>49,465</b>
Grantors' rights in existing assets operated under French public electricity distribution concessions	20	20,449	20,318
Grantors' rights in assets to be replaced operated under French public electricity distribution concessions	20	21,303	20,843
Non-current financial liabilities	21.1	39,303	40,646
Other liabilities	22	4,961	4,965
Deferred tax liabilities		4,308	4,894
<b>Non-current liabilities</b>		<b>140,277</b>	<b>141,131</b>
Provisions	19.1	3,903	5,010
Trade payables		10,990	12,805
Current financial liabilities	21.1	12,958	12,766
Current tax liabilities		635	396
Other liabilities	22	19,056	18,674
<b>Current liabilities</b>		<b>47,542</b>	<b>49,651</b>
<b>Liabilities related to assets classified as held for sale</b>	17	<b>16</b>	<b>12,874</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>223,238</b>	<b>240,559</b>

## Consolidated Cash Flow Statements

(in millions of Euros)	Notes	H1 2011	H1 2010 <sup>(1)</sup>
<b>Operating activities:</b>			
<b>Income before taxes of consolidated companies</b>		<b>3,446</b>	<b>2,458</b>
Impairment (reversals)		269	1
Accumulated depreciation and amortization, provisions and change in fair value		3,297	5,207
Financial income and expenses		661	863
Dividends received from associates		290	58
Capital gains/losses		(409)	1
Change in working capital		(1,519)	836
<b>Net cash flow from operations</b>		<b>6,035</b>	<b>9,424</b>
Net financial expenses disbursed		(1,007)	(1,124)
Income taxes paid		(582)	(1,135)
<b>Net cash flow from operating activities</b>		<b>4,446</b>	<b>7,165</b>
<b>Investing activities:</b>			
Acquisition/disposal of companies, net of cash acquired/transferred <sup>(2)</sup>		3,708	137
Purchases of property, plant and equipment and intangible assets		(4,883)	(5,728)
Net proceeds from sale of property, plant and equipment and intangible assets		78	77
Changes in financial assets		(1,132)	(3,045)
<b>Net cash flow used in investing activities</b>		<b>(2,229)</b>	<b>(8,559)</b>
<b>Financing activities:</b>			
Transactions with non-controlling interests <sup>(3)</sup>		(1,233)	(185)
Dividends paid by parent company	18.3	(1,068)	(1,109)
Dividends paid to non-controlling interests		(171)	(84)
Purchases / sales of treasury shares	18.2	(6)	(9)
<b>Cash flows with shareholders</b>		<b>(2,478)</b>	<b>(1,387)</b>
Issuance of borrowings		2,228	5,484
Repayment of borrowings		(1,943)	(4,154)
Increase in special concession liabilities		93	105
Investment subsidies		22	51
<b>Cash flows from other financing activities</b>		<b>400</b>	<b>1,486</b>
<b>Net cash flow from financing activities</b>		<b>(2,078)</b>	<b>99</b>
Cash flows from continuing operations		139	(1,295)
Cash flows from discontinued operations		-	477
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>139</b>	<b>(818)</b>
<b>Cash and cash equivalents - opening balance</b>		<b>5,567</b>	<b>6,982</b>
Net increase/(decrease) in cash and cash equivalents		139	(818)
Effect of currency fluctuations		(76)	182
Financial income on cash and cash equivalents		17	12
Effect of other reclassifications		46	17
<b>Cash and cash equivalents - closing balance <sup>(4)</sup></b>		<b>5,693</b>	<b>6,375</b>

(1) In application of IFRS 5, the net change in cash for discontinued operations is reported on a separate line in the cash flow statements for the periods presented. The impact of application of IFRS 5 on the figures published in 2010 is presented in note 2.

(2) The impact of disposal of the investment in EnBW in the first half of 2011 amounts to €3.8 billion (payment received of €4.5 billion, net of €0.7 billion cash transferred in the sale).

(3) Contributions in the form of capital increases or reductions and acquisitions of additional interests in controlled companies.

In the first half of 2011, acquisitions of additional interests through the simplified alternative public cash or exchange offer for shares of EDF Energies Nouvelles account for €1,292 million, comprising €1,045 million for the cash component and €247 million for the share exchange component, via the associated EDF share repurchase program (see notes 4.2 and 18.2).

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(4) The net change in cash and cash equivalents breaks down as follows:

(in millions of Euros)	Continuing operations	Discontinued operations	Total
<b>Cash and cash equivalents at January 1, 2010</b>	<b>6,429</b>	<b>553</b>	<b>6,982</b>
Net cash flow from operating activities	7,165	634	7,799
Net cash flow used in investing activities	(8,559)	(152)	(8,711)
Net cash flow from financing activities	99	(5)	94
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,295)</b>	<b>477</b>	<b>(818)</b>
Effect of currency fluctuations	179	3	182
Financial income on cash and cash equivalents	10	2	12
Effect of other reclassifications	(15)	32	17
Dividends paid by discontinued operations	170	(170)	-
<b>Cash and cash equivalents at June 30, 2010</b>	<b>5,478</b>	<b>897</b>	<b>6,375</b>
<b>Cash and cash equivalents at January 1, 2011</b>	<b>4,829</b>	<b>738</b>	<b>5,567</b>
Net cash flow from operating activities	4,446	-	4,446
Net cash flow used in investing activities	(2,229)	-	(2,229)
Net cash flow from financing activities	(2,078)	-	(2,078)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>139</b>	<b>-</b>	<b>139</b>
Effect of currency fluctuations	(76)	-	(76)
Financial income on cash and cash equivalents	17	-	17
Effect of other reclassifications	46	-	46
Cash transferred in the sale of discontinued operations	738	(738)	-
<b>Cash and cash equivalents at June 30, 2011</b>	<b>5,693</b>	<b>-</b>	<b>5,693</b>

## Changes in Consolidated Equity

The changes in equity between January 1 and June 30, 2011 are as follows:

	Capital	Consolidated reserves and net income	Treasury shares	Translation adjustments	Impact of restatement to fair value of financial instruments <sup>(1)</sup>	Equity (EDF share)	Non-controlling interests	Total Equity
(in millions of Euros)								
<b>Equity at December 31, 2010</b>	<b>924</b>	<b>29,469</b>	<b>(19)</b>	<b>543</b>	<b>400</b>	<b>31,317</b>	<b>5,586</b>	<b>36,903</b>
Gains and losses recorded directly in equity	-	-	-	(1,074)	148	(926)	(121)	(1,047)
Net income	-	2,554	-	-	-	2,554	174	2,728
<b>Net income and gains and losses recorded directly in equity</b>	<b>-</b>	<b>2,554</b>	<b>-</b>	<b>(1,074)</b>	<b>148</b>	<b>1,628</b>	<b>53</b>	<b>1,681</b>
Increase in share capital of EDF <sup>(2)</sup>	6	300	-	-	-	306	-	306
Dividends paid	-	(1,068)	-	-	-	(1,068)	(189)	(1,257)
Purchases / Sales of treasury shares	-	-	(252)	-	-	(252)	-	(252)
Other changes <sup>(3)</sup>	-	(614)	-	-	-	(614)	(1,364)	(1,978)
<b>Equity at June 30, 2011</b>	<b>930</b>	<b>30,641</b>	<b>(271)</b>	<b>(531)</b>	<b>548</b>	<b>31,317</b>	<b>4,086</b>	<b>35,403</b>

- (1) These changes correspond to the effects of fair value measurement of available-for-sale financial assets and amounts transferred to income following changes in their fair value, and the effects of fair value measurement of hedging instruments and amounts transferred to income in respect of terminated contracts. For details see the statements of net income and gains and losses recorded directly in equity.
- (2) EDF's capital increase and the higher treasury share purchases during the first half of 2011 relate to the simplified alternative public cash or exchange offer for shares of EDF Energies Nouvelles (see note 4.2).
- (3) Other changes (EDF's share and the share attributable to non-controlling interests) include €(688) million and €(764) million respectively reflecting the effects of acquisition of minority shareholdings in EDF Energies Nouvelles. Other changes in equity attributable to non-controlling interests also include the effects of deconsolidation of EnBW, amounting to €(519) million.

