Consolidated financial statements

at December 31, 2010

These financial statements will be submitted for approval by the general Shareholders' Metting of May 24, 2010.

Consolidated Income Statements

(in millions of Euros)	Notes	2010	2009 [1]
Sales	7	65,165	59,140
Fuel and energy purchases	8	(26,021)	(22,590)
Other external expenses	9	(10,582)	(10,213)
Personnel expenses	10	(11,422)	(10,708)
Taxes other than income taxes	11	(3,227)	(2,902)
Other operating income and expenses	12	3,090	3,202
Prolongation of the transition tariff system (TaRTAM) – Laws of June 7 and December 7, 2010	13	(380)	-
Operating profit before depreciation and amortization		**16,623**	**15,929**
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities		15	539
Net depreciation and amortization		(7,426)	(6,796)
Net increases in provisions for renewal of property, plant and equipment operated under concession		(428)	(490)
(Impairment)/reversals	14	(1,743)	(49)
Other income and expenses	15	(801)	173
Operating profit		**6,240**	**9,306**
Cost of gross financial indebtedness	16.1	(2,754)	(2,529)
Discount expense	16.2	(3,134)	(2,997)
Other financial income and expenses	16.3	1,462	1,322
Financial result	16	**(4,426)**	**(4,204)**
Income before taxes of consolidated companies		**1,814**	**5,102**
Income taxes	17	(1,079)	(1,432)
Share in income of associates	24	134	104
Net income of discontinued operations		380	311
GROUP NET INCOME		**1,249**	**4,085**
Net income attributable to non-controlling interests		**229**	**183**
Net income of continuing operations		235	158
Net income of discontinued operations		(6)	25
EDF net income		**1,020**	**3,902**
Net income of continuing operations		634	3,616
Net income of discontinued operations		386	286
Earnings per shares in Euros:	18		
Net earnings per share in Euros		0.55	2.14
Diluted earnings per share in Euros		0.55	2.14
Net earnings per share of continuing operations, in Euros		0.34	1.98
Diluted earnings per share of continuing operations, in Euros		0.34	1.98

(1) 2009 figures have been restated for the impact of application of retrospective application of IFRIC 18 "Transfers of Assets from Customers", IFRIC 12 "Service Concession Arrangements" and IFRS 5 "Non-current assets held for sale and discontinued operations" and the change in presentation of net changes in fair value on Energy and Commodity derivatives, excluding trading activities (see note 2).

In application of IFRS 5, the net income of discontinued operations is reported on a specific line in the income statement. The impact of application of IFRS 5 on the figures published in 2009 is presented in note 2.

Statement of net income and gains and losses recorded directly in equity

(in millions of Euros)	Notes	2010	2009 [1]
Group net income		**1,249**	**4,085**
Changes in the fair value of available-for-sale financial assets [2]	36.2.2	816	1,257
Changes in the fair value of available-for-sale financial assets transferred to income on sale		131	60
Changes in the fair value of hedging instruments [3]	40.4	24	(1,393)
Changes in the fair value of hedging instruments transferred to income on sale		296	1,329
Translation adjustments [4]		2,013	390
Taxes		(521)	(228)
Gains and losses recorded directly in equity		**2,759**	**1,415**
NET INCOME AND GAINS AND LOSSES RECORDED DIRECTLY IN EQUITY		**4,008**	**5,500**
EDF net income		**3,679**	**5,282**
EDF net income, continuing operations		3,212	4,866
EDF net income, discontinued operations		467	416
Attributable to non-controlling interests		**329**	**218**
Attributable to non-controlling interests, continuing operations		332	188
Attributable to non-controlling interests, discontinued operations		(3)	30

(1) 2009 figures have been restated for the impact of application of IFRIC 18, IFRIC 12 and IFRS 5 (see note 2).

(2) EDF's share amounts to €818 million for 2010 (€1,252 million for 2009).

(3) EDF's share amounts to €41 million for 2010 (€(1,387) million for 2009).

(4) EDF's share amounts to €1,894 million for 2010 (€354 million for 2009).

Consolidated Balance Sheets

ASSETS *(in millions of Euros)*	Notes	12/31/2010	12/31/2009 (1)
Goodwill	19	12,028	13,526
Other intangible assets	20	4,616	5,579
Property, plant and equipment operated under French public electricity distribution concessions	21	43,905	42,451
Property, plant and equipment operated under concessions for other activities	22	6,027	26,857
Property, plant and equipment used in generation and other tangible assets owned by the Group	23	57,268	58,734
Investments in associates	24	7,854	4,421
Non-current financial assets	36/46	24,921	24,498
Deferred tax assets	17.3	2,125	2,490
Non-current assets		**158,744**	**178,556**
Inventories	25	12,685	12,662
Trade receivables	26	19,524	19,633
Current financial assets	36	16,788	12,450
Current tax assets		525	376
Other receivables	27	9,319	8,111
Cash and cash equivalents	37	4,829	6,982
Current assets		**63,670**	**60,214**
Assets classified as held for sale	44	**18,145**	**1,265**
TOTAL ASSETS		**240,559**	**240,035**

(1) Figures for the year 2009 have been restated for the impact of application of IFRIC 18 and IFRIC 12 (see note 2).

EQUITY AND LIABILITIES *(in millions of Euros)*	Notes	12/31/2010	12/31/2009 [(1)]
Capital	28	924	924
EDF net income and consolidated reserves		30,393	28,967
Equity (EDF share)		**31,317**	**29,891**
Non-controlling interests		5,586	4,776
Total equity	28	**36,903**	**34,667**
Provisions for back-end nuclear cycle	30.1	17,000	17,531
Provisions for decommissioning and last cores	30.2	19,383	20,003
Provisions for employee benefits	31	11,745	13,412
Other provisions	32	1,337	1,188
Non-current provisions	29	**49,465**	**52,134**
Grantors' rights in existing assets operated under French public electricity distribution concessions	33	20,318	19,667
Grantors' rights in existing assets to be replaced operated under French public electricity distribution concessions	33	20,843	20,210
Non-current financial liabilities	38.1	40,646	44,755
Other liabilities	35	4,965	3,360
Deferred tax liabilities	17.3	4,894	7,654
Non-current liabilities		**141,131**	**147,780**
Provisions	29	5,010	5,858
Trade payables	34	12,805	13,348
Current financial liabilities	38.1	12,766	16,560
Current tax liabilities		396	564
Other liabilities	35	18,674	20,847
Current liabilities		**49,651**	**57,177**
Liabilities related to assets classified as held for sale	44	**12,874**	**411**
TOTAL EQUITY AND LIABILITIES		**240,559**	**240,035**

(1) Figures for the year 2009 have been restated for the impact of application of IFRIC 18 and IFRIC 12 (see note 2).

Consolidated Cash Flow Statements

(in millions of Euros)	Notes	2010	2009 [1]
Operating activities:			
Income before tax from consolidated companies		**1,814**	**5,102**
Impairment		1,743	49
Accumulated depreciation and amortization, provisions and change in fair value		9,858	7,563
Financial income and expenses		1,918	1,441
Dividends received from associates		112	104
Capital gains/losses		164	(566)
Change in working capital		(335)	(1,468)
Net cash flow from operations		**15,274**	**12,225**
Net financial expenses disbursed		(2,197)	(1,367)
Income taxes paid		(1,967)	(869)
Cancellation of the decision of the European Commission		-	1,224
Net cash flow from operating activities		**11,110**	**11,213**
Investing activities:			
Acquisition of companies, net of cash acquired [2]		3,398	(14,120)
Purchases of property, plant and equipment and intangible assets		(12,241)	(11,777)
Net proceeds from sale of property, plant and equipment and intangible assets		188	201
Changes in financial assets		(6,272)	462
Net cash flow used in investing activities		**(14,927)**	**(25,234)**
Financing activities:			
Transactions with non-controlling interests [3]		(59)	2,350
Dividends paid by parent company	28.3	(2,163)	(1,228)
Dividends paid to non-controlling interests		(190)	(61)
Treasury shares	28.2	(10)	12
Cash flows with shareholders		**(2,422)**	**1,073**
Issuance of borrowings		8,642	29,272
Repayment of borrowings		(4,652)	(15,244)
Increase in special concession liabilities		231	253
Investment subsidies		149	213
Cash flows from other financing activities		**4,370**	**14,494**
Net cash flow from financing activities		**1,948**	**15,567**
Cash flows from continuing operations		(1,869)	1,546
Cash flows from discontinued operations [4]		357	(206)
Net increase/(decrease) in cash and cash equivalents		**(1,512)**	**1,340**
Cash and cash equivalents – opening balance [4]		**6,982**	**5,869**
Net increase/(decrease) in cash and cash equivalents		(1,512)	1,340
Effect of currency fluctuations		76	(237)
Financial income on cash and cash equivalents		29	45
Effect of other reclassifications		(8)	(35)
CASH AND CASH EQUIVALENTS – CLOSING BALANCE [4]		**5,567**	**6,982**

In application of IFRS 5, the net change in cash for discontinued activities is reported on a separate line in the cash flow statements for the years presented. The impact of application of IFRS 5 on the figures published in 2009 is presented in note 2.

(1) Figures for the year 2009 have been restated for the impact of application of IFRIC 18, IFRIC 12, IFRS 5 and revised IAS 27 "Consolidated and Separate Financial Statements" (see note 2).

(2) In 2009, the purchase offer for British Energy and subsequent squeeze-out offer resulted in a payment of £8,908 million (€9,519 million) net of cash received. Following acquisition of 49.99% of CENG, an additional contribution of $3,502 million (€2,508 million) was made.

(3) Contributions in the form of capital increases or reductions and acquisitions of additional interests in controlled companies. In 2009, this amount includes the transfer of a 20% holding in Lake Acquisitions/British Energy to Centrica for £2,215 million (€2,470 million).

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

(in millions of Euros)	Continuing operations	Discontinued operations	Total
Cash and cash equivalents – opening balance 2009	**4,856**	**1,013**	**5,869**
Net cash flow from operating activities	11,213	1,161	12,374
Net cash flow used in investing operations	(25,234)	(2,060)	(27,294)
Net cash flow from financing operations	15,567	693	16,260
Net increase/(decrease) in cash and cash equivalents	**1,546**	**(206)**	**1,340**
Effect of currency fluctuations	(238)	1	(237)
Financial income on cash and cash equivalents	32	13	45
Effect of other reclassifications	9	(44)	(35)
Dividends paid by discontinuing operations	224	(224)	-
Cash and cash equivalents – opening balance 2010	**6,429**	**553**	**6,982**
Net cash flow from operating activities	11,110	1,072	12,182
Net cash flow used in investing activities	(14,927)	(673)	(15,600)
Net cash flow from financing activities	1,948	(42)	1,906
Net increase/(decrease) in cash and cash equivalents	**(1,869)**	**357**	**(1,512)**
Effect of currency fluctuations	70	6	76
Financial income on cash and cash equivalents	23	6	29
Effect of other reclassifications	6	(14)	(8)
Dividends paid by discontinuing operations	170	(170)	-
CASH AND CASH EQUIVALENTS – CLOSING BALANCE 2010	**4,829**	**738**	**5,567**

Changes in Consolidated Equity

(in millions of Euros)	Capital	Consolidated reserves and net income	Treasury shares	Translation adjustments	Impact of restatement to fair value of financial instruments (2)	Equity (EDF share)	Non-controlling interests	Total equity
Equity at 12/31/2008	**911**	**25,501**	**(186)**	**(1,638)**	**(1,391)**	**23,197**	**1,801**	**24,998**
Restatements for application of IFRIC 18	-	1,938	-	-	-	1,938	3	1,941
Restatements for application of IFRIC 12	-	4	-	-	-	4	-	4
Equity at 01/01/2009, restated	**911**	**27,443**	**(186)**	**(1,638)**	**(1,391)**	**25,139**	**1,804**	**26,943**
Gains and losses recorded directly in equity	-	-	-	354	1,026	1,380	35	1,415
Net income (1)	-	3,902	-	-	-	3,902	183	4,085
Net income and gains and losses recorded directly in equity	**-**	**3,902**	**-**	**354**	**1,026**	**5,282**	**218**	**5,500**
Dividends paid	-	(2,166)	-	-	-	(2,166)	(83)	(2,249)
Share capital increase	13	924	-	-	-	937	-	937
Purchases/sales of treasury shares	-	-	12	-	-	12	-	12
Other changes	-	524	200	(36)	(1)	687	2,837	3,524
Equity at 12/31/2009 (1)	**924**	**30,627**	**26**	**(1,320)**	**(366)**	**29,891**	**4,776**	**34,667**
Gains and losses recorded directly in equity (3)	-	-	-	1,894	765	2,659	100	2,759
Net income	-	1,020	-	-	-	1,020	229	1,249
Net income and gains and losses recorded directly in equity	**-**	**1,020**	**-**	**1,894**	**765**	**3,679**	**329**	**4,008**
Dividends paid (4)	-	(2,163)	-	-	-	(2,163)	(208)	(2,371)
Purchases/sales of treasury shares	-	-	(9)	-	-	(9)	-	(9)
Other changes (5)	-	(15)	(36)	(31)	1	(81)	689	608
EQUITY AT 12/31/2010	**924**	**29,469**	**(19)**	**543**	**400**	**31,317**	**5,586**	**36,903**

(1) The figures reported at December 31, 2009 have been restated for the impact of application of IFRIC 18 and IFRIC 12 (see note 2).

(2) These changes correspond to the effects of fair value measurement of available-for-sale 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 statement of net income and gains and losses recorded directly in equity.

(3) Following the sale of the network activities in the United Kingdom, income and expenses recorded in equity in 2010 incorporate a positive €395 million effect (€732 million in translation adjustments and €(337) million in fair value adjustments to financial instruments) resulting from the transfer to income of translation adjustments net of hedges of net investments.

(4) Including interim dividends of €1,054 million and the balance of the 2009 dividends amounting to €1,109 million.

(5) Other changes attributable to non-controlling interests include an amount of €658 million relating to minority shareholdings in SPE (see note 4.4).

Contents

●● Notes to the consolidated financial statements

FINANCIAL ASSETS AND LIABILITIES

OTHER INFORMATION

Notes to the consolidated financial statements

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

The Company's consolidated financial statements 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 Group 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 is an integrated energy company engaged in all aspects of the energy business: generation, transmission, distribution, supply and trading of energies.

The Group's consolidated financial statements at December 31, 2010 were prepared under the responsibility of the Board of Directors and approved by the Directors at the Board meeting held on February 14, 2011. They will become final after approval at the general shareholders' meeting to be held on May 24, 2011.

Following the announcement on January 19, 2011 that publication of Edison's financial statements was to be deferred (see note 4.3), Edison is included in the EDF group consolidation based on provisional accounts.

2010 was also marked by three major operations concerning the Group's scope of activity, which like changes of accounting method and presentation (described in note 2) affect financial statement comparability between 2009 and 2010. The ongoing disposal of EnBW and reclassification of the company as a «Discontinued operation» has led to adjustments to the comparative information as published in 2009.