The changes in equity between January 1 and June 30, 2010 are as follows:

	Capital	Consolidated reserves and net income	Treasury shares	Translation adjustments	Impact of restatement to fair value of financial instruments <sup>(1)</sup>	Equity (EDF share)	Non-controlling interests	Total Equity
(in millions of Euros)								
<b>Equity at January 1, 2010</b>	<b>924</b>	<b>30,627</b>	<b>26</b>	<b>(1,320)</b>	<b>(366)</b>	<b>29,891</b>	<b>4,776</b>	<b>34,667</b>
Gains and losses recorded directly in equity	-	-	-	2,449	(624)	1,825	239	2,064
Net income	-	1,659	-	-	-	1,659	167	1,826
<b>Net income and gains and losses recorded directly in equity</b>	<b>-</b>	<b>1,659</b>	<b>-</b>	<b>2,449</b>	<b>(624)</b>	<b>3,484</b>	<b>406</b>	<b>3,890</b>
Dividends paid	-	(1,109)	-	-	-	(1,109)	(108)	(1,217)
Purchases / Sales of treasury shares	-	-	(9)	-	-	(9)	-	(9)
Other changes <sup>(2)</sup>	-	73	(36)	(10)	(6)	21	500	521
<b>Equity at June 30, 2010</b>	<b>924</b>	<b>31,250</b>	<b>(19)</b>	<b>1,119</b>	<b>(996)</b>	<b>32,278</b>	<b>5,574</b>	<b>37,852</b>

- (1) These changes correspond to the effects of fair value measurement of available-for-sale financial assets and amounts transferred to income following changes in their fair value, and the effects of fair value measurement of hedging instruments and amounts transferred to income in respect of terminated contracts. For details see the statements of net income and gains and losses recorded directly in equity.
- (2) Other changes attributable to non-controlling interests include an amount of €595 million relating to minority shareholdings in SPE.

## Notes to the condensed consolidated financial statements

Electricité de France (EDF or “the Company”) is a French *société anonyme* governed by French Law, and registered in France.

The EDF group is an integrated energy company operating in all types of energy businesses: generation, transmission, distribution, supply and trading of energies.

The Company’s condensed consolidated half-year financial statements at June 30, 2011 include the accounts of companies directly or indirectly under the exclusive control of the Company and its subsidiaries, which are fully consolidated, the accounts of jointly-controlled companies (joint ventures), which are proportionally consolidated, and the accounts of companies in which the Company exercises significant influence (associates), which are accounted for under the equity method. All these economic entities are collectively referred to as the “Group”.

The Group’s condensed consolidated financial statements at June 30, 2011 were prepared under the responsibility of the Board of Directors and approved by the Directors at the Board meeting held on July 28, 2011.

The comparative figures reported in the notes to the financial statements at June 30, 2010 and at December 31, 2010 have been restated for the application of IFRS 5 (sale of the Group’s investment in EnBW) and the change in presentation of SPE’s optimization activities (see note 2).

2010 was also marked by three major operations concerning the Group’s scope of activity, which in addition to changes of accounting method and presentation, affect financial statement comparability between 2010 and 2011:

- the sale of the British regulated and deregulated distribution networks, completed on October 29, 2010.
- the sale of EnBW, approved by the Board of Directors on December 6, 2010 and finalized on February 17, 2011.
- application of the equity method for RTE from December 31, 2010.

The effects of these operations on comparability in the condensed consolidated financial statements at June 30, 2011 are identical to those described in the notes to the consolidated financial statements at December 31, 2010.

### 1 Group accounting principles and methods

#### 1.1 Declaration of conformity and Group accounting policies

Pursuant to European regulation 1606/2002 of July 19, 2002 on the adoption of international accounting standards, the EDF group’s condensed consolidated financial statements at June 30, 2011 are prepared using the presentation, recognition and measurement rules prescribed by the international accounting standards published by the IASB and approved by the European Union for application at June 30, 2011. These international standards are IAS (International Accounting Standards), IFRS (International Financial Reporting Standards), and interpretations issued by the SIC and IFRIC.

The condensed consolidated half-year financial statements comply with standard IAS 34 on interim financial reporting and the IAS/IFRS international accounting standards released at June 30, 2011, in the form in which they should be mandatory at December 31, 2011. These financial statements do not include all the information required for full annual financial statements, and are to be read in conjunction with the consolidated financial statements at December 31, 2010 with reference to the principal accounting and valuation methods described in note 1 to those financial statements.

#### 1.2 Accounting methods for the first half-year of 2011

The accounting and valuation methods applied by the Group in these consolidated half-year financial statements are identical to those used in the consolidated financial statements for the year ended December 31, 2010, with the exception of the valuation methods specific to interim financial statements as described in note 1.3 and standards endorsed by the European Union in 2009 and 2010 that became mandatory from January 1, 2011.



Application of the following standards and interpretations endorsed by the European Union became mandatory as of January 1, 2011:

- Revised IAS 24, “Related Party Disclosures”;
- IFRIC 19, “Extinguishing Financial Liabilities with Equity Instruments”;
- The amendment on “Classification of Rights Issues” to IAS 32, “Financial Instruments: Presentation”;
- Amendments on “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters” to IFRS 1;
- Amendments on “Prepayments of a minimum funding requirement” to IFRIC 14;
- Annual improvements to IFRS (2008-2010).

The EDF group has not identified any significant impact on its consolidated financial statements arising from application of these standards, interpretations and amendments.

The Group has not opted for early application of any standards, amendments or interpretation.

### 1.3 Valuation methods specific to interim financial statements

The following valuation methods specific to interim financial statements have been applied:

#### 1.3.1 Employee benefits

The amount of the obligation corresponding to post-employment benefits and other long-term benefits at June 30, 2011 was calculated by projection of the obligation at December 31, 2010 over one half-year, taking into account the benefits paid out and the changes in fund assets.

The actuarial assumptions used to calculate employee benefits for interim financial statements are identical to those used for the previous annual financial statements, unless significant developments arise for certain parameters.

#### 1.3.2 Income taxes

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

#### 1.3.3 Greenhouse gas emission quotas

When a Group entity's estimated emissions are higher than the quotas allocated for the period less any spot or forward transactions, a provision is established to cover the excess emissions. For interim financial statements, the amount of the provision is calculated pro rata to the emission output during the half-year.

The provision is equivalent to the acquisition cost up to the amount acquired on the spot or forward markets, and based on market prices for the balance.

### 1.4 Management judgment and estimates

The preparation of the financial statements requires the use of judgments, best estimates and assumptions in determining the value of assets and liabilities, income and expenses recorded for the period, and positive and negative contingencies at the closing date. The figures in future financial statements may differ from current estimates due to changes in these assumptions or economic conditions.

The principal sensitive accounting methods involving use of estimates and judgments are the same as those described in note 1.3.2 to the consolidated financial statements at December 31, 2010.

### 1.5 Seasonal nature of the business

Interim sales and operating profit before depreciation and amortization are affected by significant seasonal factors in the calendar year, principally in France. The variations observed are mainly associated with weather conditions and the tariff structures of the period.

To illustrate this, the table below shows the sales and operating profit before depreciation and amortization for the first half and second half of 2010, and for the year 2010:

(in millions of Euros)	H1 2010 <sup>(1)</sup>	H2 2010 <sup>(1)</sup>	2010 <sup>(1)</sup>
Sales	33,538	31,782	65,320
Operating profit before depreciation and amortization	9,557	7,066	16,623

(1) Published figures for 2010 have been restated for the impact of IFRS 5 “Non-current assets held for sale and discontinued operations” and the change in presentation of SPE’s optimization activities.

## **2 Comparability**

### **2.1 IFRS 5 “Non-current assets held for sale and discontinued operations”**

The impacts of application of IFRS 5 on the 2010 financial statements relate to the sale of the Group’s investment in EnBW.

In application of IFRS 5, the net income of discontinued operations is reported on a separate line in the income statement for the periods presented, and the net change in cash of discontinued operations is reported on a separate line in the cash flow statement for the periods presented.

### **2.2 Presentation of SPE’s energy sale and purchase optimization activities**

In 2010, SPE recorded energy purchases undertaken as part of its optimization activities as a deduction from sales for the year. For compliance with Group presentation rules, these energy purchases are no longer deducted from sales for 2011 and the comparative periods presented. This change leads to a €71 million increase in sales and an equivalent increase in fuel and energy purchases for the first half of 2010. Operating profit before depreciation and amortization and net income are unaffected.