These operations are:

- **The sale of the British regulated and deregulated distribution networks**, completed on October 29, 2010. The British networks' contribution to the Group's net income (particularly sales and EBITDA) and cash flows thus corresponds to 10 months in 2010 as opposed to 12 months for the comparative 2009 figures reported. Completion of this sale led to derecognition of balance sheet items related to the British networks, and a €6.7 billion decline in consolidated net indebtedness at December 31, 2010.
- **The sale of EnBW, approved by the Board of Directors on December 6, 2010.** EnBW's contribution to the Group's net income is now reported in a single line "Net income of discontinued operations", and it therefore makes no contribution to consolidated sales or EBITDA for 2009 and 2010. However, its contribution is still included in Group net income. Similarly, EnBW's contribution to the change in cash flows is reported on a specific line for discontinued operations for both years presented. In the balance sheet, the assets and liabilities of discontinued operations are reported on a specific line in 2010 but not adjusted for 2009. The impact of the sale of EnBW on the Group's financial indebtedness will not be recognized until completion of the sale, which is expected to take place during the first half of 2011.
- **Application of the equity method for RTE.** On December 31, 2010, the French government appointed two further representatives to the Supervisory Board of RTE. This leaves only four representatives on the twelve member Board for EDF, which therefore no longer has control over RTE. As a result the equity method is applied to RTE as of December 31, 2010. The Group's income statement (EBITDA in particular), cash flows and investments reflect RTE's contribution for 2010 (the 2009 figures presented are as previously published), but the consolidated balance sheet at December 31, 2010 includes RTE in "Investments in associates", making net indebtedness €6.3 billion lower than in 2009. This decrease includes deduction of the Group's receivable on RTE, reflecting the share of EDF's external indebtedness corresponding to financing of RTE.

Note 1 - Group accounting standards

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 consolidated financial statements for the year ended December 31, 2010 are prepared under the international accounting standards published by the IASB and approved by the European Union for application at December 31, 2010. These international standards are IAS (International Accounting Standards), IFRS (International Financial Reporting Standards), and interpretations issued by the SIC and IFRIC.

The comparative figures for 2009 have been restated for the effect of application of IFRIC 18 "Transfers of Assets from Customers", IFRIC 12 "Service Concession Agreements", IFRS 5 "Non-current assets held for sale and discontinued operations" and the change in the consolidated income statement presentation of the net changes in fair value on Energy and Commodity derivatives, excluding trading activities (see note 2).

As this is comparative information, the EDF group presents three balance sheets in its consolidated financial statements, in compliance with IAS 1 "Presentation of financial statements" (see note 2).

1.2 ●● Changes in accounting methods at January 1, 2010

The accounting and valuation methods applied by the Group in the consolidated financial statements for the year ended December 31, 2010 are identical to those used in the consolidated financial statements for the year ended December 31, 2009, with the exception of standards endorsed by the European Union in 2008, 2009 and 2010 that became mandatory from January 1, 2010.

The following standards and interpretations have been endorsed by the European Union and their application is mandatory as of January 1, 2010:

- revised IAS 27, "Consolidated and Separate Financial Statements", and revised IFRS 3, "Business combinations", applicable to operations and transactions taking place on or after January 1, 2010. As these standards are applied prospectively, operations prior to January 1, 2010 have not been restated, except for reclassifications between investing and financing cash flows in the cash flow statement to reflect retrospective application of the amendment to IAS 7 resulting from revision of IAS 27 (see note 2);
- revised IFRS 1, "First-time Adoption of International Financial Reporting Standards";
- IFRIC 12, "Service Concession Arrangements" for concession agreements governed by this interpretation: depending on the remuneration method applied, the concession operator records infrastructures as an intangible asset or a financial asset. This interpretation has no significant impact on the consolidated financial statements (see note 2);
- IFRIC 18, "Transfers of Assets from Customers", applies to contracts (other than those within the scope of IFRIC 12 and IFRIC 4) in which an entity receives a connection facility (or the cash required for acquisition or construction of such a facility) from a customer. For these contracts, IFRIC 18 requires recognition of the transferred asset as an item of property, plant and equipment and stipulates whether income is to be deferred or not, depending on the nature of the identifiable services (connecting the customer to the network, providing the customer with ongoing access to a supply of goods or services, or both). The Group has decided to apply this interpretation retrospectively (see note 2);
- IFRIC 15, "Agreements for the Construction of Real Estate", IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" and IFRIC 17, "Distributions of Non-cash Assets to Owners";
- amendments on "Eligible hedged items" to IAS 39, "Financial instruments: recognition and measurement";
- amendments on "Additional exemptions for first-time adopters" to IFRS 1, "First-time Adoption of International Financial Reporting Standards";
- amendments on "Group cash-settled share-based payment transactions" to IFRS 2, "Share-based payment". These amendments also incorporate the provisions of IFRIC 8, "Scope of IFRS 2" and IFRIC 11, "IFRS 2: Group and Treasury Share Transactions", which are thus withdrawn;
- amendments to IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations", contained in the annual improvements to IFRS (2006-2008);
- annual improvements to IFRS (2007-2009).

With the exception of the changes in accounting method and/or presentation, which resulted from application of revised IAS 27, IFRIC 12 and IFRIC 18, the EDF group has not observed any significant impact on its consolidated financial statements arising from application of the other standards, interpretations and amendments listed above.

The Group has decided against early application of standards endorsed by the European Union during 2009 and 2010 but not yet mandatory:

- revised IAS 24, "Related Party Disclosures", adopted by the European Union on July 20, 2010, which is mandatory from the beginning of the first financial year starting after December 31, 2010, *i.e.* from January 1, 2011 for EDF;
- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments", adopted by the European Union on July 24, 2010, which is mandatory from the beginning of the first financial year starting after June 30, 2010, *i.e.* from January 1, 2011 for EDF;
- the amendment on "Classification of rights issues" to IAS 32, "Financial instruments: Presentation", adopted by the European Union on December 24, 2009, which is mandatory from the beginning of the first financial year starting after January 31, 2010, *i.e.* January 1, 2011 for EDF;
- amendments on "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters" to IFRS 1, adopted by the European Union on July 1, 2010;
- amendments on "Prepayments of a minimum funding requirement" to IFRIC 14, adopted by the European Union on July 20, 2010, which is mandatory from the beginning of the first financial year starting after December 31, *i.e.* from January 1, 2011 for EDF.

The potential impact of all of these standards, amendments and interpretations is under assessment.

Similarly, the Group has not opted for early application of the following standards, amendments and interpretation likely to be approved by the European Union in 2011 at the earliest:

- annual improvements to IFRS (2008-2010);
- amendments to IFRS 7, "Improving Disclosures about Financial Instruments";
- amendments to IAS 12, "Deferred tax: recovery of underlying assets";
- amendments to IFRS 1, "Severe hyperinflation and removal of fixed dates for first-time adopters".

Finally, as part of the ongoing overhaul of IAS 39, the IASB adopted a new standard, IFRS 9, "Financial instruments" (Phase 1, Classification and Measurement) in November 2009. In application of current regulations, this standard, which has not yet been adopted by the European Union, cannot be applied early for the year 2010.

1.3 ●● Summary of the principal accounting and valuation methods

The following accounting methods have been applied consistently through all the periods presented in the consolidated financial statements.

1.3.1 Valuation

The consolidated financial statements are based on historical cost valuation, with the exception of certain financial instruments and available-for-sale financial assets, which by convention are stated at fair value.

The methods used to determine the fair value of these instruments are presented in note 1.3.17.

1.3.2 Management judgments 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 year-end. 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 described below. Given their importance in the EDF group's financial statements, the impact of any change in assumption in these areas could be significant.

In the current context characterized by high volatility on the financial markets and commodity costs, the parameters used to prepare estimates are based on macro-economic assumptions appropriate to the very long-term cycle of Group assets.

1.3.2.1 Nuclear provisions

The measurement of provisions for the back-end of the nuclear cycle, 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.

Sensitivity analyses are presented in note 30.3.3.3.

1.3.2.2 Pensions and other long-term and post-employment benefits

The value of pensions and other long-term and post-employment benefit obligations is based on actuarial valuations that are sensitive to assumptions concerning discount rates and wage increase rates, and all the actuarial assumptions used.

The principal actuarial assumptions used to calculate these post-employment and long-term benefits at December 31, 2010 are presented in note 31. These assumptions are updated annually. The Group considers the actuarial assumptions used at December 31, 2010 appropriate and well-founded, but changes in these assumptions may have a significant effect on the amount of the obligations and the Group's net income, and therefore sensitivity analyses are presented in note 31.3.

1.3.2.3 Impairment of goodwill and long-term assets

Impairment tests on goodwill and long-term assets are sensitive to the macro-economic and segment assumptions used, and medium-term financial forecasts. The Group therefore revises the underlying estimates and assumptions based on regularly updated information.

These assumptions are presented in note 14.

1.3.2.4 Financial instruments

In measuring the fair value of unlisted financial instruments (essentially energy contracts), the Group uses valuation models involving a certain number of assumptions subject to unforeseeable developments.

1.3.2.5 Energy and delivery not yet metered

As explained in note 1.3.7, the quantities of energy delivered but not yet measured or billed are calculated at the reporting date based on consumption statistics and selling price estimates. Determination of the unbilled portion of sales revenues at the year-end is sensitive to the assumptions used in preparation of these statistics and estimates.

1.3.2.6 Obligations concerning French public distribution concession assets to be replaced

In view of the specific nature of French public electricity distribution concessions, the Group has opted to present its obligation to renew property, plant and equipment in the balance sheet at a value corresponding to the amount of contractual commitments as calculated and disclosed to the grantors in the annual business reports. An alternative approach would be to value the obligations based on the discounted value of future payments necessary for replacement of these assets at the end of their industrial useful life. The impacts this alternative approach would have had on the accounts are shown in note 1.3.26 for information. Whatever valuation method is used, measurement of the concession liability concerning assets to be replaced is notably subject to uncertainty in terms of cost and disbursement dates.

1.3.2.7 Transition tariff system (*Tarif réglementé transitoire d'ajustement du marché* or TaRTAM)

To assess the contribution payable by the Group in application of the transition tariff, various assumptions have been used based on the best available information and forecasts, the volume of electricity eligible for this tariff, changes in market electricity prices on the market, and supply costs.

1.3.2.8 Deferred tax assets

The use of estimates and assumptions is also particularly important in the recognition of deferred tax assets.

1.3.2.9 Other judgments

When there is no standard or interpretation applicable to a specific transaction, the Group exercises judgment to define and apply accounting methods that will supply relevant, reliable information for preparation of its financial statements.

1.3.3 Consolidation methods

Subsidiaries are companies in which the Group has exclusive control and are fully consolidated. Exclusive control means the power to govern the enterprise's financial and operating policies either directly or indirectly so as to obtain benefit from its activities. Exclusive control is presumed when EDF directly or indirectly holds more than 50% of the voting rights. Voting rights that are potentially exercisable at the closing date, even by another party, are taken into consideration in determining the level of control over a subsidiary.

Joint ventures are companies that the Group jointly controls, and are proportionally consolidated on the basis of the Group's percentage interest. Joint control is the contractually agreed sharing of control over a company run jointly by a limited number of partners or shareholders, such that the financial and operating policies require their unanimous consent.

Associates are entities in which the Group exercises significant influence over financial and operating policies, without having exclusive or joint control. The Group is considered to exercise significant influence when it holds at least 20% of the consolidated company. Associates are accounted for under the equity method. They are carried in the balance sheet at historical cost adjusted for the share of net assets generated after acquisition, less any impairment. The Group's share in net income for the period is reported under the income statement heading "Share in income of associates".

All transactions between consolidated companies, including realized internal profits, are eliminated.

A list of subsidiaries, joint ventures and associates is presented in note 50.

1.3.4 Financial statement presentation rules

Assets and liabilities of dissimilar natures or functions are disclosed separately.

Assets and liabilities contributing to working capital used in the entity's normal operating cycle are classified as current. Other assets and liabilities are classified as current if they mature within one year of the closing date, and non-current if they mature more than one year after the closing date.

Commitments given by the Group to purchase minority interests in Group-controlled companies are included in liabilities. For commitments of this kind given since January 1, 2010, the differential between the value of the minority interests and the liability corresponding to the commitment is recorded in equity.

The income statement presents items by nature. The heading "Other income and expenses" presented below the operating profit before depreciation and amortization comprises items of an unusual nature or amount.

1.3.5 Translation methods

1.3.5.1 Reporting currency

The Group's financial statements are presented in Euros, which is also the parent company's functional currency. All financial data are rounded up or down to the nearest million.

1.3.5.2 Functional currency

An entity's functional currency is the currency of the economic environment in which it primarily operates. In most cases, the local currency is the functional currency, but for some entities, a functional currency other than the local currency may be used provided it reflects the currency used in the principal transactions.

1.3.5.3 Translation of the financial statements of foreign companies whose functional currency is not the Euro

The financial statements of foreign companies whose functional currency is not the Euro are translated as follows:
- balance sheets are translated into Euros at the closing rate;
- income statements and cash flows are translated at the average rate for the period;
- resulting differences are recognized in equity under the heading "Translation adjustments".

Currency translation differences affecting a monetary item that is an integral part of the Group's net investment in a consolidated foreign company are included in consolidated equity until the disposal or liquidation of the net investment, at which date they are recognized as income or expenses in the income statement, in the same way as other translation adjustments concerning the company.

1.3.5.4 Translation of transactions in foreign currencies

In application of IAS 21, transactions expressed in foreign currencies are initially translated and recorded in the functional currency of the entity concerned, using the rate in force at the transaction date.

At each reporting date, monetary assets and liabilities expressed in foreign currencies are translated at the closing rate. The resulting foreign exchange differences are taken to the income statement.

1.3.6 Related parties

Related parties include the French State, companies in which the State holds majority ownership and certain of their subsidiaries, and companies in which EDF exercises joint control or significant influence. They also include members of the Group's management and governance bodies.

1.3.7 Sales

Sales essentially comprise income from the sale of energy and services, which mainly include energy transmission and distribution services, and capacity and interconnection auctions.

The Group accounts for sales when:
- there is a proven contractual relationship;
- delivery has taken place (or the service has been provided);
- a quantifiable price has been established or can be determined;
- and the receivables are likely to be recovered.

Delivery takes place when the risks and benefits associated with ownership are transferred to the buyer.

Energy delivered but not yet measured or billed is calculated based on consumption statistics and selling price estimates.

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

Energy trading operations are recognized net of purchases.

The Group has applied IFRIC 18 retrospectively since January 1, 2010 (note 2.1). The Group entities (EDF, ERDF, Électricité de Strasbourg, EDF Energy and EDF Demasz) for which IFRIC 18 causes a change of accounting method (sales revenues are no longer deferred) transferred their existing deferred income to equity at that date. They also recognize connection income received since January 1, 2010 directly in revenues for the year. In view of the nature of the services corresponding to these contributions and the tariff structure, RTE continues to defer connection income. Financial contributions received from customers upon connection to the electricity transmission network are treated as deferred income and transferred to revenues over a period that depends on the lifetime of the assets the contributions helped to finance.

1.3.8 Income taxes

Income taxes include the current tax expense (income) and the deferred tax expense (income), calculated under the tax legislation in force in the countries where earnings are taxable.

Current and deferred taxes are recorded in the income statement, or in equity if they concern items directly allocated to equity.

The current tax expense (income) is the estimated amount of tax due on the taxable income for the period, calculated using the tax rates adopted at the year-end.

Deferred taxes result from temporary differences between the book value of assets and liabilities and their tax basis. No deferred taxes are recognized for temporary differences generated by:

- goodwill which is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and does not affect the accounting profit or taxable profit (tax loss) at the transaction date;
- investments in subsidiaries, joint ventures and associates, when the Group controls the timing of reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are valued at the expected tax rate for the period in which the asset will be realized or the liability settled, based on tax rates adopted at the year-end. If the tax rate changes, deferred taxes are adjusted to the new rate and the adjustment is recorded in the income statement, unless it relates to an underlying for which changes in value are recorded in equity, for example hedging instruments and available-for-sale financial assets.

Deferred taxes are reviewed at each closing date, to take into account changes in tax legislation and the prospects for recovery of deductible temporary differences. Deferred tax assets are only recognized when it is probable that the Group will have sufficient taxable profit to utilize the benefit of the asset in the foreseeable future, or beyond that horizon, if there are deferred tax liabilities with the same maturity.

1.3.9 Earnings per share and diluted earnings per share

Earnings per share is calculated by dividing the Group's share of net income by the weighted average number of shares outstanding over the period. This weighted average number of shares outstanding is the number of ordinary shares at the start of the year, adjusted by the number of shares redeemed or issued during the year.

This number, and the earnings per share, is adjusted whenever necessary to reflect the impact of translation or exercise of dilutive potential shares (options, subscription warrants and convertible bonds issued, etc.).

1.3.10 Business combinations

Business combinations that took place prior to January 1, 2010 are recorded under the accounting principles used for the 2009 financial statements, *i.e.* the purchase method defined in the former version of IFRS 3.

Since January 1, 2010, the Group has applied revised IFRS 3, and business combinations since that date are therefore valued and recorded under the new purchase method.

At the date of acquisition, the identifiable assets and liabilities transferred, measured at fair value, and any non-controlling interests in the company acquired (minority interests) are recorded separately from goodwill on the operation.

Non-controlling interests may now be valued either at fair value (total goodwill method) or their share in the fair value of the net assets of the acquired company (partial goodwill method). The choice is made individually for each transaction.

Any acquisition or disposal of an investment that does not affect control and takes place after the business combination is considered as an equity transaction and must be recorded directly in equity in application of amended IAS 27.

If additional interests in an associate are acquired without resulting in acquisition of control, the value of previously acquired assets and liabilities is unchanged in the consolidated accounts.

If control is acquired in stages, the cost of the business combination includes the fair value, at the date control is acquired, of the purchaser's previously-held interest in the company controlled.

Revised IFRS 3 does not apply to common control transactions, *i.e.* business combinations where all parties involved in the combination are ultimately controlled by a single party or group of parties. Such transactions in the Group are examined on a case-by-case basis to determine the appropriate accounting treatment.

Related costs directly attributable to acquisition are treated as expenses for the periods in which they were incurred, except for issuance costs for debt securities or equity instruments, which must be recorded in compliance with IAS 32 and IAS 39.

1.3.11 Goodwill and other intangible assets

1.3.11.1 Goodwill

1.3.11.1.1 Determination of goodwill

Goodwill corresponds to the difference between the cost of a business combination and the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the company acquired on the date control is transferred. When the difference is negative, it is immediately included in the income statement.

The fair values of assets and liabilities and the resulting goodwill are finalized within 12 months of the acquisition.

1.3.11.1.2 Measurement and presentation of goodwill

Goodwill on acquisition of subsidiaries or joint ventures is disclosed separately in the balance sheet. Impairment on this goodwill is reported under the heading "Impairment", in the income statement.

Goodwill on acquisition of associates is included in the investment's net book value. Impairment on this goodwill is included under the heading "Share in income of associates".

Goodwill is not amortized, but impairment tests are carried out as soon as there is an indication of possible loss of value, and at least annually, as described in note 1.3.16.

After initial recognition, goodwill is carried at cost less any impairment recognized.

1.3.11.2 Other intangible assets

1.3.11.2.1 Research and development expenses

Research expenses are recognized as expenses in the financial period incurred.

Development expenses are recognized as an intangible asset if the Group can demonstrate:
- the technical feasibility of making the intangible asset ready for commissioning or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate likely future economic benefits;
- the availability of the appropriate resources (technical, financial or other) to complete development and use or sell the intangible asset;
- its ability to provide a reliable estimate of expenses attributable to the intangible asset during its development.

1.3.11.2.2 Other self-produced or purchased intangible assets

Other intangible assets mainly comprise:
- software and brands, which are amortized on a straight-line basis over their useful life;
- operating or usage rights for power plants, which are amortized on a straight-line basis over the useful life of the underlying asset;
- rights or licenses relating to hydrocarbon concessions, which are amortized under the unit of production (UOP) method;
- intangible assets related to environmental regulations (greenhouse gas emission rights and renewable energy certificates acquired for a consideration – see note 1.3.29);
- the positive value of energy purchase/sale contracts stated at fair value as part of a business combination governed by IFRS 3: this value is amortized as the contractual deliveries take place.

1.3.12 Hydrocarbon prospecting, exploration and generation

The Group applies IFRS 6, "Exploration for and Evaluation of Mineral Resources".

Exploration costs and costs incurred in connection with geological surveys, exploratory testing, geological and geophysical mapping and exploratory drilling are recognized as intangible assets and fully amortized in the year they are incurred.

Development costs related to commercially viable mineral wells and production costs incurred to build facilities to extract and store hydrocarbons are recognized as "Property plant and equipment used in generation and other tangible assets owned by the Group" or "Property, plant and equipment operated under concessions for other activities" as appropriate.

They are amortized under the UOP ("Unit Of Production") method.

1.3.13 Concession assets, generation assets and other property, plant and equipment

The Group's property, plant and equipment are reported under three balance sheet headings, as appropriate to the business and contractual circumstances of their use:
- property, plant and equipment operated under French public electricity distribution concessions;
- 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.

1.3.13.1 Initial measurement

Property, plant and equipment are recorded at acquisition or production cost.

The cost of facilities developed in-house includes all labor and materials costs, and all other production costs attributable to the construction cost of the asset.

The Group capitalizes safety expenses incurred as a result of legal and regulatory obligations sanctioning non-compliance by an administrative ban from operation.

The cost of property, plant and equipment also includes decommissioning costs for generation plants, and last core costs for nuclear facilities. These assets are associated with the provisions recorded to cover these obligations. At the date of commissioning, they are measured and recorded in the same way as the corresponding provision

(see note 1.3.23). The following components are thus included in the balance sheet value of property, plant and equipment:
- the discounted cost of decommissioning the facilities;
- for nuclear facilities, the discounted cost of last core nuclear fuel, including depreciation of residual reactor fuel that will not be fully irradiated when production shuts down, the cost of nuclear fuel processing and the cost of removing and storing waste from these operations.

Strategic safety spare parts for nuclear facilities are treated as property, plant and equipment, and depreciated with the useful life of the facilities to which they are assigned.

When a part of an asset has a different useful life from the overall asset's useful life, it is identified as an asset component. This mainly concerns the costs of scheduled major services, which are amortized over a period corresponding to the time elapsing between two services.

Borrowing costs attributable to the financing of an asset, incurred during the construction period, are included in the value of the asset provided it is a "qualifying asset" as defined by IAS 23.

1.3.13.2 Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their useful life, defined as the period during which the Group expects to draw future economic benefits from their use.

Depending on each country's specific regulations and contractual arrangements, useful lives for the main facilities are as follows:

• Hydroelectric dams:	75 years
• Electromechanical equipment used in hydropower plants:	50 years
• Fossil-fired plants:	30 to 45 years
• Nuclear power plants:	40 to 60 years
• Transmission and distribution installations (lines, substations):	20 to 45 years
• Windfarm and photovoltaic facilities	20 to 25 years

1.3.14 Concession agreements

1.3.14.1 Accounting treatment

The EDF group records public/private agreements in compliance with standards and interpretations IAS 16, IAS 17, IAS 18, IAS 37, IFRS 6 and IFRIC 4 as appropriate to the specific features of those agreements.

IFRIC 12, "Service concession arrangements" was adopted by the European Union on March 25, 2009 and has been applied by the EDF group since January 1, 2010. This interpretation has a limited impact on the consolidated balance sheet and income statement in view of the features of the Group's concession agreements.

For most of its concessions, the Group considers that in substance the grantors do not have the characteristic features of control over infrastructures as defined in IFRIC 12.

1.3.14.2 French concessions

In France, the Group is the operator for three types of public service concessions:
- public electricity distribution concessions in which the grantors are local authorities (municipalities or syndicated municipalities);
- hydropower concessions with the State as grantor;
- the public transmission network operated under concession from the State.

1.3.14.2.1 Public electricity distribution concessions

General background

Since the enactment of the French Law of April 8, 1946, EDF has by law been the sole operator for the main public distribution concessions in France.

The accounting treatment of concessions is based on the concession agreements, with particular reference to their special clauses. It takes into consideration the possibility that EDF may one day lose its status as the sole authorized State concession operator.

These contracts cover terms of between 20 and 30 years, and generally use standard concession rules deriving from the 1992 Framework Contract negotiated with the National Federation of Licensing Authorities (*Fédération Nationale des Collectivités Concédantes et Régies* – FNCCR) and approved by the public authorities.

Recognition of assets as property, plant and equipment operated under French public electricity distribution concessions

All assets used by EDF in public electricity distribution concessions in France, whether they are owned by the grantor or the operator, are reported together under a specific line in the balance sheet assets at acquisition cost or their estimated value at the transfer date when supplied by the grantor.

1.3.14.2.2 Hydropower concessions

Hydropower concessions in France follow standard rules approved by decree. Assets attributed to the hydropower concessions comprise hydropower generation equipment (dams, pipes, turbines, etc.) and, in the case of recently-renewed concessions, electricity generation and switching facilities.

Assets used in these concessions are recorded under "Property, plant and equipment operated under concessions for other activities" at acquisition cost. As a result of changes in the regulations following removal of the outgoing operator's preferential right when a concession is renewed, the Group has shortened the depreciation periods used for certain assets.

1.3.14.2.3 French public transmission concession

The assets operated under this concession belong by law to RTE. At December 31, 2009, they were recorded under "Property, plant and equipment operated under concessions for other activities". Following a change in the consolidation method for RTE, which is accounted for under the equity method from December 31, 2010, these assets are now included in RTE's equity value in the consolidated balance sheet for 2010.

1.3.14.3 Foreign concessions

Foreign concessions are governed by a range of contracts and national laws. Most assets operated under foreign concessions are recorded under "Property, plant and equipment operated under concessions for other activities". In 2010, following the sale of the UK distribution networks and the ongoing sale of EnBW, foreign concessions chiefly concern Edison in Italy, which operates hydrocarbon generation sites, gas storage sites, local gas distribution networks and hydropower generating plants under concessions. It owns all the assets except for some items of property, plant and equipment on the hydropower generation sites, such as pipes, which are transferable for nil consideration upon expiry of the concession. In compliance with IFRIC 12, certain concession agreements are recorded as intangible assets (see note 2).

Hydropower generation assets which will be returned for nil consideration at the end of the concession are depreciated over the duration of the concession. Hydrocarbon generation sites are recorded in compliance with the rules applicable to the sector (see note 1.3.12).

1.3.15 Leases

In the course of its business the Group uses assets made available to it, or makes assets available to lessees, under lease contracts. These contracts are analyzed in the light of the situations described and indicators supplied in IAS 17 in order to determine whether they are finance leases or operating leases.

1.3.15.1 Finance leases

Contracts that effectively transfer virtually all risks and benefits inherent to ownership of the leased item are classified as finance leases. The main criteria examined in determining whether virtually all the risks and benefits are transferred by an agreement are the following:
- the ratio of the duration of the lease to the leased assets' useful life;
- total discounted future payments as a ratio of the fair value of the financed asset;
- whether ownership is transferred at the end of the lease;
- whether the purchase option is attractive;
- the features specific to the leased asset.

Assets used under finance leases are derecognized from the lessor's balance sheet and included in the relevant category of property, plant and equipment in the lessee's accounts. Such assets are depreciated over their useful life, or the term of the lease contract when this is shorter.

A corresponding financial liability is booked by the lessee, and a financial receivable by the lessor.

If the Group performs a sale and leaseback operation resulting in a finance lease agreement, this is recognized in accordance with the principles described above. If the transfer price is higher than the asset's book value, the surplus is deferred and recognized as income progressively over the term of the lease.

1.3.15.2 Operating leases

Lease agreements that do not qualify as finance leases are classified and recognized as operating leases.

Payments made (received) in application of these agreements are included in expenses (products) in the income statement.

1.3.15.3 Arrangements containing a lease

In compliance with interpretation IFRIC 4, the Group identifies agreements that convey the right to use an asset or group of specific assets to the purchaser although they do not have the legal form of a lease contract, as the purchaser in the arrangement benefits from a substantial share of the asset's production and payment is not dependent on production or market price.

Such arrangements are treated as leases, and analyzed with reference to IAS 17 for classification as either finance or operating leases.

1.3.16 Impairment of goodwill, intangible assets and property, plant and equipment

At the year-end and at each interim reporting date, the Group assesses whether there is any indication that any goodwill or asset could have been significantly impaired. If so, an impairment test is carried out as follows:
- the Group measures any long-term asset impairment by comparing the carrying value of these assets and goodwill, classified into cash-generating units where necessary, and their recoverable amount.
  Cash-generating units (CGU) are groups of homogeneous assets that generate identifiable cash flows benefiting from synergies resulting from the acquisition. The Group's cash-generating units comprise either subgroups or legal entities, broken down where necessary by activity (generation and supply, distribution, transmission, other);
- the recoverable value of these units is the higher of fair value net of disposal costs, and value in use. Value in use is determined with reference to discounted future net cash flows based on medium-term financial projections. When this recoverable value is lower than the carrying amount in the balance sheet, an amount equal to the difference is booked under the heading "Impairment". The loss is allocated first to goodwill, and any surplus to the other assets of the cash-generating unit concerned;
- the discount rates used for these purposes are based on the weighted average cost of capital for each asset or group of assets concerned, determined by economic and geographical area and by business segment where appropriate. The pre-tax discount rate is calculated using an iterative process based on after-tax rates;

- future cash flows are based on medium-term plan projections over three years and assumptions validated by the Group. Variables that can significantly affect the calculations are:
  - changes in tariff regulations and market prices,
  - changes in interest rates and market risk premiums,
  - market price levels and market share on supplies, and the level of investment,
  - the useful lives of facilities, and the plan for concession renewal,
  - the growth rates used beyond the medium-term plans and the terminal values taken into consideration;
- the fair value net of disposal costs is measured on the basis of multiples observed for the most recent transactions in the relevant sector.

Impairment of goodwill is irreversible.

1.3.17 Financial assets and liabilities

Financial assets include available-for-sale assets (non-consolidated investments, investment securities and some dedicated assets), loans and receivables at amortized cost, including trade receivables, and the positive fair value of financial derivatives.

Available-for-sale securities allocated to dedicated assets are presented in note 46.

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

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

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

1.3.17.1 Classification and valuation methods for financial assets and liabilities

Financial instruments are classified as follows under IFRS 7:
- financial assets and liabilities carried at fair value with changes in fair value included in income;
- held-to-maturity financial assets;
- loans and financial receivables;
- available-for-sale financial assets;
- trade receivables;
- cash and cash equivalents;
- financial debts and operating debts;
- financial derivatives.

Financial instruments stated at fair value are classified in the following categories:
- level 1 (quoted prices): financial instruments listed on an active market;
- level 2 (observable data): financial instruments valued using valuation techniques based on observable parameters;
- level 3 (internal model): financial instruments valued using valuation techniques based wholly or partly on non-observable parameters.

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

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

These assets are recorded at the transaction date, at acquisition cost including purchasing expenses. At each subsequent reporting date they are measured at fair value, based on quoted prices available from external sources for listed instruments, or using recognized valuation techniques such as the discounted cash flow method or reference to external sources for other instruments.

Changes in fair value other than those concerning commodity contracts are recorded in the income statement under the heading “Other financial income and expenses”.

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

Changes in the fair value of other trading commodity contracts are recorded in the income statement under the heading “Sales”.

Changes in the fair value of other commodity contracts that qualify as derivatives are reported separately on a specific line of the income statement entitled “Net changes in fair value on Energy and Commodity derivatives, excluding trading activities” below the Operating profit before depreciation and amortization.

Regarding the fair value option, the Group classifies an asset or liability as “at fair value through profit or loss” in the three following circumstances:
- when using fair value eliminates or significantly reduces an inconsistency in the measurement of assets and liabilities (“accounting mismatch”);
- when the performance of a group of financial assets or financial liabilities is managed on a fair value basis, in accordance with documented strategies and the management reporting system;
- if a contract contains one or more embedded derivatives, then the hybrid instrument may be valued under the fair value option, unless:
  - the embedded derivative does not substantially affect the cash flows of the contract,
  - the analysis of the host contract and the embedded derivative does not lead to separate measurement of the embedded derivative.