**2.3 Impact on the consolidated income statement for the first half-year of 2010**

(in millions of Euros)	<b>H1 2010 as published</b>	<b>IFRS 5 impacts</b>	<b>SPE Optimization impacts</b>	<b>H1 2010 restated</b>
Sales	37,513	(4,046)	71	33,538
Fuel and energy purchases	(15,743)	2,541	(71)	(13,273)
Other external expenses	(5,170)	436	-	(4,734)
Personnel expenses	(6,082)	375	-	(5,707)
Taxes other than income taxes	(1,708)	6	-	(1,702)
Other operating income and expenses	1,828	(128)	-	1,700
Prolongation of the transition tariff system (TaRTAM) – Law of June 7, 2010	(265)	-	-	(265)
<b>Operating profit before depreciation and amortization</b>	<b>10,373</b>	<b>(816)</b>	<b>-</b>	<b>9,557</b>
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities	58	3	-	61
Net depreciation and amortization	(3,824)	203	-	(3,621)
Net increases in provisions for renewal of property, plant and equipment operated under concessions	(251)	-	-	(251)
(Impairment) / reversals	(7)	6	-	(1)
Other income and expenses	(1,060)	-	-	(1,060)
<b>Operating profit</b>	<b>5,289</b>	<b>(604)</b>	<b>-</b>	<b>4,685</b>
Cost of gross financial indebtedness	(1,379)	84	-	(1,295)
Discount effect	(1,690)	117	-	(1,573)
Other financial income and expenses	700	(59)	-	641
<b>Financial result</b>	<b>(2,369)</b>	<b>142</b>	<b>-</b>	<b>(2,227)</b>
<b>Income before taxes of consolidated companies</b>	<b>2,920</b>	<b>(462)</b>	<b>-</b>	<b>2,458</b>
Income taxes	(1,241)	130	-	(1,111)
Share in income of associates	147	(54)	-	93
Net income of discontinued operations	-	386	-	386
<b>Group net income</b>	<b>1,826</b>	<b>-</b>	<b>-</b>	<b>1,826</b>
Net income of continuing operations	1,659	(367)	-	1,292
Net income of discontinued operations	-	367	-	367
<b>EDF net income</b>	<b>1,659</b>	<b>-</b>	<b>-</b>	<b>1,659</b>
Net income of continuing operations	167	(19)	-	148
Net income of discontinued operations	-	19	-	19
<b>Net income attributable to non-controlling interests</b>	<b>167</b>	<b>-</b>	<b>-</b>	<b>167</b>

**2.4 Impact on the consolidated cash flow statement for the first half-year of 2010**

(in millions of Euros)	H1 2010 as published	IFRS 5 impacts	H1 2010 restated
<b>Operating activities:</b>			
<b>Income before taxes of consolidated companies</b>	<b>2,920</b>	<b>(462)</b>	<b>2,458</b>
Impairment (reversals)	7	(6)	1
Accumulated depreciation and amortization, provisions and change in fair value	5,490	(283)	5,207
Financial income and expenses	882	(19)	863
Dividends received from associates	94	(36)	58
Capital gains/losses	(71)	72	1
Change in working capital	783	53	836
<b>Net cash flow from operations</b>	<b>10,105</b>	<b>(681)</b>	<b>9,424</b>
Net financial expenses disbursed	(1,129)	5	(1,124)
Income taxes paid	(1,177)	42	(1,135)
<b>Net cash flow from operating activities</b>	<b>7,799</b>	<b>(634)</b>	<b>7,165</b>
<b>Investing activities:</b>			
Acquisition/disposal of companies, net of cash acquired/transferred	357	(220)	137
Purchases of property, plant and equipment and intangible assets	(5,993)	265	(5,728)
Net proceeds from sale of property, plant and equipment and intangible assets	90	(13)	77
Changes in financial assets	(3,165)	120	(3,045)
<b>Net cash flow used in investing activities</b>	<b>(8,711)</b>	<b>152</b>	<b>(8,559)</b>
<b>Financing activities:</b>			
Transactions with non-controlling interests	(185)	-	(185)
Dividends paid by parent company	(1,109)	-	(1,109)
Dividends paid to non-controlling interests	(96)	12	(84)
Purchases/Sales of treasury shares	(9)	-	(9)
<b>Cash flows with shareholders</b>	<b>(1,399)</b>	<b>12</b>	<b>(1,387)</b>
Issuance of borrowings	5,559	(75)	5,484
Repayment of borrowings	(4,222)	68	(4,154)
Increase in special concession liabilities	105	-	105
Investment subsidies	51	-	51
<b>Cash flows from other financing activities</b>	<b>1,493</b>	<b>(7)</b>	<b>1,486</b>
<b>Net cash flow from financing activities</b>	<b>94</b>	<b>5</b>	<b>99</b>
Cash flows from continuing operations	(818)	(477)	(1,295)
Cash flows from discontinued operations	-	477	477
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(818)</b>	<b>-</b>	<b>(818)</b>
<b>Cash and cash equivalents - opening balance</b>	<b>6,982</b>	<b>-</b>	<b>6,982</b>
Net increase/(decrease) in cash and cash equivalents	(818)	-	(818)
Effect of currency fluctuations	182	-	182
Financial income on cash and cash equivalents	12	-	12
Effect of other reclassifications	17	-	17
<b>Cash and cash equivalents - closing balance</b>	<b>6,375</b>	<b>-</b>	<b>6,375</b>

### 3 Regulatory changes in France

#### 3.1 “NOME” Law on the new electricity market organization

The French “NOME” (Nouvelle organisation du marché de l’électricité) law on the new electricity market organization was enacted on December 7, 2010 and the principal implementation decrees were issued during the first half of 2011.

The basic principles of this law, which is intended to encourage greater competition on the electricity market in France, are:

- development of competition, by allowing other suppliers temporary access to a portion of EDF’s baseload nuclear energy output until 2025. This is the principle of regulated access to historical nuclear energy (*ARENH – Accès Régulé à l’Électricité Nucléaire Historique*);
- the obligation for every supplier to have direct or indirect guarantees of its demand response capacity for consumption or generation, to encourage peak consumption management;
- continuation of the “blue” tariff for residential and small business customers, with the right to return to EDF for customers having opted for a different supplier. The calculation method will be modified from 2015 to reflect the ARENH principle;
- discontinuation of the “yellow” and “green” tariffs for business customers from 2015;
- deferral by 5 years, to June 29, 2016, of the deadline for building up the dedicated asset portfolio, provided certain criteria are met.

The ARENH principle came into force on July 1, 2011, and the volumes of energy sold to competitors under this principle must go to their customers in France. No more than 100 TWh can be sold in this way each year; this limit will be raised in August 2013 by the quantities supplied to network managers to compensate for network losses.

The decisions setting the price of the ARENH under the NOME law at €40/MWh for the second half of 2011 and €42/MWh from January 1, 2012 for the first half of 2012 were published in May 2011. This initial price has been established in coherence with the average price under the TaRTAM transition tariff system, which ended on June 30, 2011.

On June 15, 2011 the French energy regulator CRE notified EDF of the volumes to be delivered for the period running from July 1, 2011 to June 30, 2012 (61.3 TWh).

The capacity obligation system should come into force by 2015.

#### 3.2 CSPE

The Contribution to the Public Electricity Service (*Contribution au Service Public de l’Électricité* or CSPE) is intended to compensate for certain public service charges assigned to EDF in particular. This contribution is collected directly from the end-user and applies to electricity consumption.

It was raised by €3/MWh on January 1, 2011 to €7.5/MWh for the first half of 2011. The amended Finance Law for 2011 has set the CSPE at €9/MWh until June 30, 2012, then €10.50/MWh from July 1 to December 31, 2012.

## 4 Significant events and transactions of the first half-year of 2011

### 4.1 Sale of the investment in EnBW

The disposal of EnBW was completed on February 17, 2011. On that date, in application of the agreements signed by the two parties on December 6, 2010, the sum of €4.5 billion was paid to the EDF group in addition to the €169 million downpayment received on December 16, 2010. The net gain on the sale is €263 million (€276 million before taxes, included in “Other income and expenses”).

Disposal of EDF's stake in EnBW also had the following consequences:

- a change in the percentage interest and the EDF group's control in Kogeneracja and Zielona Gora: the Group's ownership of these entities now stands at 33.4% and 32.9% respectively (from 40.6% and 39.9% at December 31, 2010). Kogeneracja and Zielona Gora are proportionally consolidated from February 17, 2011. In application of IAS 27 (amended), the change to proportional consolidation for these entities generated a €28 million gain on deconsolidation;
- a change in the EDF group's percentage interest in ERSA (Rybnik), in which the Group now owns 64.9% (79.8% at December 31, 2010).

This operation also led to cancellation of the €2.3 billion off-balance sheet commitment recorded by the EDF group in respect of OEW's put option to sell EDF part or all of its 25% stake in EnBW.

### 4.2 Simplified alternative public cash or exchange offer for EDF Energies Nouvelles

On April 8, 2011 the EDF group, which already owned 50% of EDF Energies Nouvelles, launched a simplified alternative public offer to acquire all the shares in EDF Energies Nouvelles not held by the Group, for a cash consideration or in exchange for shares.

EDF's Board of directors approved this offer at its meeting of April 8, 2011. The operation is supported by the Mouratoglou group, a longstanding partner of EDF and 25.1% shareholder in EDF Energies Nouvelles, which made an irrevocable commitment to tender its entire holding in EDF Energies Nouvelles to the offer, half for shares and half for cash.

When the offer closed on June 16, 2011, the Group acquired the shares tendered for the sum of €1,351 million, raising its ownership of EDF Energies Nouvelles to 96.71%. This sum comprises:

- 33.7% or €1,045 million for the cash component of the offer;
- 13.0% or €306 million for the share exchange component of offer.

On July 21, 2011, EDF requested the approval of the French market regulator AMF for a compulsory squeeze-out of shares not tendered to the offer, at the price of €40 per share. In parallel, a liquidity contract was set up to enable EDF to purchase shares covered by employee share plans. A €94 million liability corresponding to these purchase commitments is thus recognized in the Group's consolidated financial statements.