1.3.17.1.2 Held-to-maturity financial assets

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

1.3.17.1.3 Loans and financial receivables

Loans and financial receivables are valued and recorded at the transaction date, at amortized cost less any impairment.

Interest is calculated at the effective interest rate and recorded in the income statement under the heading "Other financial income and expenses".

1.3.17.1.4 Available-for-sale financial assets

Available-for-sale financial assets comprise non-consolidated investments, some dedicated assets, reserved funds and investment securities.

Available-for-sale financial assets are recorded at acquisition cost at the transaction date, and adjusted to fair value at the reporting date.

Fair value measurement is based on quoted prices and market data available from external sources for instruments listed on an active market, and on the discounted cash flow method for other financial instruments. When a fair value cannot be reliably estimated by other accepted valuation methods such as discounting future cash flows, these instruments are valued at acquisition cost less any accumulated impairment.

Unrealized gains or losses on these assets are recorded in equity, unless there is evidence of a realized loss, in which case impairment is recognized in the income statement (see note 1.3.17.2.2).

For available-for-sale financial assets represented by debt securities, interest is calculated at the effective interest rate and credited to the income statement under the heading "Other financial income and expenses".

1.3.17.1.5 Financial debts and operating debts

Financial debts are recorded at amortized cost, with separate reporting of embedded derivatives where applicable. Interest is calculated at the effective interest rate and recorded under the heading "Cost of gross financial indebtedness" over the duration of the financial debt. The fair value of the debt is calculated by discounting future cash flows at market rates.

1.3.17.1.6 Derivatives

Scope

The scope of derivatives applied by the Group corresponds to the principles set out in IAS 39.

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

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

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

In compliance with IAS 39, the Group analyses all its contracts, of both a financial and non-financial nature, to identify the existence of any "embedded" derivatives. Any component of a contract that affects the cash flows of that contract in the same way as a stand-alone derivative corresponds to the definition of an embedded derivative.

If they meet the conditions set out by IAS 39, embedded derivatives are accounted for separately from the host contract at inception date.

Measurement and recognition

Derivatives are initially recorded at fair value, based on quoted prices and market data available from external sources. If no quoted prices are available, the Group may refer to recent comparable transactions or if no such transactions exist base its valuation on internal models that are recognized by market participants, giving priority to information directly derived from observable data, such as over-the-counter listings.

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

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

Financial instruments classified as hedges

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

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

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

The hedging relationship ends when:

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

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

The Group uses the following categories for hedges:

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

(B) Cash flow hedges
These instruments hedge highly probable future transactions: the variability in cash flows generated by the hedged transaction is offset by changes in the value of the hedging instrument.

The effective portion of accumulated changes in the hedge's fair value is recorded in equity, and the ineffective portion (*i.e.* changes in the fair value of the hedging instrument in excess of changes in the fair value of the hedged item) is recorded in the income statement.

When the hedged cash flows materialize, the amounts previously recognized in equity are transferred to the income statement in the same way as for the hedged item.

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

The Group records the change in fair value resulting from the interest rate effect of derivatives hedging a net investment in a foreign operation in equity in the same way as the change in value resulting from foreign exchange differences.

1.3.17.2 Impairment of financial assets

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

1.3.17.2.1 Financial assets recorded at amortized cost

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

1.3.17.2.2 Available-for-sale financial assets

If there is a substantial, long-term decline in the fair value of available-for-sale assets, the unrealized loss is reclassified from equity to income. For debt instruments, impairment is only recorded in income when there is an indication of impairment associated with the counterparty. If the fair value of an available-for-sale financial asset rises in a subsequent period, the increase in value is included in equity for equity instruments, and leads to a reversal from the impairment previously recorded for debt instruments.

Different criteria for impairment apply to different types of available-for-sale financial assets.

For available-for-sale financial assets (other than dedicated assets) held by controlled companies, the Group generally takes a 3-year period as the basis for assessment of long-term impairment, and a 50% decline from historic cost as indication of significant impairment.

For available-for-sale financial assets held as part of EDF's dedicated assets, the Group takes a 5-year period as the basis for assessment of a long-term loss of value, and a 40% decline from historic portfolio value as indication of significant impairment. The criteria are different in this case because the specific features of dedicated assets are taken into consideration: the legal and regulatory obligations associated with these funds, the timing of the payments they are to finance, and long-term management of the funds.

1.3.17.3 Derecognition of financial assets and liabilities

Derecognition is applied for all or part of:
- a financial asset, when the contractual rights making up the asset expire, or the Group substantially transfers most of the significant risks associated with ownership of the asset;
- a financial liability, when the liability is extinguished due to cancellation or expiry of the obligation. When a debt is renegotiated with a lender giving rise to substantially different terms, a new liability is recognized.

1.3.17.4 Securitization operations

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

1.3.18 Inventories and work-in-progress

Inventories are recognized at the lower of acquisition cost or net realizable value, except for inventories resulting from trading activities, which are carried at market value. The cost of inventories is determined by the weighted average unit cost method.

Cost includes all direct material costs, labor costs, and a share of indirect production costs.

1.3.18.1 Nuclear fuel and materials

Inventory accounts include:
- nuclear materials, whatever their form during the fuel production cycle;
- fuel components in the warehouse or in the reactor.

The stated value of nuclear fuel and materials and work-in-progress is determined based on direct processing costs including materials, labor and subcontracted services (*e.g.* fluoration, enrichment, production, etc.).

In accordance with regulatory obligations, inventories of fuel components (new or not entirely consumed) may also comprise expenses for spent fuel management and long-term radioactive waste management, with corresponding provisions or debts in the liabilities, or full and final payments made when the fuel is loaded.

Interest expenses incurred in financing inventories of nuclear fuels are charged to expenses for the period.

Nuclear fuel consumption is determined as a proportion of the expected output when the fuel is loaded in the reactor. These quantities are valued at weighted average cost of inventories. Inventories are periodically corrected in view of forecast burnt quantities based on neutronic measurements and physical inventories.

1.3.18.2 Consumables, materials and spare parts

Inventories are valued at weighted average cost including direct and indirect purchasing costs.

Provisions concerning spare parts supplied under a maintenance program are based on the turnover of these parts and the useful lives of generation units.

Renewable energy certificates are also included in other inventories (see note 1.3.29.2).

1.3.19 Trade receivables

On initial recognition, trade receivables are stated at the fair value of the consideration received or to be received. Impairment is recorded when their carrying amount, based on the probability of recovery assessed according to the type of receivable, is less than their book value. Depending on the nature of the receivable, the risk associated with doubtful receivables is assessed individually or by experience-based statistical methods.

Trade receivables also include revenue based on an estimate of power already delivered but not yet measured or billed. Impairment is booked to cover the potential risk of subsequent non-recovery.

1.3.20 Cash and cash equivalents

Cash and cash equivalents comprise very liquid assets and very short-term investments, usually maturing within three months or less of the acquisition date, and with negligible risk of fluctuation in value.

Securities held short-term and classified as "cash equivalents" are recorded at fair value, with changes in fair value included in the heading "Financial income on cash and cash equivalents".

1.3.21 Equity

1.3.21.1 Restatement to fair value of financial instruments

The impact of restatement to fair value of financial instruments results from the adjustment to fair value of available-for-sale financial assets and certain hedging instruments.

1.3.21.2 Share issue expenses

Share issue expenses correspond exclusively to external costs expressly related to the capital increase. They are charged against the issue premium at their net-of-tax value.

Other expenses are classified as expenses of the period.

1.3.22 Treasury shares

Treasury shares are shares issued by the consolidating company and held either by that company or by other entities in the consolidated group. They are valued at acquisition cost and deducted from equity until the date of disposal. Income or losses on disposals of treasury shares are directly included in equity and do not affect net income.

1.3.23 Provisions other than employee benefit provisions

The Group recognizes provisions if the following three conditions are met:
- the Group has a present obligation (legal or constructive) towards a third party that arises from an event prior to the closing date;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- the obligation amount can be estimated reliably.

In extremely rare cases when disclosing information could cause serious prejudice to the Group, description of a specific obligation, risk or litigation covered by a provision may be excluded from the notes to the financial statements.

Provisions are determined based on the Group's estimate of the expected cost necessary to settle the obligation. Estimates are based on management data from the information system, assumptions adopted by the Group, and if necessary experience of similar transactions, or in some cases based on independent expert reports or contractor quotes. The various assumptions are reviewed for each closing of the accounts.

If it is anticipated that all or part of the expenses covered by a provision will be reimbursed, the reimbursement is recognized under receivables if and only if the Group is virtually certain of receiving it.

It may occasionally happen that a provision cannot be booked due to lack of a reliable estimate. In such cases, the obligation is mentioned in the notes as a contingent liability, unless there is little likelihood of an outflow of resources.

Provisions mainly cover the following:
- back-end nuclear cycle expenses: provisions for spent fuel management and long-term radioactive waste management are established in accordance with the obligations specific to each country, and any final contributions made;
- costs for decommissioning power plants and losses relating to fuel in the reactor when the reactor is shut down (provision for last cores);
- future losses relating to multi-year agreements for the purchase and sale of energy:
  - losses on energy purchase agreements are measured by comparing the acquisition cost under the contractual terms with the forecast market price for electricity,
  - losses on energy sale agreements are measured by comparing the estimated income under the contractual terms with the cost of generating the energy to be supplied.

Provisions to cover back-end nuclear cycle expenses, expenses related to the decommissioning of power plants and last cores, and future losses relating to multi-year energy purchase and sale agreements are estimated according to future discounted outflows using rates that represent the best estimate of a long-term yield on bond markets.

The rate of inflation and the discount rate are based on the economic parameters of the country where the economic entity is located.

The discount effect generated at each closing to reflect the passage of time is recorded under "Discount expense" in financial expenses.

A change in provisions resulting from a change in discount rates, a change in the disbursement schedule or a change in contractor's estimate are recorded:
- as a change in the corresponding assets if the provision was initially covered by balance sheet assets;
- in the income statement in all other cases.

1.3.24 Provisions for employee benefits

The Group grants its employees post-employment benefits (pension plans, retirement indemnities, etc.) and other long-term benefits (*e.g.* long-service awards) in compliance with the specific laws and measures in force in each country where it does business.

1.3.24.1 Calculation and recognition of employee benefits

Obligations under defined-benefit plans are calculated by the projected unit credit method, which determines the present value of entitlements earned by employees at year-end to pensions, post-employment benefits and long-term benefits, taking into consideration each country's specific economic conditions and expected wage increases.

In calculating pensions and other post-employment benefit obligations, this method takes the following factors into consideration:
- career-end salary levels, with reference to employee seniority, projected salary levels at the time of retirement based on the expected effects of career advancement, and estimated trends in pension levels;
- retirement age, determined on the basis of relevant factors (such as years of service and number of children);
- forecast numbers of pensioners, determined based on employee turnover rates and mortality data available in each country;
- reversion pensions, taking into account both the life expectancy of the employee and his/her spouse and the marriage rate observed for the population of employees in the electricity and gas sector;
- a discount rate that depends on the geographical zone and the duration of the obligations; in compliance with IAS 19, this rate is determined as the market yield on high-quality corporate bonds or the year-end rate on government bonds with a similar duration to EDF's commitments.

The provision takes into account the value of the fund assets that cover the pension obligations, which are deducted from the value of the obligation as determined above.

Any actuarial gains or losses on pensions and post-employment benefit obligations in excess of 10% (the "corridor") of the obligations or fund assets, whichever is the higher, are recognized in the income statement progressively over the average residual working life of the company's employees.

Provisions for other long-term benefits directly include actuarial variances, mainly caused by changes in discount rates, and the past service cost, without application of the "corridor" rule.

The expense booked for employee benefit obligations includes:
- the cost of additional vested benefits, and the financial discount cost of existing benefits;
- the income corresponding to the expected return on fund assets;
- the income or expenses resulting from amortization of actuarial gains or losses;
- the income or expenses related to changes in the benefit systems or introduction of new systems.

1.3.24.2 Pension and post-employment benefit obligations

When they retire, Group employees benefit from pensions determined under local rules. They may also be entitled to benefits directly paid by the companies, and additional benefits prescribed by the relevant regulations.

French and foreign subsidiaries not covered by the special IEG system

Pension obligations principally relate to British, US and Italian companies and are mostly covered by defined-benefit plans.

French subsidiaries covered by the IEG system

Subsidiaries belonging to the specific IEG (electricity and gas) sector system, namely EDF, ERDF, RTE, Électricité de Strasbourg and certain subsidiaries of the Tiru subgroup, are Group companies where almost all employees benefit from the IEG statutes, including the special pension system and other statutory benefits.

Following the financing reform for the special IEG pension system that took place in 2004 with effect from January 1, 2005, provisions recorded for the special pension system correspond to the specific benefits of employees, *i.e.* benefits not covered by the standard benefit systems.

The provision for pensions thus covers:
- specific benefits of employees in the deregulated or competitive activities;
- specific benefits earned by employees from January 1, 2005 for the regulated activities (transmission and distribution) (past benefits are financed by the CTA levy (*Contribution Tarifaire d'Acheminement*));
- specific benefits of employees benefiting from early retirement before the standard legal retirement age.

The valuation also includes CNIEG management expenses payable by EDF for the administration and payment of retired employees' pensions by the CNIEG.

In addition to pensions, other benefits are granted to IEG status employees not currently in active service, as detailed below:
- benefits in kind (electricity/gas): article 28 of the IEG national statutes entitles all employees (active or inactive) to benefits in kind in the form of supplies of electricity or gas at the preferential "Employee price". EDF's obligation for supplies of energy to EDF and GDF SUEZ employees corresponds to the probable present value of KWhs supplied to beneficiaries during their retirement, valued on the basis of the unit cost, taking into account the payment received under the energy exchange agreement with GDF SUEZ;
- retirement gratuities: they are paid upon retirement to employees due to receive the statutory old-age pension, or to their dependents if the employee dies before reaching retirement. These obligations are almost totally covered by an insurance policy;
- bereavement benefit: it is paid out upon the death of an inactive or handicapped employee, in order to provide financial assistance for the expenses incurred at such a time (Article 26 – § 5 of the National Statutes). It is paid to the deceased's principal dependants (statutory indemnity equal to two months' pension) or to a third party that has paid funeral costs (discretionary indemnity equal to the costs incurred);
- bonus pre-retirement paid leave: all employees eligible to benefit immediately from the statutory old-age pension and aged at least 55 at their retirement date are entitled to 18 days of bonus paid leave during the last twelve months of their employment;
- other benefits include cost of studies indemnities, additional retirement indemnities and pensions for personnel sent on secondment to subsidiaries not covered by the IEG system.

1.3.24.3 Other long-term benefit obligations

These benefits concern employees currently in service, and are earned according to local regulations, particularly the statutory regulations for the electricity and gas sector for EDF and French subsidiaries covered by the IEG regime. They include:
- annuities following industrial accident, work-related illness or invalidity; like their counterparts in the general national system, IEG employees are entitled to financial support in the event of industrial accident or work-related illness, and invalidity annuities and benefits. The obligation is measured as the probable present value of future benefits payable to current beneficiaries, including any possible reversions;
- long-service awards;
- specific benefits for employees who have been in contact with asbestos.

1.3.25 Share-based payments

Under existing legislation in France, employees of a French group may benefit from attribution of shares. When the State sells some of the capital of a public company, article 11 of the French privatization law of 1986 and article 26 of the law of August 9, 2004 require a share offer to be reserved for current and retired employees of the company. The company being privatized may also set up free share plans.

In the light of IFRS 2, these benefits granted to employees – and former employees – must be treated by the company as personnel expenses in the same way as additional remuneration, and recognized as such with a corresponding adjustment in equity.

Valuation of the benefit granted through a share offer reserved for current and retired employees is based on the difference between the share subscription price and the share price at the grant date, with actuarial valuation of the impact, if any, of the payment terms, the minimum holding period, and the fact that no dividends were received during the vesting period for the free shares.