EDF also carried out share repurchases in order to neutralize this operation's dilutive effect on EDF shareholders' percentage control. This neutralization will be effective once all the shares have been acquired to cover the share exchange component of the offer, and after finalization of the capital reduction through cancellation of treasury shares.

In application of IAS 27 (amended), this operation is considered as a transaction with minority shareholders. It is reflected in the consolidated financial statements by a €688 million decrease in equity (EDF's share), corresponding to the difference between the acquisition price and the net book value of the minority interests acquired. EDF Energies Nouvelles is still fully consolidated after this operation, with the Group's ownership percentage at 100% from June 29, 2011.

### 4.3 Provision established at December 31, 2010 in respect of the Group's operations in Italy

At December 31, 2010, the Group established a provision of €750 million on the Italy segment in response to various indicators and uncertainties. This provision was recorded in the income statements under “Other income and expenses”.

The EDF Group's consolidated financial statements at June 30, 2011 include impairment and provisions recognized in the 2010 annual accounts (established in March 2011) and the 2011 half-year accounts of Edison and TDE, via allocation to the extent of €504 million of the provision recorded at December 31, 2010.

The provision concerning the Group's operations in Italy will be fully allocated at December 31, 2011.

#### 4.4 Nuclear accident at the Fukushima power plant in Japan

Following the nuclear accident at the Fukushima reactor in Japan in the wake of the earthquake and tsunami of March 11, 2011, the administrative authorities of various countries where the Group operates have responded with measures concerning plants already in operation and proposed new plants.

Nuclear power plants operated by the EDF group comply with the safety standards issued by the administrative authorities in their respective countries of location. These standards are raised during periodic inspections (10-year or other inspections) in order to conform to current best practices, and the necessary investments are made to attain the required levels.

The experience gained from the nuclear accident in Japan has led the nuclear authorities in the various countries where the Group operates to conduct inspections that could result in higher compulsory safety requirements to continue to operate, although it is impossible at this stage to measure the economic impact of such action.

## 5 Changes in the scope of consolidation

Apart from the changes associated with the sale of EDF's stake in EnBW and the increase in its ownership of EDF Energies Nouvelles, both described in note 4, there were no significant changes in the scope of consolidation during the first half of 2011.

## 6 Segment reporting

Segment reporting presentation complies with IFRS 8, "Operating segments".

Segment reporting is determined before consolidation adjustments and inter-segment eliminations. Inter-segment transactions take place at market prices.

In accordance with IFRS 8, the breakdown used by the EDF group corresponds to the operating segments as regularly reviewed by the Management Committee. The segments used by the Group are identical to those described in note 6.1 to the consolidated financial statements at December 31, 2010.

### 6.1 At June 30, 2011

(in millions of euros)

	France	United Kingdom	Italy	Other international	Other activities	Eliminations	Total
External sales	19,495	4,390	3,052	3,800	2,727	-	33,464
Inter-segment sales	249	-	-	73	314	(636)	-
<b>TOTAL SALES</b>	<b>19,744</b>	<b>4,390</b>	<b>3,052</b>	<b>3,873</b>	<b>3,041</b>	<b>(636)</b>	<b>33,464</b>
<b>OPERATING PROFIT BEFORE DEPRECIATION and AMORTIZATION</b>	<b>5,688</b>	<b>1,172</b>	<b>218</b>	<b>638</b>	<b>900</b>	<b>-</b>	<b>8,616</b>
<b>OPERATING PROFIT</b>	<b>3,520</b>	<b>709</b>	<b>(30)</b>	<b>620</b>	<b>437</b>	<b>-</b>	<b>5,256</b>

### 6.2 At June 30, 2010

(in millions of Euros)

	France	United Kingdom	Italy	Other international	Other activities	Eliminations	Total
External sales	18,965	5,640	2,766	3,530	2,637	-	33,538
Inter-segment sales	269	4	-	94	296	(663)	-
<b>TOTAL SALES</b>	<b>19,234</b>	<b>5,644</b>	<b>2,766</b>	<b>3,624</b>	<b>2,933</b>	<b>(663)</b>	<b>33,538</b>
<b>OPERATING PROFIT BEFORE DEPRECIATION and AMORTIZATION</b>	<b>6,031</b>	<b>1,601</b>	<b>365</b>	<b>602</b>	<b>958</b>	<b>-</b>	<b>9,557</b>
<b>OPERATING PROFIT</b>	<b>3,672</b>	<b>802</b>	<b>147</b>	<b>(633)</b>	<b>697</b>	<b>-</b>	<b>4,685</b>

## 7 Operating profit before depreciation and amortization

(in millions of Euros)	H1 2011	H1 2010
Sales of energy and energy-related services	30,918	30,929
Other sales of goods and services	2,068	2,166
Trading	478	443
<b>Sales</b>	<b>33,464</b>	<b>33,538</b>
Fuel and energy purchases	(14,964)	(13,273)
Other external expenses	(4,483)	(4,734)
Personnel expenses	(5,479)	(5,707)
Taxes other than income taxes	(1,511)	(1,702)
Other operating income and expenses	7.1 1,589	1,700
Prolongation of the transition tariff system (TaRTAM) – Law of June 7, 2010	7.2 -	(265)
<b>Operating profit before depreciation and amortization</b>	<b>8,616</b>	<b>9,557</b>

These changes are mainly explained by changes in the scope of consolidation that occurred in the second half of 2010 (sale of networks in the United Kingdom and application of the equity method to RTE EDF Transport).

### 7.1 Other operating income and expenses

Other operating income and expenses comprise the Contribution to the Public Electricity Service (CSPE) introduced by the French Law of January 3, 2003. This contribution is payable by end-users (both eligible and non-eligible) and collected by network operators or electricity suppliers, which then pay it to the State.

In the financial statements, the CSPE system is reflected through recognition of income of €1,721 million in the first half of 2011 (€1,399 million in first-half 2010).

In the first half-year of 2011, other operating income and expenses also include:

- €201 million corresponding to reversals of negative fair value on British Energy commodity sales contracts recognized at the acquisition date of January 5, 2009 following their settlement (€266 million in the first half year of 2010);
- €(118) million relating to the TaRTAM transition tariff system: €(170) million resulting from the decision of July 4, 2011 issued after re-estimation of the cost by the CRE (Commission de Régulation de l'Énergie) based on information provided by the suppliers concerned, and €52 million reversed from residual provisions.

### 7.2 Prolongation of the transition tariff system (TaRTAM) – Law of June 7, 2010

Following the decision to prolong the transition tariff system to December 31, 2010, a charge of €265 million was recorded on a specific line at June 30, 2010 in respect of EDF's contribution to electricity supplier compensation in the second half of 2010.

## 8 Impairment

Impairment amounting to €(269) million is recognized at June 30, 2011, including €(174) million concerning the Dalkia group's operations in Italy and Spain, and €(60) million in respect of Edison generation assets.

## 9 Other income and expenses

Other income and expenses for first-half 2011 include the gain on the sale of EnBW, amounting to €276 million (see note 4.1).

Other income and expenses for the first half-year of 2010 include an expense of €1,060 million related to the Group's activities in the United States.



## 10 Financial result

### 10.1 Discount effect

The discount effect primarily concerns provisions for back-end nuclear cycle, decommissioning and last cores, and provisions for long-term and post-employment employee benefits.

Details of this effect are as follows:

(in millions of Euros)	H1 2011	H1 2010
Provisions for long-term and post-employment employee benefits	(670)	(728)
Provisions for back-end nuclear cycle, decommissioning and last cores	(775)	(757)
Other provisions and advances	(79)	(88)
<b>Discount effect</b>	<b>(1,524)</b>	<b>(1,573)</b>

## 11 Income taxes

Income taxes amount to €(977) million for the first half of 2011, corresponding to an effective tax rate of 28.4% (compared to an expense of €(1,111) million corresponding to an effective tax rate of 45.2% for the first half of 2010). They are calculated by applying the forecast effective tax rate for 2011 to the pre-tax income at June 30, 2011.

The increase in the effective tax rate observed in the first half of 2010 related to the provision associated with the Group's activities in the US. Excluding this factor, the effective tax rate for first-half 2010 was 31.6%.

## 12 Goodwill

Goodwill on consolidated companies comprises the following:

(in millions of Euros)	06.30.2011	12.31.2010
<b>Net book value at opening date</b>	<b>12,028</b>	<b>13 526</b>
Acquisitions	10	200
Disposals	(5)	(116)
Impairment	(140)	(274)
Translation adjustments	(374)	306
Other movements <sup>(1)</sup>	(348)	(1,614)
<b>Net book value at closing date</b>	<b>11,171</b>	<b>12,028</b>
Gross value at closing date	12,784	13,140
Accumulated impairment at closing date	(1,613)	(1,112)

(1) Including €(361) million of impairment on Edison's goodwill following partial allocation of the provision recorded in 2010 in respect of the Italy segment.

The changes observed over first-half 2011 primarily relate to impairment amounting to €(501) million (mainly concerning Edison and Dalkia) and translation adjustment effects of €(374) million, largely due to the rise of the pound sterling against the Euro.

## 13 Property, plant and equipment

(in millions of Euros)	06.30.2011	12.31.2010
Property, plant and equipment	43,303	42,836
Property, plant and equipment in progress	1,161	1,069
<b>Property, plant and equipment operated under French public electricity distribution concessions</b>	<b>44,464</b>	<b>43,905</b>
Property, plant and equipment	5,358	5,432
Property, plant and equipment in progress	685	595
<b>Property, plant and equipment operated under concessions for other activities</b>	<b>6,043</b>	<b>6,027</b>
Property, plant and equipment	45,158	46,730
Property, plant and equipment in progress	11,240	10,101
Leased property, plant and equipment	428	437
<b>Property, plant and equipment used in generation and other tangible assets owned by the Group</b>	<b>56,826</b>	<b>57,268</b>

The net value of property, plant and equipment, excluding construction in progress and finance-leased assets, breaks down as follows:

(in millions of Euros)	Property, plant and equipment operated under French public electricity distribution concessions <sup>(1)</sup>	Property, plant and equipment operated under concessions for other activities	Property, plant and equipment used in generation and other tangible assets owned by the Group <sup>(2)</sup>
<b>Gross values at 06.30.2011</b>	<b>75,802</b>	<b>12,290</b>	<b>100,079</b>
Depreciation and impairment at 06.30.2011	(32,499)	(6,932)	(54,921)
<b>Net values at 06.30.2011</b>	<b>43,303</b>	<b>5,358</b>	<b>45,158</b>
<b>Net values at 12.31.2010</b>	<b>42,836</b>	<b>5,432</b>	<b>46,730</b>

(1) Network assets account for most of these amounts: €70,620 million gross value and €41,329 million net value at June 30, 2011 (€69,445 million gross value and €40,864 million net value at December 31, 2010).

(2) The net value of property, plant and equipment used in generation and other tangible assets owned by the Group breaks down as follows:

(in millions of Euros)	Land & Buildings	Nuclear power plants	Fossil-fired & hydropower plants	Networks	Other installations, plant, machinery & equipment & other	Total
<b>Net values at 06.30.2011</b>	<b>5,223</b>	<b>26,570</b>	<b>6,206</b>	<b>370</b>	<b>6,789</b>	<b>45,158</b>
<b>Net values at 12.31.2010</b>	<b>5,304</b>	<b>27,639</b>	<b>6,585</b>	<b>411</b>	<b>6,791</b>	<b>46,730</b>

## 14 Investments in associates

(in millions of Euros)	Principal activity <sup>(1)</sup>	% voting rights held	06.30.2011		12.31.2010	
			Share of net equity	Share of net income	Share of net equity	Share of net income
RTE EDF Transport	T	100.00	4,658	185	4,649	-
Alpiq	G	25.00	1,785	36	1,746	107
Taishan Nuclear Power JV Co	G	30.00	578	-	541	-
Dalkia Holding	S	34.00	435	15	470	24
Nam Theun Power Company	G	40.00	136	13	133	29
Other investments in associates			311	10	315	(26)
<b>Total</b>			<b>7,903</b>	<b>259</b>	<b>7,854</b>	<b>134</b>

(1) S = services, G = generation, D = distribution, T = transmission

### 14.1 RTE EDF Transport

#### 14.1.1 RTE EDF Transport - financial indicators

The main financial indicators for RTE EDF Transport for the first half of 2011 are shown below:

(in millions of Euros)	
Operating profit before depreciation and amortization	740
Net income	185
Equity at June 30, 2011	4,658
Balance sheet total at June 30, 2011	14,497
Net indebtedness at June 30, 2011	6,083

#### 14.1.2 Transactions between the EDF group and RTE EDF Transport

At June 30, 2011, the main transactions between the EDF group and RTE EDF Transport are as follows.

##### Sales

ERDF uses RTE EDF Transport's high-voltage and very high-voltage networks to convey energy from its point of generation to the distribution networks. This service generated €1,566 million in sales revenues for RTE EDF Transport from ERDF during the first half of 2011.

In executing its responsibility to ensure balance in the electricity system, over the first half of 2011 RTE EDF Transport also undertook:

- Energy purchases and sales with EDF, amounting to €98 million and €170 million respectively;
- System service purchases from EDF amounting to €145 million.

##### Other transactions

The EDF group contributes to financing of RTE EDF Transport through loans amounting to a total of €1,422 million at June 30, 2011 (€1,914 million at December 31, 2010). The interest expenses recorded by RTE EDF Transport in connection with these loans amount to €42 million over the first half of 2011.

RTE EDF Transport is also included in the EDF tax group, under a tax consolidation agreement between the two companies.

## 15 Current and non-current financial assets

### 15.1 Breakdown between current and non-current financial assets

Current and non-current financial assets break down as follows:

(in millions of Euros)	06.30.2011			12.31.2010		
	Current	Non-current	Total	Current	Non-current	Total
Financial assets carried at fair value with changes in fair value included in income	4,518	14	<b>4,532</b>	4,534	13	<b>4,547</b>
Available-for-sale financial assets	11,193	15,091	<b>26,284</b>	9,748	15,287	<b>25,035</b>
Held-to-maturity investments	3	23	<b>26</b>	2	23	<b>25</b>
Positive fair value of hedging derivatives	1,213	1,175	<b>2,388</b>	1,401	1,180	<b>2,581</b>
Loans and financial receivables	996	8,084	<b>9,080</b>	1,103	8,418	<b>9,521</b>
<b>Current and non current Financial assets<sup>(1)</sup></b>	<b>17,923</b>	<b>24,387</b>	<b>42,310</b>	<b>16,788</b>	<b>24,921</b>	<b>41,709</b>

(1) Net of impairment: €709 million at June 30, 2011 (€726 million at December 31, 2010).

The main changes in financial assets are analyzed in the notes below.

### 15.2 Details of financial assets

#### 15.2.1 Financial assets carried at fair value with changes in fair value included in income

(in millions of Euros)	06.30.2011	12.31.2010
Positive fair value of trading derivatives	4,515	4,530
Fair value of financial assets held for trading	5	5
Financial assets carried at fair value optionally in income	12	12
<b>Financial assets carried at fair value with changes in fair value included in income</b>	<b>4,532</b>	<b>4,547</b>

#### 15.2.2 Available-for-sale financial assets

(in millions of Euros)	06.30.2011			12.31.2010		
	Equities <sup>(1)</sup>	Debt securities	Total	Equities <sup>(1)</sup>	Debt securities	Total
EDF dedicated assets	6,575	6,879	<b>13,454</b>	6,820	6,685	<b>13,505</b>
Liquid assets	1,936	8,684	<b>10,620</b>	4,930	4,355	<b>9,285</b>
Other	2,134	76	<b>2,210</b>	2,172	73	<b>2,245</b>
<b>Available-for-sale financial assets</b>	<b>10,645</b>	<b>15,639</b>	<b>26,284</b>	<b>13,922</b>	<b>11,113</b>	<b>25,035</b>

(1) Equities or investment funds.

The main variations in available-for-sale financial assets concern acquisitions (€6,784 million) and disposals (€(5,334) million).

##### 15.2.2.1 Liquid assets

EDF's monetary investment funds included in liquid assets amount to €1,906 million at June 30, 2011 (€4,842 million at December 31, 2010).

#### 15.2.2.2 Other securities

At June 30, 2011, other securities mainly include:

- At CENG, €502 million of available-for-sale financial assets related to decommissioning trust funds (reserved for financing of plant decommissioning).
- At EDF Inc., shares in CEG (€363 million).
- At EDF, shares in Areva (€221 million) and Veolia (€400 million).

### 16 Other receivables

“Other receivables” include the CSPE receivable of EDF amounting to €3,263 million at June 30, 2011 (€2,812 million at December 31, 2010).

### 17 Held-for-sale assets and liabilities

The change in assets classified as held for sale and related liabilities at June 30, 2011 principally results from completion of the sale of EnBW (€17,857 million of assets and €12,862 million of liabilities were recorded at December 31, 2010).

### 18 Equity

#### 18.1 Share capital

EDF's share capital amounts to €930,406,055, comprising 1,860,812,110 fully subscribed and paid-up shares with nominal value of €0.50 each (€924,433,331, comprising 1,848,866,662 shares at December 31, 2010).

A capital increase of €306 million (11,945,448 EDF shares) took place on June 24, 2011 through the simplified alternative public cash or exchange offer for shares of EDF Energies Nouvelles (see note 4.2).

In parallel, the Group repurchased EDF shares on the market (see note 18.2 – Treasury shares) in order to neutralize the operation's dilutive effect on EDF shareholders' percentage control. This neutralization will take place after a capital reduction by cancellation of treasury shares, due within 24 months at the latest.

#### 18.2 Treasury shares

As part of the share repurchase program executed under a liquidity contract as required by the market regulator AMF (Autorité des Marchés Financiers), 1,959,543 shares were purchased during the first half of 2011 for a total of €56 million, and 1,707,508 shares were sold for a total of €51 million.