In the case of free shares, the value of the benefit is based on the share price at the grant date, depending on the number of shares granted and the fact that no dividends were received during the vesting period. The expense is spread over the vesting period.

1.3.26 Special concession liabilities

These liabilities relate to public electricity distribution concessions in France.

These liabilities represent the contractual obligations specific to the concession rules. Since January 1, 2007, they have been recognized in the liabilities as:

- rights in existing assets: these correspond to the grantor's right to recover all assets for nil consideration. This right comprises the value in kind of the facilities – the net book value of assets operated under concession – less any as yet unamortized financing provided by the operator;
- rights in assets to be replaced: these correspond to the operator's obligation to contribute to the financing of assets due for replacement. These non-financial liabilities comprise:
  - depreciation recorded on the portion of assets financed by the grantor,
  - the provision for renewal, exclusively for assets due for renewal before the end of the concession.

When assets are replaced, the provision and amortization of the grantor's financing recorded in respect of the replaced item are eliminated and transferred to the rights in existing assets, since they are considered as the grantor's financing for the new asset. Any excess provision is taken to income.

During the concession, the grantor's rights in assets to be replaced are thus transferred upon the asset's renewal to become the grantor's rights in existing assets, with no outflow of cash to the benefit of the grantor.

In general, the value of special concession liabilities is determined as follows:

- the grantor's rights in existing assets, representing the share deemed to be held by the grantor in the concession assets, are valued on the basis of the assets recorded in the balance sheet;
- the obligations relating to assets to be replaced are valued on the basis of the estimated value of the relevant assets, measured at each year-end taking into consideration wear and tear on the asset at that date:
  - based on the difference between the asset's replacement value as assessed at year-end and the historical cost for calculation of the provision for renewal. Annual allocations to the provision are based on this difference, less any existing provisions, with the net amount spread over the residual useful life of the assets. Consequently, the expenses recognized for a given item increase over time,
  - based on the share of the asset's historical cost financed by the grantor, for amortization of the grantor's financing.

The valuation of these liabilities is subject to uncertainty in terms of cost and disbursement dates, among other factors.

The Group considers that the obligations related to assets to be replaced are to be valued on the basis of the special clauses contained in the concession agreements. Under this approach, these obligations are stated at the value of the contractual obligations as calculated and reported annually in the reports to the grantors.
If no such clauses existed, an alternative approach would be to state contractual obligations at the discounted value of future payments required for replacement of assets operated under concession at the end of their industrial useful life.

For information, the Group reports below the impacts of this alternative approach, *i.e.* the discounting of the future obligation to contribute to financing of assets to be replaced.

The principal assumptions used in preparing this simulation are as follows:

- the basis for calculation of the provision for renewal is the estimated replacement value at the end of the asset's useful life, applying a forecast annual inflation rate of 2%, less the asset's historical value. This amount is based on the wear and tear on the asset and discounted at a rate of 5%;
- amortization of the grantor's financing is also discounted at the rate of 5%.

The following table shows the impacts of this discounting for EDF and ERDF in 2010:

Impact on the income statement

(in millions of Euros)	2010
Operating profit	800
Financial result	(590)
Income before taxes	210

Impact on the balance sheet – equity

(in millions of Euros and before taxes)	2010
At opening date	2,330
At closing date	2,540

Valuation of concession liabilities under this method is subject to uncertainty in terms of cost and disbursements, and is also sensitive to changes in inflation and discount rates.

1.3.27 Investment subsidies

Investment subsidies received by Group companies are included in liabilities under the heading "Other liabilities" and transferred to income as and when the economic benefits of the corresponding assets are utilized.

1.3.28 Held-for-sale assets and liabilities and discontinued operations

Assets and liabilities held for sale are disclosed separately from other assets and liabilities in the balance sheet. All income from discontinued operations is disclosed in a single net amount after taxes in the income statement. In the cash flow statement, net changes in cash and cash equivalents of discontinued activities are also reported separately on a specific line.

1.3.29 Environment

1.3.29.1 Greenhouse gas emission rights

Since no IFRS specifically addresses the question, the Group has opted for the "net approach" accounting treatment: emissions produced are not recognized unless the entity expects to have an annual shortfall in emission rights. Only purchases and sales of quotas are recognized in the accounts.

The Group thus applies the following principles:

- purchased emission rights are recorded as intangible assets at acquisition cost; when they have been granted for nil consideration by the relevant State under the National Allocation Plan, they are not shown in the balance sheet (considered to have nil value);
- when a Group entity's actual emissions for the year are higher than the rights allocated by the State less completed transactions on the spot or forward markets for rights still held in respect of that year, a provision is recorded to cover the excess emissions. This provision is equivalent to the acquisition cost up to the amount of rights acquired on the spot or forward markets, and based on market prices for the balance. The provision is cancelled when rights are surrendered to the State.

If the number of purchased emission rights recorded as intangible assets at the end of the year and not subject to forward sale is higher than the number of purchased rights that will be surrendered to the State for the year, an impairment test must be applied to the excess. If there is a significant negative differential on the purchased rights held, impairment must be booked, or partly or totally reversed where relevant.

Forward purchases and sales of rights carried out as part of trading activities are recorded in compliance with IAS 39 and stated at fair value at the balance sheet date. Changes in fair value are taken to the income statement.

1.3.29.2 Renewable energy certificates

Electricity produced from renewable energy sources (green energy) is measured in two ways:

- at the sale price, including costs associated with generation of this electricity (EDF);
- at the value of renewable energy certificates obtained.

The renewable energy certificate system thus applies to:

- non-obligated producers (because the obligation concerns energy supply: Poland, EDF EN)
- obligated producers (because the obligation concerns energy generation, or because they also supply energy and are subject to an energy supply obligation: Edison, Fenice, EDF Energy).

The EDF group applies the following accounting treatments:

- for non-obligated electricity producers, certificates obtained based on generation output are recorded in «Other inventories» until they are sold on to suppliers;
- for obligated producers and an entity that both produces and supplies energy and is under an obligation to sell a specified quantity of renewable energy, the Group uses the following accounting treatments for certificates obtained based on generation output:
  - up to the level of the obligation, these certificates are not recognized,
  - certificates in excess of the obligation are recorded in "Other inventories",
  - in the specific situation when an entity is not in a position to meet its obligation at the year-end, the Group applies the following accounting treatment:
    - certificates acquired for a consideration in order to meet the obligation are recorded in intangible assets at acquisition cost, and
    - a provision is established equivalent to the shortfall in certificates compared to the obligation at the year-end. The value of this provision is based on the acquisition price of certificates already purchased on the spot or forward market, and market prices or penalty prices for the balance. The provision is cancelled when the certificates are surrendered to the State.

Forward purchases/sales of certificates related to trading activities are recorded in accordance with IAS 39, stated at fair value at the balance sheet date. The change in fair value is recorded in the income statement.

1.3.29.3 Energy savings certificates

Expenses incurred to meet an energy savings obligation are recorded as:
- intangible assets, if the action taken by the entity concerns its own assets and the expenses qualify for recognition as an asset;
- expenses for the year incurred, if they do not meet the requirements for capitalization or if the action taken is to encourage third parties to make energy savings.

Furthermore, under an energy savings certificates system of the kind introduced by the French law of July 15, 2005:
- certificates obtained from the State after the action taken are not recognized in the accounts;
- purchases of energy savings certificate are included in:
  - expenses, if the purchases are made to meet the obligation,
  - intangible assets, if the certificates are purchased for resale and there is no active market.

1.3.29.4 Environmental expenses

Environmental expenses are identifiable expenses incurred to prevent, reduce or repair damage to the environment that has been or may be caused by the Group as a result of its business. These expenses are recorded under three headings:
- they are capitalized if they are incurred to prevent or reduce future damage or protect resources;
- they are booked as environmental liabilities and allocations to provisions for environmental risks if they correspond to an obligation that exists at the year-end and it is probable or certain at the reporting date that they will lead to an outflow of resources representing economic benefits;
- they are recognized as expenses if they are operating expenses for the bodies in charge of environmental concerns, environmental supervision, environmental duties and taxes, processing of liquid and gas effluents and non-radioactive waste, or research unrelated to an investment.

Note 2 - Comparability

The Group has made several changes to its accounting methods in 2010, and application of IFRS 5 as a result of sale of the Group's investment in EnBW also has an impact on the presentation of the income statement and cash flow statement for 2009.

The effects of these changes on comparability are described below.

2.1 ●● Changes in accounting method and presentation

2.1.1 IFRIC 18 "Transfers of Assets from Customers"

Application of IFRIC 18, "Transfers of Assets from Customers", has been mandatory since January 1, 2010. This entails a change in accounting methods for EDF, ERDF, Électricité de Strasbourg, EDF Energy and EDF Demasz. For these entities, as of January 1, 2010 connection income is recorded directly in revenues for the period instead of being deferred as previously, and the corresponding existing deferred income has been transferred to equity. For EDF Energy and EDF Demasz, due to the way income is received on regulated assets, immediate recognition in revenues is offset by accelerated depreciation of the connection assets concerned. As valuations and the other information necessary to apply IFRIC 18 to past transfers were available in the Group entities concerned, this interpretation is applied retrospectively and prior period comparative information is therefore presented. The positive impact on EDF's share of equity is €1,938 million at January 1, 2009 and €1,934 million at December 31, 2009. This impact entirely concerns EDF, ERDF and Électricité de Strasbourg.

2.1.2 IFRIC 12 "Service Concession Arrangements"

IFRIC 12 became compulsory on January 1, 2010.

It applies to certain agreements in the Edison and Dalkia subgroups: the relevant infrastructures are now recognized as intangible assets instead of property, plant and equipment.

As IFRIC 12 has been applied retrospectively, comparative information is presented for the previous year.

Application of this interpretation has no significant impact on equity at January 1, 2009 and December 31, 2009. Net property, plant and equipment were reduced by €124 million at December 31, 2009, with an equivalent increase in intangible assets.

2.1.3 Change in presentation of the net change in fair value on Energy and Commodity derivatives, excluding trading activities

To improve the presentation of operating performance, the Group has changed the income statement presentation of the net changes in fair value measurement of Energy and Commodity derivatives, excluding trading activities.

The items concerned are mostly fair value changes over the period on derivative financial instruments that are used for economic hedging of commodity purchases or sales and do not qualify for hedge accounting as defined in IAS 39. These changes are therefore recorded directly in the income statement.

Starting in 2010, the Group has decided to report these items on a separate line in the income statement under the heading "Net changes in fair value on Energy and Commodity derivatives, excluding trading activities" below "Operating profit before depreciation and amortization". These impacts were previously recorded in "Sales" and "Fuel and energy purchases", depending on whether the derivatives were used for economic hedging of sales or energy purchases.

This change in presentation has a negative impact of €(539) million on the operating profit before depreciation and amortization for the year 2009 (€(332) million on sales and €(207) million on fuel and energy purchases). There is no impact on the Group's consolidated net income or consolidated equity.

2.1.4 Revised IAS 27 "Consolidated and Separate Financial Statements"

Revised IAS 27 amends the provisions of IAS 7, "Statement of cash flows" retrospectively and accordingly comparative prior year information is presented.

All cash flows resulting from changes in the percentage interest in a subsidiary entailing no loss of control are now reported on a specific line "Transactions with non-controlling interests" in the cash flows from financing activities in the consolidated cash flow statements. These cash flows were previously reported in cash flows from investing activities under "Acquisition/disposal of companies, net of cash acquired/transferred".

2.2 ●● IFRS 5, "Non-current assets held for sale and discontinued operations"

The impacts of application of IFRS 5 on the 2009 financial statements are due to the ongoing sale of the Group's investment in EnBW.

In application of IFRS 5, the net income of discontinued activities is reported on a separate line in the income statement for the years presented, and the net change in cash of discontinued activities is reported on a separate line in the cash flow statement for the years presented. In the balance sheet, however, the assets and liabilities of discontinued activities have not been restated for 2009.

2.3 ●● Impact on the 2009 consolidated financial statements

2.3.1 Impact on the 2009 income statement

(in millions of Euros)	2009 as published	IFRIC 18 impacts	IFRIC 12 impacts	IAS 39 impacts economic hedging	IFRS 5 impacts	2009 restated
Sales	66,336	195	5	(332)	(7,064)	59,140
Fuel and energy purchases	(26,558)	-	-	(207)	4,175	(22,590)
Other external expenses	(11,231)	-	-	-	1,018	(10,213)
Personnel expenses	(11,452)	-	-	-	744	(10,708)
Taxes other than income taxes	(2,917)	-	-	-	15	(2,902)
Other operating income and expenses	3,288	-	(5)	-	(81)	3,202
Operating profit before depreciation and amortization	**17,466**	**195**	**-**	**(539)**	**(1,193)**	**15,929**
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities	-	-	-	539	-	539
Net depreciation and amortization	(6,976)	(201)	1	-	380	(6,796)
Net increases of provisions for renewal of property, plant and equipment operated under concessions	(490)	-	-	-	-	(490)
(Impairment)/reversals	(66)	-	-	-	17	(49)
Other income and expenses	173	-	-	-	-	173
Operating profit	**10,107**	**(6)**	**1**	**-**	**(796)**	**9,306**
Cost of gross financial indebtedness	(2,709)	-	-	-	180	(2,529)
Discount expense	(3,229)	-	-	-	232	(2,997)
Other financial income and expenses	1,413	-	-	-	(91)	1,322
Financial result	**(4,525)**	**-**	**-**	**-**	**321**	**(4,204)**
Income before taxes of consolidated companies	**5,582**	**(6)**	**1**	**-**	**(475)**	**5,102**
Income taxes	(1,614)	2	-	-	180	(1,432)
Share in income of associates	120	-	-	-	(16)	104
Net income of discontinued operations	-	-	-	-	311	311
GROUP NET INCOME	**4,088**	**(4)**	**1**	**-**	**-**	**4,085**
Attributable to:						
Net income of continuing operations	3,905	(4)	1	-	(286)	3,616
Net income of discontinued operations	-	-	-	-	286	286
EDF net income	**3,905**	**(4)**	**1**	**-**	**-**	**3,902**
Net income of continuing operations	183	-	-	-	(25)	158
Net income of discontinued operations	-	-	-	-	25	25
Net income attributable to non-controlling interests	**183**	**-**	**-**	**-**	**-**	**183**

2.3.2 Impact on the balance sheet at December 31, 2009

ASSETS *(in millions of Euros)*	12/31/2009 as published	IFRIC 18 impacts	IFRIC 12 impacts	12/31/2009 restated
Goodwill	13,526	-	-	13,526
Other intangible assets	5,455	-	124	5,579
Property, plant and equipment operated under French public electricity distribution concessions	42,451	-	-	42,451
Property, plant and equipment operated under concessions for other activities	28,251	(1,270)	(124)	26,857
Property, plant and equipment used in generation and other tangible assets owned by the Group	58,734	-	-	58,734
Investments in associates	4,421	-	-	4,421
Non-current financial assets	24,498	-	-	24,498
Deferred tax assets	3,099	(609)	-	2,490
Non-current assets	**180,435**	**(1,879)**	**-**	**178,556**
Inventories	12,662	-	-	12,662
Trade receivables	19,633	-	-	19,633
Current financial assets	12,450	-	-	12,450
Current tax assets	376	-	-	376
Other receivables	8,111	-	-	8,111
Cash and cash equivalents	6,982	-	-	6,982
Current assets	**60,214**	**-**	**-**	**60,214**
Assets classified as held for sale	**1,265**	**-**	**-**	**1,265**
TOTAL ASSETS	**241,914**	**(1,879)**	**-**	**240,035**