During the same period, 8,957,873 treasury shares were purchased for €247 million through the simplified alternative public cash or exchange offer for shares of EDF Energies Nouvelles (see notes 4.2 and 18.1).

At June 30, 2011, the total value of treasury shares deducted from consolidated equity is €271 million.

#### 18.3 Dividends

The General Shareholders' meeting of May 24, 2011 decided to distribute a dividend of €1.15 per share in circulation in respect of 2010. Interim dividends of €0.57 per share had been paid out on December 17, 2010, and the balance of €0.58 per share amounting to a total of €1,068 million was paid out on June 6, 2011.

**18.4 Changes in the fair value of financial instruments**
**18.4.1 Available-for-sale financial assets**

Changes in the fair value of available-for-sale financial assets were recorded in equity (EDF share) over the period as follows:

(in millions of Euros)	06.30.2011		06.30.2010	
	Gross changes in fair value recorded in equity <sup>(1)</sup>	Gross changes in fair value transferred to income <sup>(2)</sup>	Gross changes in fair value recorded in equity <sup>(1)</sup>	Gross changes in fair value transferred to income <sup>(2)</sup>
Dedicated assets	(145)	25	165	85
Liquid assets	25	22	(15)	(15)
Other	(52)	147	(121)	5
<b>Available-for- sale financial assets</b>	<b>(172)</b>	<b>194</b>	<b>29</b>	<b>75</b>

(1) + / ( ): increase / decrease in equity (EDF share)

(2) + / ( ): increase / decrease in income

In first-half 2011, gross changes in fair value principally concern:

- EDF (€(306) million, including €(170) million for dedicated assets);
- EDF Inc (€69 million);
- CENG (€17 million).

In first-half 2010, gross changes in fair value principally concern:

- EDF (€82 million, including €80 million for dedicated assets);
- EDF Inc (€(38) million);
- CENG (€(19) million).

No significant impairment was recorded by EDF in the first half-year of 2010.

**18.4.2 Hedging instruments**

Changes during the period in the fair value of hedging instruments included in equity (EDF share) are detailed below:

(in millions of Euros)	06.30.2011			06.30.2010		
	Gross changes in fair value recorded in equity <sup>(1)</sup>	Gross changes in fair value transferred to income - "Recycling" <sup>(2)</sup>	Gross changes in fair value transferred to income - Ineffectiveness	Gross changes in fair value recorded in equity <sup>(1)</sup>	Gross changes in fair value transferred to income - "Recycling" <sup>(2)</sup>	Gross changes in fair value transferred to income - Ineffectiveness
Interest rate hedging	(21)	-	-	(75)	-	(3)
Exchange rate hedging	(375)	(199)	3	1,288	700	-
Net foreign investment hedging	740	-	-	(1,840)	-	-
Commodity hedging	(214)	(109)	-	179	(718)	1
<b>Hedging instruments</b>	<b>130</b>	<b>(308)</b>	<b>3</b>	<b>(448)</b>	<b>(18)</b>	<b>(2)</b>

(1) + / ( ): increase / decrease in equity (EDF share)

(2) + / ( ): increase / decrease in income

## 19 Provisions

### 19.1 Breakdown between current and non-current provisions

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

(in millions of Euros)	06.30.2011			12.31.2010		
	Current	Non-current	Total	Current	Non-current	Total
Provisions for back-end nuclear cycle	1,048	16,964	<b>18,012</b>	1,020	17,000	<b>18,020</b>
Provisions for decommissioning and last cores	274	19,626	<b>19,900</b>	301	19,383	<b>19,684</b>
Provisions for employee benefits	876	11,964	<b>12,840</b>	819	11,745	<b>12,564</b>
Other provisions	1,705	1,399	<b>3,104</b>	2,870	1,337	<b>4,207</b>
<b>PROVISIONS</b>	<b>3,903</b>	<b>49,953</b>	<b>53,856</b>	<b>5,010</b>	<b>49,465</b>	<b>54,475</b>

### 19.2 Provisions for back-end nuclear cycle, decommissioning and last cores

The measurement of provisions for back-end nuclear cycle, nuclear plant decommissioning and last cores is sensitive to assumptions concerning costs, inflation rate, long-term discount rate, and disbursement schedules. A revised estimate is therefore established at each closing date to ensure that the amounts accrued correspond to the best estimate of the costs eventually to be borne by the Group. Any significant differences resulting from these revised estimates could entail changes in the amounts accrued.

In the first half of 2011, the movement in provisions for back-end nuclear cycle, provisions for decommissioning and provisions for last cores breaks down as follows:

(in millions of Euros)	12.31.2010	Increases	Decreases		Changes in scope of consolidation	Other changes	06.30.2011
			Utilizations	Reversals			
Provisions for spent fuel management	11,024	425	(299)	(13)	-	(150)	10,987
Provisions for long-term radioactive waste management	6,996	179	(143)	(8)	-	1	7,025
<b>Provisions for back-end nuclear cycle</b>	<b>18,020</b>	<b>604</b>	<b>(442)</b>	<b>(21)</b>	-	<b>(149)</b>	<b>18,012</b>
Provisions for nuclear plant decommissioning	15,739	304	(130)	-	-	25	15,938
Provisions for fossil-fired plant decommissioning	813	20	(26)	(1)	-	1	807
Provisions for last cores	3,132	81	-	-	-	(58)	3,155
<b>Provisions for decommissioning and last cores</b>	<b>19,684</b>	<b>405</b>	<b>(156)</b>	<b>(1)</b>	-	<b>(32)</b>	<b>19,900</b>

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The breakdown of provisions by company is shown below.

(in millions of Euros)	EDF	EDF Energy	CENG	Other entities	Total
Provisions for spent fuel management	8,912	2,073	-	2	10,987
Provisions for long-term radioactive waste management	6,534	490	-	1	7,025
<b>Provisions for back-end nuclear cycle at 06.30.2011</b>	<b>15,446</b>	<b>2,563</b>	-	<b>3</b>	<b>18,012</b>
<b>Provisions for back-end nuclear cycle at 12.31.2010</b>	<b>15,360</b>	<b>2,657</b>	-	<b>3</b>	<b>18,020</b>
Provisions for nuclear plant decommissioning	11,207	4,190	409	132	15,938
Provisions for fossil-fired plant decommissioning	467	34	-	306	807
Provisions for last cores	1,957	1,157	41	-	3,155
<b>Provisions for decommissioning and last cores at 06.30.2011</b>	<b>13,631</b>	<b>5,381</b>	<b>450</b>	<b>438</b>	<b>19,900</b>
<b>Provisions for decommissioning and last cores at 12.31.2010</b>	<b>13,419</b>	<b>5,370</b>	<b>470</b>	<b>425</b>	<b>19,684</b>

### 19.3 EDF's provisions for back-end nuclear cycle, decommissioning and last cores in France

The discount rate and calculation method used for provisions are identical to those used at December 31, 2010. The regulatory ceiling and factors concerning the sensitivity of provisions to assumptions are also unchanged.

The corresponding expenses are measured under the economic conditions at June 30, 2011 and spread over a forecast disbursement schedule. A provision is booked equivalent to the discounted value (assuming 2% inflation and a 5% discount rate):

(in millions of Euros)	06.30.2011		12.31.2010	
	Costs based on economic conditions at end of period	Amounts in provisions at present value	Costs based on economic conditions at end of period	Amounts in provisions at present value
Provision for spent fuel management	14,476	8,912	14,386	8,852
Provision for long-term radioactive waste management	23,237	6,534	23,017	6,508
<b>Provision for back-end nuclear cycle</b>	<b>37,713</b>	<b>15,446</b>	<b>37,403</b>	<b>15,360</b>
Provisions for nuclear plant decommissioning	21,015	11,207	20,903	11,031
Provisions for fossil-fired plant decommissioning	637	467	657	482
Provisions for last cores	3,836	1,957	3,792	1,906
<b>Provisions for decommissioning and last cores</b>	<b>25,488</b>	<b>13,631</b>	<b>25,352</b>	<b>13,419</b>

Concerning EDF's contribution towards decommissioning costs for La Hague reprocessing plant, and its share of the cost of recovering and conditioning old waste, the final payment to Areva amounting to €794 million including taxes was made on June 23, 2011.



**19.4 Provisions for employee benefits**
**19.4.1 Changes during the half-year**

The changes in provisions for employee benefits are as follows:

	12.31.2010	Increases	Decreases		Changes in scope of consolidation	Other Changes	06.30.2011
			Utilizations	Reversals			
(in millions of Euros)							
Provisions for post-employment benefits	11,445	1,018	(695)	(1)	(2)	(46)	11,719
Provisions for other long-term benefits	1,119	69	(62)	-	(4)	(1)	1,121
<b>Provisions for employee benefits</b>	<b>12,564</b>	<b>1,087</b>	<b>(757)</b>	<b>(1)</b>	<b>(6)</b>	<b>(47)</b>	<b>12,840</b>

The change in provisions since December 31, 2010 mainly reflects variations in vested benefits, financial discounting of the obligation, payments made to external funds and benefits paid out.