EQUITY AND LIABILITIES *(in millions of Euros)*	12/31/2009 as published	IFRIC 18 impacts	IFRIC 12 impacts	12/31/2009 restated
Capital	924	-	-	924
EDF net income and consolidated reserves	27,028	1,934	5	28,967
Equity (EDF share)	**27,952**	**1,934**	**5**	**29,891**
Non-controlling interests	4,773	3	-	4,776
Total equity	**32,725**	**1,937**	**5**	**34,667**
Provisions for back-end nuclear cycle	17,531	-	-	17,531
Provisions for decommissioning and last cores	20,003	-	-	20,003
Provisions for employee benefits	13,412	-	-	13,412
Other provisions	1,188	-	-	1,188
Non-current provisions	**52,134**	**-**	**-**	**52,134**
Grantors' rights in assets operated under French public electricity distribution concessions:				
- existing assets	19,667	-	-	19,667
- assets to be replaced	20,217	-	(7)	20,210
Non-current financial liabilities	44,755	-	-	44,755
Other liabilities	5,725	(2,365)	-	3,360
Deferred tax liabilities	7,652	-	2	7,654
Non-current liabilities	**150,150**	**(2,365)**	**(5)**	**147,780**
Provisions	5,858	-	-	5,858
Trade payables	13,348	-	-	13,348
Current financial liabilities	16,560	-	-	16,560
Current tax liabilities	564	-	-	564
Other liabilities	22,298	(1,451)	-	20,847
Current liabilities	**58,628**	**(1,451)**	**-**	**57,177**
Liabilities related to assets classified as held for sale	**411**	**-**	**-**	**411**
TOTAL EQUITY AND LIABILITIES	**241,914**	**(1,879)**	**-**	**240,035**

2.3.3 Impact on the balance sheet at January 1, 2009

ASSETS *(in millions of Euros)*	01/01/2009 as published	IFRIC 18 impacts	IFRIC 12 impacts	01/01/2009 restated
Goodwill	6,807	-	-	6,807
Other intangible assets	3,099	-	124	3,223
Property, plant and equipment operated under French public electricity distribution concessions	41,213	-	-	41,213
Property, plant and equipment operated under concessions for other activities	26,959	(1,000)	(124)	25,835
Property, plant and equipment used in generation and other tangible assets owned by the Group	39,403	-	-	39,403
Investments in associates	2,852	-	-	2,852
Non-current financial assets	18,103	-	-	18,103
Deferred tax assets	2,900	(611)	-	2,289
Non-current assets	**141,336**	**(1,611)**	**-**	**139,725**
Inventories	9,290	-	-	9,290
Trade receivables	19,144	-	-	19,144
Current financial assets	15,329	-	-	15,329
Current tax assets	992	-	-	992
Other receivables	8,530	-	-	8,530
Cash and cash equivalents	5,869	-	-	5,869
Current assets	**59,154**	**-**	**-**	**59,154**
Assets classified as held for sale	**2**	**-**	**-**	**2**
TOTAL ASSETS	**200,492**	**(1,611)**	**-**	**198,881**

EQUITY AND LIABILITIES *(in millions of Euros)*	01/01/2009 as published	IFRIC 18 impacts	IFRIC 12 impacts	01/01/2009 restated
Capital	911	-	-	911
EDF net income and consolidated reserves	22,286	1,938	4	24,228
Equity (EDF share)	**23,197**	**1,938**	**4**	**25,139**
Non-controlling interests	1,801	3	-	1,804
Total equity	**24,998**	**1,941**	**4**	**26,943**
Provisions for back-end nuclear cycle	14,686	-	-	14,686
Provisions for decommissioning and last cores	13,886	-	-	13,886
Provisions for employee benefits	12,890	-	-	12,890
Other provisions	1,953	-	-	1,953
Non-current provisions	**43,415**	**-**	**-**	**43,415**
Grantors' rights in assets operated under French public electricity distribution concessions:				
- existing assets	19,025	-	-	19,025
- assets to be replaced	19,491	-	(6)	19,485
Non-current financial liabilities	25,584	-	-	25,584
Other liabilities	5,628	(2,380)	-	3,248
Deferred tax liabilities	4,134	(1)	2	4,135
Non-current liabilities	**117,277**	**(2,381)**	**(4)**	**114,892**
Provisions	4,722	-	-	4,722
Trade payables	13,957	-	-	13,957
Current financial liabilities	18,958	-	-	18,958
Current tax liabilities	383	-	-	383
Other liabilities	20,197	(1,171)	-	19,026
Current liabilities	**58,217**	**(1,171)**	**-**	**57,046**
Liabilities related to assets classified as held for sale	**-**	**-**	**-**	**-**
TOTAL EQUITY AND LIABILITIES	**200,492**	**(1,611)**	**-**	**198,881**

2.3.4 Impact on the 2009 cash flow statement

(in millions of Euros)	2009 as published	IFRIC 18 impacts	IFRIC 12 impacts	IAS 7 (amended) impacts	IFRS 5 impacts	2009 restated
Operating activities:						
Income before tax from consolidated companies	**5,582**	**(6)**	**1**	**-**	**(475)**	**5,102**
Impairment	66	-	-	-	(17)	49
Accumulated depreciation and amortization, provisions and change in fair value	7,805	201	(1)	-	(442)	7,563
Financial income and expenses	1,477	-	-	-	(36)	1,441
Dividends received from associates	143	-	-	-	(39)	104
Capital gains/losses	(569)	-	-	-	3	(566)
Change in working capital	(983)	(195)	-	-	(290)	(1,468)
Net cash flow from operations	**13,521**	**-**	**-**	**-**	**(1,296)**	**12,225**
Net financial expenses disbursed	(1,408)	-	-	-	41	(1,367)
Income taxes paid	(963)	-	-	-	94	(869)
Cancellation of the decision of the European Commission	1,224	-	-	-	-	1,224
Net cash flow from operating activities	**12,374**	**-**	**-**	**-**	**(1,161)**	**11,213**
Investing activities:						
Acquisition of companies, net of cash acquired	(13,160)	-	-	(2,350)	1,390	(14,120)
Purchases of property, plant and equipment and intangible assets	(12,370)	-	-	-	593	(11,777)
Net proceeds from sale of property, plant and equipment and intangible assets	252	-	-	-	(51)	201
Changes in financial assets	334	-	-	-	128	462
Net cash flow used in investing activities	**(24,944)**	**-**	**-**	**(2,350)**	**2,060**	**(25,234)**
Financing activities:						
Transactions with non-controlling interests	-	-	-	2,350	-	2,350
Dividends paid by parent company	(1,228)	-	-	-	-	(1,228)
Dividends paid to non-controlling interests	(83)	-	-	-	22	(61)
Treasury shares	12	-	-	-	-	12
Cash flows with shareholders	**(1,299)**	**-**	**-**	**2,350**	**22**	**1,073**
Issuance of borrowings	30,228	-	-	-	(956)	29,272
Repayment of borrowings	(15,486)	-	-	-	242	(15,244)
Increase in special concession liabilities	253	-	-	-	-	253
Investment subsidies	214	-	-	-	(1)	213
Cash flows from other financing activities	**15,209**	**-**	**-**	**-**	**(715)**	**14,494**
Net cash flow from financing activities	**13,910**	**-**	**-**	**2,350**	**(693)**	**15,567**
Cash flows from continuing operations	1,340	-	-	-	206	1,546
Cash flows from discontinued operations	-	-	-	-	(206)	(206)
Net increase/(decrease) in cash and cash equivalents	**1,340**	**-**	**-**	**-**	**-**	**1,340**
Cash and cash equivalents – opening balance	**5,869**	**-**	**-**	**-**	**-**	**5,869**
Net increase/(decrease) in cash and cash equivalents	1,340	-	-	-	-	1,340
Effect of currency fluctuations	(237)	-	-	-	-	(237)
Financial income on cash and cash equivalents	45	-	-	-	-	45
Effect of other reclassifications	(35)	-	-	-	-	(35)
CASH AND CASH EQUIVALENTS – CLOSING BALANCE	**6,982**	**-**	**-**	**-**	**-**	**6,982**

Note 3 - Regulatory events in France

3.1 ●● "NOME" Law on the new electricity market organization in France

The French "NOME" law (*Nouvelle Organisation du Marché de l'Électricité*) on the new electricity market organization was enacted on December 7, 2010 and published in France's Official Gazette (*Journal Officiel*) on December 8. The implementation decrees are expected to be issued in 2011. This law is designed to introduce a new organization of the French electricity market, combining strong regulation with development of competition.

The NOME law introduces measures for regulated access to electricity from the existing nuclear fleet, open to all suppliers serving final customers in mainland France, and network operators purchasing power to cover network losses. EDF will thus sell up to 100 TWh a year (approximately 25%) of the electricity produced by its existing nuclear plants at a regulated price, the price for regulated access to historical nuclear energy (ARENH – *Accès Régulé à l'Électricité Nucléaire Historique*). This system will be effective for a 15-year period until December 31, 2025.

The law continues the regulated tariffs for residential and small business customers, but the regulated tariffs for large companies will be discontinued from December 31, 2015. The TaRTAM transition tariff system will terminate when the ARENH system comes into force.

The NOME law authorizes EDF to defer the deadline for setting aside dedicated assets to finance nuclear plant decommissioning and back-end nuclear fuel expenses, set by the law of June 28, 2006, by five years. The deadline is thus postponed from mid-2011 to mid-2016.

3.2 ●● Prolongation of the transition tariff system (TaRTAM)

The law of December 7, 2006 introduced a transition tariff (*Tarif réglementé transitoire d'ajustement du marché* or TaRTAM), applicable in mainland France to all end-users of electricity upon application. Suppliers who as a result of this system provide their customers with electricity at the transition tariff, although they are unable to generate or purchase the electricity supplied at a lower price, receive compensation for the difference between the cost of electricity supplied and the income from supply at the transition tariff. The law of August 4, 2008 on modernization of the economy extended this system to June 2010.

The law of June 7, 2010 prolonged the transition tariff for a further six months to December 31, 2010. The NOME law then prolonged it until the date of application of the ARENH, expected to be in 2011, for which the required implementation decrees are necessary.

The prolongation of the transition tariff system resulting from application of the laws of June 7, 2010 and December 7, 2010 is reflected in the consolidated financial statements in an additional charge of €401 million to cover compensation payable to electricity suppliers for the second half of 2010 and 2011, offset to the extent of €21 million by amounts expected to be reinvoiced to partners in the nuclear plants.

This is the Group's best estimate, based on a series of assumptions that are subject to unforeseeable developments.

3.3 ●● 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. The CSPE is collected directly by EDF and other electricity suppliers from the end-user and was set at €4.5/MWh in 2004, with a maximum of 7% of the tariff (€5.48/MWh).

France's 2011 finance law abolished the legal limit on the CSPE and stipulated that if the government does not issue a decision in response to the French energy regulator CRE's proposal, the unit amount proposed by the CRE (€12.9/MWh for 2011) automatically applies at January 1 subject to a maximum increase of €3/MWh.

As a result, the CSPE was raised to €7.5/MWh on January 1, 2011.

3.4 ●● Pension reform – application of the law of November 9, 2010

The law of November 9, 2010 changed the general French pension system. The official retirement age, the age for automatic qualification for a full pension, and the maximum age at which an employee must retire are all to be raised progressively by two years.

Since the special IEG pension system has been affiliated to the general pension system since 2004, raising the retirement age constitutes an amendment to the rights covered by the standard systems for EDF and the Group's IEG subsidiaries.

The law is transposed to the IEG sector through an amendment to the national personnel statutes, setting out the timetable for the progressive age increase for IEG entities, which will only take effect from 2017.

As the main measure in this pension reform concerns retirement age, which is one of the actuarial assumptions used to calculate the obligation, EDF has decided to consider this reform – and all measures recorded in 2010 in connection with the reform – as a change in actuarial assumption.

3.5 ●● Hydropower concessions

On April 22, 2010 the French Ministry of Ecology, Energy, Sustainable Development and the Sea announced the list of hydroelectric concessions that are to be renewed by 2015. Ten concessions are concerned, comprising fifty plants with a combined power output of 5,300 MW (4,350 MW of which are generated by EDF). Facilities along the same valley have been grouped together, so that a single operator will be responsible for running the plants and meeting the needs of all stakeholders. The outgoing operators concerned will receive indemnities to compensate for early termination of their concessions. As the amounts of these indemnities remain to be defined, no impact has been recognized in the consolidated financial statements at December 31, 2010.

Note 4 - Other major events and transactions

4.1 ●● Operations affecting Group structure and reduction of indebtedness in 2010

4.1.1 Sale of the investment in EnBW

4.1.1.1 Sale process

On December 6, 2010 EDF's Board of Directors accepted the Baden-Württemberg region's offer to buy the Group's 45.01% interest in EnBW at the price of €41.50 per share, representing a total transaction value of €4,669 million. This firm offer comprises an initial downpayment of €1.50 per share paid on December 16, 2010 (€169 million), with settlement of the balance due in 2011 at the latest, once the competition authorities have approved the transaction. The offer includes no representations and warranties from EDF group in respect of EnBW.

The transaction will lead to cancellation of OEW's put option for sale of part or all of its 25% stake in EnBW to EDF and elimination in 2011 of the corresponding €2.3 billion off-balance sheet commitment in EDF's consolidated accounts.

4.1.1.2 Presentation of the investment in EnBW in the consolidated financial statements

EnBW formed one of the Group's operating segments ("Germany"). As of December 6, 2010, the date that EDF's Board of Directors approved the purchase offer, the Group's investment in EnBW is considered as a "discontinued activity" in compliance with IFRS 5.

After application of IFRS 5 and in view of the terms of the offer, the assets and liabilities of EnBW at December 6, 2010 are presented on a specific line in the consolidated balance sheet. Details of the assets and liabilities due to be sold as part of the investment in EnBW are given in note 44. The impacts of IFRS 5 on the consolidated income statement and cash flow statement are presented in note 2.

In view of the net consolidated value of EnBW at December 31, 2010 and the sale price for the offer, no impairment is recognized in 2010.

4.1.2 Change in governance and allocation of 50% of RTE shares to dedicated assets

A decree of December 31, 2010 appointed two further representatives of the French government to the Supervisory Board of RTE, replacing representatives of EDF. The government thus has four members on the Board from that date, the same number as EDF and employee representatives respectively. As a result, the EDF group no longer has a majority on RTE's Supervisory Board, and therefore no longer has exclusive control over RTE's operating and financial policies as defined by IAS 27. Since the Group still has significant influence, particularly through its representative members on the Supervisory Board, its investment in RTE is accounted for under the equity method from December 31, 2010.

The loss of control over RTE by EDF is considered as a common control transaction, due to:

- the fact that a single shareholder, the French State, ultimately controls both EDF and RTE;
- and the specific circumstances of the loss of control: it resulted solely from appointment of directors by the State.

Since common control transactions are outside the scope of IFRS 3, this operation has been recorded at book value without recognition of any gain or loss on deconsolidation.

The key financial indicators for RTE are presented in note 24, "Investments in associates".

At the same date, the EDF group allocated 50% of RTE shares to its portfolio of dedicated assets set aside to cover future nuclear plant decommissioning and back-end nuclear cycle costs in France.

4.1.3 Sale of the British electricity distribution networks

4.1.3.1 Sale process

Following the approval received from the European Commission and the French Minister of the Economy on the recommendation of France's Commission for Investments and Transfers, EDF finalized the sale of its regulated and deregulated electricity distribution networks in the United Kingdom to the Cheung Kong Group (CKI) on October 29, 2010, for an equity value of £3,180 million (€3,655 million at the exchange rate of €1.1494/£).

4.1.3.2 Proceeds of the sale

The pre-tax gain on disposal of the British networks reported in the consolidated financial statements at December 31, 2010 amounts to €46 million and is included in "Other income and expenses". This amount includes transfers to profit and loss of net translation effects concerning pre-tax hedges of the net investment.

4.1.4 Consolidated net indebtedness in 2010

4.1.4.1 Reduction in consolidated net indebtedness

The sale of network activities in the UK and the change in consolidation method applied for RTE following the change in governance contributed €6.7 billion and €6.3 billion respectively to the reduction in the Group's net indebtedness.

Finalization of the sale of the Group's investment in EnBW, in 2011, will also contribute to a reduction in consolidated indebtedness.

4.1.4.2 Extension of the average maturity of Group gross indebtedness

Several major bond issues – detailed in note 38 – were undertaken in 2010 as part of EDF's financial policy to extend average debt maturity. These operations reflect the Group's aim to cover long-term debt by its business revenues, taking advantage of favorable market conditions.

4.2 ●● EDF group activities in the US

4.2.1 History of the operations (October 2007 to October 2010)

In October 2007, EDF entered into strategic cooperation with Constellation Energy Group (CEG) in order to participate in the nuclear energy relaunch in the US, resulting in the following operations:

- acquisition of an investment in CEG (7.24% holding at December 31, 2010);
- acquisition of a 50% investment in UniStar Nuclear Energy (UniStar) through cash contributions with a total cumulative value of $617 million at June 30, 2010. UniStar is owned jointly (50/50) with CEG, which is proportionally consolidated and was set up to develop "new nuclear" activities in the US.

When CEG experienced cash flow difficulties in the second half of 2008, EDF opted to maintain the cooperation and strengthen its links with CEG.

Therefore, on November 6, 2009, EDF (through its wholly-owned subsidiary EDF Inc.) and CEG finalized EDF's 49.99% investment in Constellation Energy Nuclear Group (CENG), which operates CEG's nuclear generation activities in the US. This transaction was initially planned in an agreement signed on December 17, 2008.

The total cost of this investment includes the initial acquisition price of $4,652 million, a possible future price supplement of $343 million relating to tax sharing, other expenses related to the acquisition totaling $169 million and a cash contribution of $110 million to CENG. Various liabilities associated with contractual energy sale commitments, amounting to approximately $600 million net of taxes (EDF's share), were also transferred to CENG.

Given the governance arrangements at CENG and the fact that operations are jointly controlled by the EDF group and CEG, CENG has been proportionally consolidated since the date of first inclusion in the scope of consolidation, November 6, 2009.

When this investment was acquired, other related agreements were also concluded, primarily a two-year put option (valid until December 31, 2010) intended to reinforce CEG's liquidity that entitles CEG to sell EDF eleven non-nuclear generation assets for a value of up to $2 billion.

This put option has been considered as an off-balance sheet commitment.

4.2.2 Agreement of November 3, 2010 between EDF and Constellation Energy Group

On November 3, 2010, EDF and CEG completed a comprehensive agreement to restructure the companies' collaboration, eliminating the $2 billion put option for sale of non-nuclear assets, and attributing EDF full control over UniStar.

Under the terms of this agreement, EDF acquired CEG's 50% stake in UniStar and now owns 100% of the company. CEG, meanwhile, undertook to transfer potential new nuclear sites at Nine Mile Point and R. E. Ginna in New York State to UniStar. After transferring its investment, CEG will withdraw from development and financing for the Calvert Cliffs 3 new reactor project.

In exchange for the above, EDF paid CEG $140 million and will also transfer 3.5 million of its CEG shares to CEG. EDF also gave up its seat on CEG's Board of Directors from the date of the transfer.

CEG waived its put option entitling it to sell certain non-nuclear assets to EDF for a maximum of $2 billion.

The ownership structure of Constellation Nuclear Energy Group (CENG) remains unchanged: CEG holds 50.01% ownership and EDF 49.99%.

4.2.3 Constellation Energy Nuclear Group (CENG)

4.2.3.1 Finalization of the initial balance sheet and acquisition price

The identifiable assets, liabilities and contingent liabilities of CENG qualifying for recognition under IFRS 3 (as published in 2004) are recognized in the initial balance sheet at their fair value at the acquisition date of November 6, 2009.

In compliance with IFRS 3, these values were provisional at December 31, 2009 and the Group had twelve months to finalize allocation of the acquisition price and harmonize accounting methods and measurement principles.

A finalized initial balance sheet for CENG was defined in the second half of 2010.

(in millions of Euros)	Finalized initial balance sheet
Assets	
Intangible assets	42
Generation assets	3,811
Financial assets	407
Inventories	268
Trade receivables	18
Other receivables	13
Cash and cash equivalents	2
TOTAL ASSETS	**4,561**
Liabilities	
Nuclear provisions	393
Provisions for employee benefits	95
Other provisions	745
Financial liabilities	-
Deferred tax liabilities	3
Trade payables	15
Other liabilities	38
TOTAL LIABILITIES	**1,289**
NET ASSETS	**3,272**
Acquisition price	**3,136**
Future tax sharing	**149**
GOODWILL	**13**

The main adjustments (EDF's share) concern:
- downward adjustment of the provision for nuclear plant decommissioning by $50 million, as a result of:
  - finalization in 2010 of a technical study on the question (the previous study dated from 2007),
  - revision of the discount rate used to calculate the decommissioning provision, established under Group methods;
- inclusion in provisions of the change in fair value of long-term electricity sale contracts, at their pre-tax value (this was previously recorded at net-of-tax value in "Other liabilities");
- adjustments amounting to $174 million to deferred taxes (increase in deferred tax assets).

The acquisition price was also adjusted downwards by $122 million following revision of the amount resulting from future tax sharing arrangements (re-estimated at $221 million in 2010 compared to $343 million in 2009). In compliance with IFRS 3, any future changes in the estimates tax sharing will be treated as an adjustment to the acquisition price, with an impact on goodwill.

After these adjustments to the initial balance sheet and acquisition price, goodwill on acquisition of CENG amounts to $19 million (compared to $17 million in the provisional initial balance sheet established in 2009).

4.2.3.2 Impairment

An impairment test was carried out in 2010 in view of the less favorable long-term market prospects for electricity prices in the US, particularly in view of movements in gas prices.

Based on this test, impairment of $630 million (€477 million) was booked in the income statement for the period, charged in priority to goodwill and intangible assets (which are therefore completely written off) with the balance charged to property, plant and equipment.

More details on impairment are given in note 14.

4.2.3.3 Electricity purchase contracts

Electricity purchase contracts between CENG and each of its shareholders (EDF and CENG) have been modified in a system that associates electricity supplies with generation units until the end of the contracts in 2014. From January 1, 2015, energy generated by CENG will be sold to shareholders in proportion to their percentage ownership, at market prices.

4.2.4 UniStar

Following the agreement of November 3, 2010, in application of revised IFRS 3 the identifiable assets and liabilities and contingent liabilities received from UniStar are recorded in the initial balance sheet at fair value at the date EDF took exclusive control. Under IFRS 3, these values are provisional, and the Group has twelve months to finalize allocation of the acquisition price and harmonize accounting methods and measurement principles. The effect of the new valuation of the previous stake in UniStar (at fair value) at the date of exclusive control is included in income.

Due to the reorganization of its partnership with CEG, the Group considers that UniStar is now a development company, and consequently assets whose value is directly related to development of new nuclear activities in the United States have not been valued for the purposes of UniStar's initial balance sheet.

As a result UniStar's initial balance sheet shows a total asset value of $202 million, primarily consisting of land and cash and cash equivalents. Liabilities amount to $80 million and consist of operating liabilities and contingent liabilities.

Overall, application of revised IFRS 3 to the acquisition of exclusive control over UniStar in 2010 is reflected in the consolidated income statement through recognition of a $597 million (€452 million) expense under "Impairment/reversals". This amount includes goodwill impairment of $125 million, $45 million of which concerns the goodwill on the holding acquired on November 3, 2010.

4.2.5 Investment in CEG

Under the November 3, 2010 agreement EDF transferred 3.5 million CEG shares to CEG. This is reflected in the consolidated financial statements by a €85 million loss recorded in "Other income and expenses".

Following this operation, EDF's residual 7.24% investment in CEG is valued at €320 million at December 31, 2010 based on the year-end stock market price of $30.63 per share. Impairment of €20 million was booked in 2010 under "Other financial income and expenses" (€232 million in 2009).

4.2.6 Summary of the impacts on the 2010 consolidated income statement

The above factors led to recognition of the following effects, totaling €1,042 million, in the 2010 consolidated income statement:
- a €929 million expense in "Impairment/reversals": €477 million for CENG (note 4.2.3.2) and €452 million for UniStar (note 4.2.4);
- a €93 million expense in "Other income and expenses", mainly corresponding to the loss on transfer to CEG of 3.5 million CEG shares held by EDF (note 4.2.5);
- a €20 million expense related to the additional impairment on CEG shares recorded in 2010 under "Other financial income and expenses".

A €1,060 million provision for contingencies was booked under "Other income and expenses" in the consolidated financial statements for the first half-year of 2010 to cover these expenses.

4.3 ●● EDF group activities in Italy

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

The provision concerns risks related to the Group's activities in Italy (Fenice, TDE/Edison).

It covers risks associated with certain businesses of Fenice, for which asset impairment has also been recognized (see note 14).

It also partly covers assets included in the EDF group's accounts following acquisition of Edison in 2005 and, to a lesser extent, the risks and uncertainties of Edison's market. The provision has been recognized for the following reasons:

- Edison's forecast EBITDA published on January 14, 2011 was lower than 2009 EBITDA. Edison announced that this trend was expected to continue for 2011, and moreover that forecasts were subject to significant uncertainties associated with the current renegotiations of hydrocarbon contracts;
- Edison announced on January 19, 2011 that finalization of its financial statements, initially scheduled for February 8, was to be postponed to March, mainly in order to reflect progress on the current renegotiations of hydrocarbon contracts;
- although the stock market rate may be affected by the limited floating capital (approximately 10%), the Edison share has lost slightly more than 20% of its value over the last year;
- the Italian electricity market is very depressed, with both price and volume affected;
- political tensions in Egypt, where Edison does a large amount of business, must also be taken into consideration.

The decision to book this provision is specific to the EDF group and in no way indicates the decisions that could be taken when Edison finalizes its accounts in March 2011 based on the information available at that date.

4.4 ●● Other operations in 2010

4.4.1 SPE

4.4.1.1 History of the operation

On November 26, 2009, EDF and Centrica executed an agreement concerning the sale to EDF by Centrica of its 51% holding in SPE for the sum of €1,331 million. SPE has been fully consolidated in the EDF group's consolidated financial statements since that date.

EDF also entered into agreements on June 8, 2010 with the three minority shareholders who exercised all or part of their put option, purchasing their shares in SPE for the amount of €215 million. This transaction brought EDF's investment in the Belgian operator to 63.5%.

4.4.1.2 Finalization of the initial balance sheet

The identifiable assets, liabilities and contingent liabilities of SPE qualifying for recognition under IFRS 3 (as published in 2004) were recognized in the initial balance sheet at their fair value at the acquisition date of November 26, 2009.

In compliance with IFRS 3, these values were provisional at December 31, 2009 and the Group had twelve months to finalize allocation of the acquisition price and harmonize accounting methods and measurement principles.

(in millions of Euros)	Finalized initial balance sheet
Assets	
Goodwill and other intangible assets	950
Generation assets	1,710
Financial assets	155
Inventories	22
Trade receivables	53
Other receivables	118
Cash and cash equivalents	344
TOTAL ASSETS	**3,352**
Liabilities	
Nuclear provisions	103
Provisions for employee benefits	30
Other provisions	63
Financial liabilities	568
Deferred tax liabilities	562
Trade payables	90
Other liabilities	983
TOTAL LIABILITIES	**2,399**
NET ASSETS	**953**
Acquisition price	**1,331**
GOODWILL	**378**

Adjustments to the provisional initial balance sheet recorded in 2010 mainly result from deductibility of the nuclear tax for valuation of generation assets, which resulted in a downward adjustment of €102 million to goodwill. The goodwill recorded in connection with acquisitions of investments in SPE thus amounts to €378 million at December 31, 2010.

4.4.1.3 Option to repurchase minority shareholdings in SPE

The pact between Segebel and SPE shareholders gave the shareholders an option to sell their shares within three months of notification of EDF's transaction with Centrica.

Some of the shareholders have exercised this option, and in view of the liquidity terms of the new shareholder pact signed on April 16, 2010 with minority shareholders wishing to retain their investment in SPE, this commitment is an off-balance sheet commitment that cannot be valued at December 31, 2010.

4.4.2 Exeltium

The EDF group and Exeltium (a consortium of electricity-intensive industrial operators) have finalized the terms of the two-phase implementation of their partnership agreement entered into on July 31, 2008. The corresponding operations thus began on May 1, 2010 with deliveries of electricity to about a hundred industrial French sites, to the extent of approximately half of their entitlements under the agreement, which concerns total deliveries of approximately 310 TWh spread over 24 years.

In accordance with the agreement, Exeltium settled the first advance of €1.7 billion to EDF at the end of April 2010. This advance was discounted to present value from reception date.

The second phase is due to start during 2011.

The agreement will contribute to furthering EDF's investment in renewal of its nuclear installations and secures some of the electricity supplies to the industrial customers who are shareholders in Exeltium.

4.4.3 Cancellation of the European Commission's decision of December 16, 2003

During the first half of 2010 the European Commission lodged an appeal before the European Court of Justice against the court ruling that had led the French government to repay €1,224 million of income taxes on December 30, 2009, related to the utilized portion of provisions for renewal of French national grid facilities recorded under "grantor's rights".

4.5 •• Significant events and transactions in 2009

4.5.1 Alpiq and contribution of the Emosson drawing rights

On December 19, 2008, the Swiss energy groups ATEL and EOS announced their intention to merge under the name of Alpiq, with the aim of becoming Switzerland's leading energy operator. Under the terms of an agreement signed on December 18, 2008 by EDF, EOSH and CSM, the consortium of long-standing minority shareholders in ATEL, EDF was to hold a direct 25% share in the new entity, while EOSH and CSM would each hold 31%.

In accordance with this agreement, on January 27, 2009:

- EDF contributed to Alpiq its 50% share in power and energy deriving from its 50% investment in the hydroelectric development at Emosson over the residual term of existing concessions, for the sum of 722 million Swiss francs (€481 million). EDF received 1,187,511 shares in Alpiq Holding SA in consideration of this contribution in kind;
- and EDF Alpes Investissements, wholly-owned by EDF International, purchased 554,751 shares in Alpiq from the consortium of Swiss minority shareholders, for CHF 336 million (€224 million) in cash.

The contribution in kind generated a €320 million pre-tax gain in the EDF group consolidated financial statements resulting from the transaction itself and the resulting impairment on the assets of Emosson SA held by EDF. As this income is unusual in both nature and amount, it was included in "Other income and expenses".

These operations were reflected in a €705 million increase in "Investments in companies accounted for under the equity method" in the consolidated balance sheet (see note 24) and resulted in deconsolidation of Emosson SA.

Note 5 - Changes in the scope of consolidation

5.1 ●● Changes in the scope of consolidation during 2010

In addition to the following major operations:

- sale of the regulated and deregulated network activities in the United Kingdom,
- acquisition of a further 12.5% investment in SPE bringing the Group's holding in SPE to 63.5%,
- acquisition of a further 50% investment in UniStar (United States) giving the Group 100% ownership of UniStar,
- presentation of the investment in EnBW as discontinued activities,
- change in the consolidation method applied to RTE,

described in detail in note 4, the other main changes in the scope of consolidation concern Dalkia International, which in May 2010 sold 15% of Dalkia Ceska Republica and 85% of its subsidiary Dalkia Usti nad Labem for €312 million under an industrial partnership arrangement with the Czech Republic's leading energy operator CEZ.