The obligation at June 30, 2011 is calculated based on projected commitments as estimated at December 31, 2010 (see note 1.3.1). The sensitivity of these commitments calculated at June 30, 2011 is identical to the sensitivity at December 31, 2010: a 25 base point variation in the discount rate would generate a 3.3% variation in the total value of obligations in France.

**19.4.2 Breakdown by segment**

	France	United Kingdom	Italy	Other International	Other Activities	Total
(in millions of Euros)						
<b>Provisions at 12.31.2010</b>	<b>12,092</b>	<b>42</b>	<b>51</b>	<b>240</b>	<b>139</b>	<b>12,564</b>
Amounts utilized at end of period	(429)	(12)	-	(18)	(6)	(465)
Changes in the scope of consolidation	-	-	-	(6)	-	(6)
Net increases	722	47	3	16	6	794
Translation adjustment	-	(2)	-	(8)	-	(10)
Other	-	(34)	(4)	-	1	(37)
<b>Provisions at 06.30.2011</b>	<b>12,385</b>	<b>41</b>	<b>50</b>	<b>224</b>	<b>140</b>	<b>12,840</b>

**19.5 Other provisions and contingent liabilities**
**19.5.1 Other provisions**

Details of changes in other provisions are as follows:

	12.31.2010	Increases	Decreases		Changes in scope of consolidation	Other changes	06.30.2011
			Utilizations	Reversals			
(in millions of Euros)							
Provisions for contingencies related to investments	194	-	-	(16)	-	-	178
Provisions for tax liabilities	289	3	(4)	-	-	9	297
Provisions for litigation	506	75	(4)	(22)	-	7	562
Provisions for onerous contracts	1,025	27	(248)	(1)	-	(50)	753
Other	2,193	507	(1,229)	(12)	(2)	(143)	1,314
<b>Other provisions</b>	<b>4,207</b>	<b>612</b>	<b>(1,485)</b>	<b>(51)</b>	<b>(2)</b>	<b>(177)</b>	<b>3,104</b>

The heading "Other" mainly includes:

- provisions of €432 million for greenhouse gas emission quotas and renewable energy certificates;
- the provision in respect of operations in Italy, in the amount of €246 million (€750 million at December 31, 2010 - see note 4.3).

Provisions for onerous contracts include the fair value of:

- British Energy sales contracts, amounting to €194 million at June 30, 2011 (€402 million at December 31, 2010);
- CENG sales contracts amounting to €453 million at June 30, 2011 (€512 million at December 31, 2010).

### 19.5.2 Contingent liabilities

Silpro (Silicium de Provence) entered court-ordered liquidation on August 4, 2009. The EDF ENR group (owned 50% by EDF Energies Nouvelles and 50% by EDF Développement Environnement) held a 30% minority interest in Silpro alongside the principal shareholder Sol Holding, a subsidiary of the E Concern group. On May 30, 2011, the liquidator ordered the shareholders and managers of Silpro to jointly repay the shortfall in assets (in the range of €100 million) resulting from Silpro's liquidation.

After examining the situation and seeking external legal opinions, the Group does not consider it necessary to recognize a provision.

## 20 Special French public electricity distribution concession liabilities for existing assets and assets to be replaced

The changes in special concession liabilities for existing assets and assets to be replaced are as follows at June 30, 2011:

(in millions of Euros)	06.30.2011	12.31.2010
Value in kind of assets	39,503	39,001
Unamortized financing by the operator	(19,054)	(18,683)
<b>Rights in existing assets - net value</b>	<b>20,449</b>	<b>20,318</b>
Amortization of financing by the grantor	9,699	9,404
Provision for renewal	11,604	11,439
<b>Rights in assets to be replaced</b>	<b>21,303</b>	<b>20,843</b>
<b>Special French public electricity distribution concession liabilities for existing assets and assets to be replaced</b>	<b>41,752</b>	<b>41,161</b>

The valuation methods for special concession liabilities are identical to those presented in the notes to the 2010 consolidated financial statements, particularly note 1.3.26, which describes the impact of an alternative calculation method. This would lead to statement of contractual obligations at the discounted value of future payments required for replacement of assets operated under concession at the end of their useful life.

## 21 Current and non-current financial liabilities

### 21.1 Breakdown between current and non-current financial liabilities

Current and non-current financial liabilities break down as follows:

(in millions of Euros)	06.30.2011			12.31.2010		
	Non-current	Current	Total	Non-current	Current	Total
Loans and other financial liabilities	38,525	8,278	46,803	39,993	7,784	47,777
Negative fair value of derivatives held for trading	-	3,581	3,581	-	4,002	4,002
Negative fair value of hedging derivatives	778	1,099	1,877	653	980	1,633
<b>Financial liabilities</b>	<b>39,303</b>	<b>12,958</b>	<b>52,261</b>	<b>40,646</b>	<b>12,766</b>	<b>53,412</b>

**21.2 Loans and other financial liabilities**
**21.2.1 Changes in loans and other financial liabilities**

(in millions of Euros)	Bonds	Loans from financial institutions	Other financial liabilities	Loans related to finance-leased assets	Accrued interest	Total
<b>Balances at 12.31.2010</b>	<b>35,499</b>	<b>5,404</b>	<b>5,486</b>	<b>373</b>	<b>1,015</b>	<b>47,777</b>
Increases	12	1,196	965	35	10	2,218
Decreases	(753)	(1,204)	(152)	-	(108)	(2,217)
Changes in scope of consolidation	(11)	(12)	2	-	-	(21)
Translation adjustments	(357)	(70)	(8)	-	(1)	(436)
Changes in fair value and other	(303)	(10)	(206)	9	(8)	(518)
<b>Balances at 06.30.2011</b>	<b>34,087</b>	<b>5,304</b>	<b>6,087</b>	<b>417</b>	<b>908</b>	<b>46,803</b>

The Group undertook no major bond issues during the first half-year of 2011.

**21.2.2 Maturity of loans and other financial liabilities**

(in millions of Euros)	Bonds	Loans from financial institutions	Other financial liabilities	Loans related to finance-leased assets	Accrued interest	Total
Less than one year	870	1,078	5,374	48	908	8,278
From one to five years	11,114	2,149	531	167	-	13,961
More than five years	22,103	2,077	182	202	-	24,564
<b>Loans and financial liabilities at 06.30.2011</b>	<b>34,087</b>	<b>5,304</b>	<b>6,087</b>	<b>417</b>	<b>908</b>	<b>46,803</b>

**21.2.3 Credit lines**

The Group has credit lines with various banks totaling €11,072 million at June 30, 2011 (€11,085 million at December 31, 2010).

(in millions of Euros)	06.30.2011			12.31.2010
	Total	Maturity		Total
		< 1 year	1 - 5 years	> 5 years
Confirmed credit lines	<b>11,072</b>	1,218	5,854	4,000
				<b>11,085</b>

**21.3 Net indebtedness**

(in millions of Euros)	Notes	06.30.2011	12.31.2010
Loans and other financial liabilities	21.2.1	46,803	47,777
Derivatives used to hedge liabilities		138	49
Cash and cash equivalents		(5,693)	(4,829)
Liquid assets <sup>(1)</sup>	15.2.2	(10,620)	(9,285)
Loan to RTE EDF Transport		(1,422)	(1,914)
Net indebtedness of discontinued operations		-	2,591
<b>Net indebtedness</b>		<b>29,206</b>	<b>34,389</b>

(1) Including available-for-sale financial assets: €10,620 million at June 30, 2011 (€9,285 million at December 31, 2010) (see note 15.2.2).

The sale of the investment in EnBW results in a €7.1 billion reduction in net indebtedness in the first half of 2011, including €4.5 billion corresponding to receipt of the sale price and €2.6 billion corresponding to deconsolidation of EnBW's net indebtedness.

## 22 Other liabilities

Details of other liabilities are as follows:

(in millions of Euros)	06.30.2011	12.31.2010
Advances and progress payments received	6,110	5,896
Liabilities related to property, plant and equipment	1,548	2,167
Tax and social charges	6,538	6,881
Deferred income	5,863	5,848
Other	3,958	2,847
<b>Other liabilities</b>	<b>24,017</b>	<b>23,639</b>
- non-current	4,961	4,965
- current	19,056	18,674

Deferred income at June 30, 2011 includes €2,723 million (€2,693 million at December 31, 2010) of partner advances to EDF under the nuclear plant financing plans. Since 2010 it also includes the advance paid to the EDF group under the agreement with the Exeltium consortium.

## 23 Off-balance sheet commitments

### 23.1 Commitments given

#### Commitments given

(in millions of Euros)	Notes	06.30.2011	12.31.2010
<b>Operating contract commitments</b>	<b>23.1.1</b>	<b>17,759</b>	<b>17,269</b>
<b>Investment commitments given</b>	<b>23.1.2</b>	<b>659</b>	<b>3,189</b>
<b>Financing commitments given</b>	<b>23.1.3</b>	<b>4,598</b>	<b>4,990</b>

Firm irrevocable purchase commitments for commodities, energy and nuclear fuels amount to €39,596 million at December 31, 2010. There was no significant variation in the first half of 2011.

#### 23.1.1 Operating contract performance commitments given

At June 30, 2011, the operating contract performance commitments given are as follows:

(in millions of Euros)	06.30.2011	12.31.2010
Satisfactory performance, completion and bid guarantees	642	801
Commitments related to orders for operating items	4,715	3,992
Commitments related to orders for fixed assets	9,293	9,282
Other operating commitments	3,109	3,194
<b>Operating contract performance commitments given</b>	<b>17,759</b>	<b>17,269</b>

#### 23.1.2 Investment commitments given

Commitments related to investments are as follows:

(in millions of Euros)	06.30.2011	12.31.2010
Investment commitments	107	2,457
Other commitments related to Group entities	552	732
<b>Investment commitments given</b>	<b>659</b>	<b>3,189</b>

The sale of the investment in EnBW, completed on February 17, 2011, led to cancellation of the €2.3 billion off balance sheet commitment recorded by the EDF group in respect of OEW's put option to sell EDF part or all of its 25% stake in EnBW.

Also, following the simplified public cash or exchange offer for shares of EDF Energies Nouvelles, the commitments made by the EDF group to the Mouratoglou group described in note 42.1.4.1 to the consolidated financial statements at December 31, 2010 no longer exist at June 30, 2011.

### 23.1.3 Financing commitments given

Guarantees of borrowings by the Group at June 30, 2011 comprise the following:

(in millions of Euros)	06.30.2011	12.31.2010
Security interests in real property	4,282	4,633
Guarantees related to borrowings	189	197
Other financing commitments	127	160
<b>Financing commitments given</b>	<b>4,598</b>	<b>4,990</b>

### 23.2 Commitments received

#### Commitments received <sup>(1)</sup>

(in millions of Euros)	Notes	06.30.2011	12.31.2010
Operating commitments received	23.2.1	4,519	3,990
Investment commitments received	23.2.2	11	4,500
Financing commitments received		520	689

(1) Excluding credit lines presented in note 21.2.3 and electricity supply commitments.

In execution of the NOME law on organization of the French electricity market (see note 3.1), the French energy regulator CRE (*Commission de Régulation de l'Énergie*) notified EDF on June 15, 2011 of the total volume to be sold to other suppliers for the first delivery period running from July 1, 2011 to June 30, 2012: 61.3 TWh representing a total of €2,514 million.

#### 23.2.1 Operating commitments received

Electricity supplied by EDF to operators under the NOME law is covered by a stand-alone guarantee enforceable on demand. This guarantee, including all taxes, amounts to twice the highest monthly volume of electricity as stated in the CRE's notification of the annual volume of electricity to be sold, valued at the ARENH price in force.

#### 23.2.2 Investment commitments received

As the Group received a €4.5 billion payment on February 17, 2011 for the sale of the investment held in EnBW, no investment commitments received exist in connection with this operation at June 30, 2011.

## 24 EDF's dedicated asset portfolio

In order to secure financing of long-term obligations in an increasingly open electricity market, EDF is progressively building up a portfolio of financial assets dedicated to covering long-term nuclear obligations, specifically the decommissioning of the nuclear power plants and the long-term management of radioactive waste.

The key features of this portfolio, the principles governing its management and the applicable regulations are presented in note 46 to the financial statements at December 31, 2010.

Dedicated assets are included in EDF's consolidated financial statements at the following values:

(in millions of Euros)	<b>Balance sheet presentation</b>	<b>06.30.2011</b>	<b>12.31.2010</b>
Equities		6,575	6,820
Bonds		6,879	6,685
<b><i>Dedicated assets – equities and debt instruments</i></b>	Available-for-sale financial assets	<b>13,454</b>	<b>13,505</b>
Currency/equity hedging derivatives	Fair value of hedging derivatives	8	(12)
Other		1	(2)
<b>Total diversified investments</b>		<b>13,463</b>	<b>13,491</b>
<b>RTE EDF Transport (50% of the Group's investment)</b>	Investments in associates	<b>2,329</b>	<b>2,324</b>
<b>Total dedicated assets</b>		<b>15,792</b>	<b>15,815</b>

The cash allocation to the dedicated asset portfolio for the first half of 2011 amounts to €210 million (€881 million for the first half of 2010).

At June 30, 2011, the difference between the fair value and acquisition cost of diversified equity and bond instruments included in equity is a positive €574 million before taxes (€744 million at December 31, 2010).

## 25 Related parties

There have been no significant changes since December 31, 2010 in the types of transaction undertaken with related parties. In particular, the Group has significant ongoing relationships with public-sector enterprises, primarily the Areva Group for the supply, transmission and reprocessing of nuclear fuel and maintenance of nuclear plants. The Areva Group is also a supplier to the EPR (European Pressurized Reactor) project, contributing to the formation of commitments on fixed asset orders.

Transactions with RTE EDF Transport are presented in note 14.1.

## 26 Subsequent events

### 26.1 Flamanville EPR

EDF announced on July 20, 2011 that the first KWh produced by the EPR at Flamanville will be sold in 2016, and the project cost was updated to approximately €6 billion.

Milestones have been reached in recent months in construction of the Flamanville EPR (80% of the civil engineering work has been completed and assembly of piping and electrical equipment has begun). Flamanville 3 is the first nuclear power plant to be built in France for 15 years, and the country's first European Pressurized Reactor. The extent of the work to be done, particularly civil engineering work, has had to be reassessed and EDF has decided to introduce a new approach to organization with its partners.

### 26.2 Edison – renegotiation of natural gas supply contracts with Promgas

On July 21, 2011, Edison successfully completed renegotiations with Promgas concerning the long-term contract for natural gas supplies from Russia.

In the EDF group's half-year consolidated financial statements, the impact of this renegotiation is a pre-tax profit of €56 million. In practice, this amount will be recognized in the Group's consolidated financial statements in the second half-year of 2011.

### 26.3 Technical and commercial agreement between EDF and Areva

On July 25, 2011 the chief executives of EDF and Areva signed a technical and commercial agreement in the presence of French minister Eric Besson. This agreement finalizes the discussions initiated after the Nuclear Policy Council held by the French President on February 21, 2011 and covers three key aspects of the cooperation between EDF and Areva:

- continued optimization of the EPR, drawing on experience gained at the current EPR project sites (Olkiluoto, Flamanville, Taishan 1 and 2);
- improvement in maintenance and operation of the existing nuclear fleet, to raise operating performance and prepare for extended operating lives in excess of 40 years;
- management of the nuclear fuel cycle, to requalify new fuel products and reinforce industrial cooperation in radioactive waste storage.

### 26.4 July 26, 2011: Dalkia signs a preliminary agreement for acquisition of 85% of SPEC

Dalkia has been awarded the contract for privatization of the Warsaw heating network, the largest such network in the European Union. The preliminary agreement is for an 85% stake in SPEC, Warsaw's urban heating network, for an enterprise value of €360 million. Dalkia should benefit from a significant operational lever in the form of optimization of fixed network costs and potential synergies with the company's existing operations in Poland.

The transaction is subject to approval by the European Union and the Warsaw city council, and is expected to be completed by the final quarter of 2011.

*This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English-speaking readers. This report includes information relating to the specific verification of information presented in the Group's interim management report. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.*

## **Electricité de France S.A.**

Registered office: 22-30, avenue de Wagram – 75008 Paris

### **Statutory Auditors' Review Report on the half-yearly consolidated financial statements**

For the six-month period ended June 30, 2011

To the Shareholders,

Following our appointment as statutory auditors by your General Meeting, and in accordance with article L.451-1-2 III of the French Monetary and Financial Law (“Code monétaire et financier”), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Electricité de France S.A. for the six-month period ended June 30, 2011;
- the verification of information contained in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of your Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

#### **I. Conclusion on the financial statements**

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – the standard of IFRS as adopted by the European Union applicable to interim financial reporting.



Without qualifying the conclusion expressed above, we draw attention to the valuation of long-term provisions relating to nuclear electricity production, which results from management's best estimates, as described in notes 19.2 and 19.3 to the half-yearly consolidated financial statements. This valuation is sensitive to the assumptions made concerning costs, inflation and long-term discount rates, as well as forecast cash outflows. Changes in these parameters could lead to a material revision of the level of provisioning.

## **II. Specific verification**

We have also verified information presented in the half-yearly management report on the half-yearly condensed consolidated financial statements that were subject to our review. We have no matters to report as to its fair presentation and consistency with the half-yearly condensed consolidated financial statements.

Paris la Défense and Neuilly-sur-Seine on July 28, 2011

The statutory auditors

**KPMG Audit**  
*Département de KPMG S.A.*

**Deloitte & Associés**

Bernard Cattenoz

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