5.2 ●● Changes in the scope of consolidation during 2009

In addition to the following external growth operations:

- acquisition of 51% of SPE,
- acquisition of 49.99% of CENG,
- investment in Alpiq,

which are described in detail in note 4, the other main changes in the scope of consolidation concern the following companies:

"United Kingdom" segment – British Energy

On January 5, 2009, on completion of the purchase offer made on November 5, 2008 by Lake Acquisitions Ltd, a wholly-owned EDF group subsidiary, the EDF group took control of British Energy. Following delisting of British Energy shares from the UK stock exchange, finalized on February 3, 2009, Lake Acquisitions thus owned all the shares of British Energy except for the Special Share held by the UK government.

Taking into consideration the value of the CVR-Linked Nuclear Power Notes at December 31, 2010, the acquisition price for British Energy amounts to £12,465 million (£12,459 million at December 31, 2009). Subsequent changes in the value of CVRs will be treated as adjustments to the acquisition price, which will become final when these notes mature (in 2019).

On November 26, 2009, EDF and Centrica executed an agreement concerning a 20% investment by Centrica in EDF's nuclear operations in the UK: Centrica acquired a 20% holding in Lake Acquisitions/British Energy for £2.2 billion, and made an equivalent commitment to the UK's Nuclear New Build program to be developed by EDF, involving construction of four new EPR-type reactors. The agreement also entitles the EDF and Centrica groups to draw electricity that will be generated by existing British Energy plants and the New Nuclear Plants, in proportion to their investment.

"Italy" segment – Abu Qir

Acquisition by the Edison group in January 2009 of the Abu Qir gas concession in Egypt, for €1,011 million (EDF's share: €495 million).

Note 6 - Segment reporting

6.1 ●● Reporting by operating segment

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

Segment reporting is determined before inter-segment 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 breakdown used by the EDF group for geographical areas is as follows:

- "**France**", which refers to EDF and its subsidiaries RTE and ERDF, comprising the deregulated activities (mainly Generation and Supply), network activities (Distribution and Transmission) and island activities;
- "**United Kingdom**", which comprises the entities of the EDF Energy subgroup including British Energy and EDF Development Company Ltd;
- "**Italy**", which covers all the entities located in Italy, principally the Edison subgroup, TDE and Fenice;
- "**Other international**", which covers EDF International and the other gas and electricity entities located principally in continental Europe, but also in the USA, Latin America and Asia;
- "**Other activities**", which groups together all the Group's other investments, including EDF Trading, EDF Énergies Nouvelles, Dalkia, Tiru, Électricité de Strasbourg and EDF Investissements Groupe.

Following the sale of EnBW, which has yet to be completed, the former "Germany" segment is classified as a discontinued operation and is no longer reported as a segment for income statement items and investments.

6.1.1 At December 31, 2010

(in millions of Euros)	France	United Kingdom	Germany	Italy	Other international	Other activities	Eliminations	Total
External sales	36,167	10,683	-	5,647	6,878	5,790	-	65,165
Inter-segment sales	558	(1)	-	-	173	595	(1,325)	-
TOTAL SALES	**36,725**	**10,682**	**-**	**5,647**	**7,051**	**6,385**	**(1,325)**	**65,165**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION	**10,124**	**2,732**	**-**	**801**	**1,084**	**1,882**	**-**	**16,623**
Operating profit	**5,374**	**799**	**-**	**(612)**	**(393)**	**1,072**	**-**	**6,240**
Balance sheet								
Intangible assets and property, plant and equipment	76,491	12,040	-	5,132	9,276	8,877	-	111,816
Investments in associates	4,649	28	-	23	2,515	639	-	7,854
Goodwill	-	7,972	-	1,910	604	1,542	-	12,028
Other segment assets (1)	26,831	4,341	-	1,575	1,790	6,991	-	41,528
Assets classified as held for sale	-	21	17,857	122	78	67	-	18,145
Other non-allocated assets								49,188
TOTAL ASSETS	**107,971**	**24,402**	**17,857**	**8,762**	**14,263**	**18,116**	**-**	**240,559**
Other information								
Investments in intangible assets and property, plant and equipment	7,874	1,871	-	381	561	1,554	-	12,241
Net depreciation and amortization	(4,361)	(1,513)	-	(471)	(578)	(503)	-	(7,426)
Impairment	-	(397)	-	(192)	(960)	(194)	-	(1,743)

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

6.1.2 At December 31, 2009

(in millions of Euros)	France	United Kingdom	Germany	Italy	Other international	Other activities	Eliminations	Total
External sales	34,075	11,236	-	4,870	3,442	5,517	-	59,140
Inter-segment sales	475	(7)	-	9	143	562	(1,182)	-
TOTAL SALES	**34,550**	**11,229**	**-**	**4,879**	**3,585**	**6,079**	**(1,182)**	**59,140**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION	**9,403**	**3,063**	**-**	**795**	**654**	**2,014**	**-**	**15,929**
Operating profit	**5,136**	**1,704**	**-**	**301**	**286**	**1,879**	**-**	**9,306**
Balance sheet								
Intangible assets and property, plant and equipment	84,994	19,410	6,579	5,435	9,561	7,642	-	133,621
Investments in associates	18	23	1,667	21	2,085	607	-	4,421
Goodwill	-	7,831	1,387	2,026	786	1,496	-	13,526
Other segment assets [1]	24,479	4,477	2,102	1,335	1,471	6,542	-	40,406
Assets classified as held for sale	-	432	772	-	1	60	-	1,265
Other non-allocated assets								46,796
TOTAL ASSETS	**109,491**	**32,173**	**12,507**	**8,817**	**13,904**	**16,347**	**-**	**240,035**
Other information								
Investments in intangible assets and property, plant and equipment	7,162	2,193	-	483	381	1,558	-	11,777
Net depreciation and amortization	(4,122)	(1,531)	-	(458)	(276)	(409)	-	(6,796)
Impairment	-	-	-	(43)	(6)	-	-	(49)

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

6.2 ●● Sales to external customers, by product and service group

The Group's sales are broken down by product and service group as follows:

- "**Generation/Supply**": energy generation and energy sales to industry, local authorities, small businesses and residential consumers;
- "**Distribution**": management of the low and medium-voltage public distribution network;
- "**Transmission**": operation, maintenance and development of the high-voltage and very-high-voltage electricity transmission network;
- "**Other**": energy services (district heating, thermal energy services, etc.) for industry and local authorities, and new businesses mainly aimed at boosting electricity generation through cogeneration and renewable energy sources (*e.g.* wind turbines, solar panels, etc.).

(in millions of Euros)	Generation Supply	Distribution	Transmission	Other	Eliminations [1]	Total
At December 31, 2010						
External sales:						
France	23,011	9,836	4,031	94	(805)	36,167
Rest of the world	23,966	1,361	23	3,648	-	28,998
TOTAL SALES	**46,977**	**11,197**	**4,054**	**3,742**	**(805)**	**65,165**
At December 31, 2009						
External sales:						
France	21,707	9,141	3,732	108	(613)	34,075
Rest of the world	19,724	1,858	32	3,451	-	25,065
TOTAL SALES	**41,431**	**10,999**	**3,764**	**3,559**	**(613)**	**59,140**

(1) Eliminations between regulated activities (Distribution-Transmission): (217) for 2010 (192) for 2009;
Eliminations between deregulated activities: (28) for 2010, (26) for 2009.

INCOME STATEMENTS

Note 7 - Sales

Sales are comprised of:

(in millions of Euros)	2010	2009
Sales of energy and energy-related services	59,453	53,740
Other sales of goods and services	4,837	4,243
Trading	875	1,157
SALES	**65,165**	**59,140**

The increase in sales observed in 2010 is primarily explained by changes in the scope of consolidation, particularly concerning SPE in Belgium and CENG in the US .

Note 8 - Fuel and energy purchases

Fuel and energy purchases comprise:

(in millions of Euros)	2010	2009
Fuel purchases used – power generation	(9,165)	(9,226)
Energy purchases	(14,280)	(11,105)
Transmission and delivery expenses	(2,879)	(2,198)
Gain/loss on hedging operations	1	(593)
(Increase)/decrease in provisions related to nuclear fuels and energy purchases	302	532
FUEL AND ENERGY PURCHASES	**(26,021)**	**(22,590)**

Fuel and energy purchases are €3,431 million higher than for 2009, largely as a result of changes in the scope of consolidation (principally SPE).

Note 9 - Other external expenses

Other external expenses comprise:

(in millions of Euros)	2010	2009
External services	(11,381)	(11,225)
Other purchases (excluding external services, fuel and energy)	(2,849)	(2,969)
Change in inventories and capitalized production	3,462	3,776
(Increase)/decrease in provisions on other external expenses	186	205
OTHER EXTERNAL EXPENSES	**(10,582)**	**(10,213)**

Note 10 - Personnel expenses

10.1 ●● Personnel expenses

Personnel expenses comprise:

(in millions of Euros)	**2010**	2009
Wages and salaries	(7,513)	(7,083)
Social contributions	(1,459)	(1,431)
Employee profit sharing	(205)	(243)
Non monetary benefits	(357)	(344)
Other expenses liked to short-term benefits	(215)	(222)
Short-term benefits	**(9,749)**	**(9,323)**
Expenses under defined benefit plans	(733)	(656)
Expenses under defined contribution plans	(855)	(630)
Post-employment benefits	**(1,588)**	**(1,286)**
Other long-term expenses	(89)	(94)
Termination payments	4	(5)
Other personnel expenses	**(85)**	**(99)**
PERSONNEL EXPENSES	**(11,422)**	**(10,708)**

10.2 ●● Average workforce

	2010	2009
IEG status	103,319	102,986
Other	55,445	52,086
TOTAL (1)	**158,764**	**155,072**

(1) Including the average RTE workforce.

Average workforce numbers are reported on a full-time equivalent basis.

Personnel corresponding to proportionally consolidated companies included pro rata with the Group's percentage interest represent the equivalent of 21,467 full-time employees at December 31, 2010 (19,362 full-time equivalent employees at December 31, 2009).

Note 11 - Taxes other than income taxes

(in millions of Euros)	2010	2009
Payroll taxes	(231)	(208)
Energy taxes	(1,559)	(898)
Other non-income taxes	(1,435)	(2,125)
Net increase to provisions for taxes and other income taxes	(2)	329
TAXES OTHER THAN INCOME TAXES	**(3,227)**	**(2,902)**

In 2009, net increases to provisions for taxes other than income taxes include €329 million reversed from a provision established to cover EDF's share of the expenses relating to future work programs adopted by the sinking fund for electrification charges (*Fonds d'Amortissement des Charges d'Électrification* – FACE).

The creation of the Local Economic Contribution (*Contribution Économique Territoriale*) in the business tax reform introduced by the French Finance Law for 2010 does not affect the 2010 financial statements. This contribution, like business tax, has been recorded under "Taxes other than income tax" in the consolidated financial statements.

Note 12 - Other operating income and expenses

Other operating income and expenses comprise:

(in millions of Euros)	2010	2009
Operating subsidies	2,705	2,758
Provision for electricity producers' contribution to the TaRTAM transition tariff system	160	-
Net income on deconsolidation	78	45
Gains on disposal of property, plant and equipment	(109)	(73)
Net increase in provisions on current assets	(36)	(168)
Net increase in provisions for operating contingencies and losses	486	557
Other items	(194)	83
OTHER OPERATING INCOME AND EXPENSES	**3,090**	**3,202**

12.1 ●● Operating subsidies

This item mainly comprises the subsidy received by EDF in respect of 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, this compensation results in recognition of income of €2,624 million for 2010 (€2,678 million for 2009).

12.2 ●● Net income on deconsolidation

In 2010, the net income on deconsolidation includes the net gains on disposals of the Eggborough plant by EDF Energy, and Usti (in the Czech Republic) by Dalkia International.

12.3 ●● Net increase in provisions for operating contingencies and losses

In 2010, the net increase in provisions for operating contingencies and losses includes €532 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 (€424 million in 2009).

Note 13 - Prolongation of the transition tariff system (TaRTAM) – Laws of June 7 and December 7, 2010

A charge of €380 million corresponding to a charge of €401 million less €21 million reinvoiced to partners in the nuclear plants was recorded in the consolidated financial statements at December 31, 2010 in respect of EDF's contribution to electricity supplier compensation for the second half of 2010 and the first half of 2011. This followed the extension of the transition tariff system until application of the principle of regulated access to historical nuclear energy (ARENH – *Accès Régulé à l'Électricité Nucléaire Historique*) (see note 3.2).

Note 14 - Impairment/reversals

Details of impairment recognized and reversed are as follows:

(in millions of Euros)	**2010**	2009
Impairment on goodwill	(274)	(4)
Impairment on other intangible assets and property, plant and equipment	(1,472)	(48)
Reversals	3	3
IMPAIRMENT NET OF REVERSALS	**(1,743)**	**(49)**

Details of impairment recognized in 2010 are as follows:

Operating segment	Entity	Impairment indicators	WACC after tax	Assets impaired	Impairment booked in 2010 *(in millions of Euros)*
Other International	CENG	Decline in forward prices and long-term electricity price scenarios	7.4%	Goodwill, intangible and tangible assets	(477)
Other International	UniStar	Withdrawal of a partner – change from 50% to 100% ownerhsip	Non applicable	New valuation of the previous holding *via* profit and loss (revised IFRS 3)	(452)
United Kingdom	EDF Energy	Decline in the gross energy margin of coal-fired plants	7.5%	Tangible assets (coal-fired plants)	(397)
Italy	Fenice	Non-renewal of contracts and decline in electricity prices and volumes	6.7%	Goodwill (€117 million) and tangible assets	(162)
Other activities	EDF Production UK	Adjustment of reserves and decline in gas prices	7.6%	Gas assets	(136)
	Other				(119)
IMPAIRMENT NET OF REVERSALS					**(1,743)**

Note 15 - Other income and expenses

Other income and expenses for 2010 mainly correspond to:
- an expense of €750 million corresponding to a provision in respect of the Italy segment (note 4.3);
- an expense of €93 million corresponding to the agreements signed on November 3, 2010 with CEG (note 4.2.6);
- income of €46 million corresponding to the gain on the sale of networks in the United Kingdom (note 4.1.3).

Other income and expenses for 2009 amount to €173 million, mainly corresponding to:
- the €320 million gain on EDF's contribution to Alpiq of its 50% share in power and energy drawing rights in the Emosson dam and associated expenses;
- and expenses of €(121) million incurred in connection with the CENG transaction.

Note 16 - Financial result

16.1 Cost of gross financial indebtedness

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

(in millions of Euros)	2010	2009
Interest expenses on financing operations	(2,724)	(2,504)
Changes in the fair value of derivatives and hedges of liabilities	(1)	(8)
Transfer to income of changes in the fair value of cash flow hedges	(10)	(10)
Net foreign exchange gain on indebtedness	(19)	(7)
COST OF GROSS FINANCIAL INDEBTEDNESS	**(2,754)**	**(2,529)**

The increase in interest expenses on financing operations principally results from the rise in average indebtedness, particularly following the acquisitions of CENG and SPE late in 2009.

16.2 Discount expense

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

Details of this expense are as follows:

(in millions of Euros)	2010	2009
Provisions for long-term and post-employment employee benefits	(1,435)	(1,357)
Provisions for back-end nuclear cycle, decommissioning and last cores	(1,510)	(1,477)
Other provisions and advances	(189)	(163)
DISCOUNT EXPENSE	**(3,134)**	**(2,997)**

16.3 Other financial income and expenses

Other financial income and expenses comprise:

(in millions of Euros)	2010	2009
Financial income on cash and cash equivalents	22	32
Gains (losses) on available-for-sale financial assets	301	239
Gains (losses) on other financial assets	204	286
Changes in financial instruments carried at fair value with changes in fair value included in income	(27)	25
Other financial expenses	(61)	(80)
Foreign exchange gain/loss on financial items other than debts	82	(2)
Return on hedging assets	715	634
Capitalized borrowing costs	226	188
OTHER FINANCIAL INCOME AND EXPENSES	**1,462**	**1,322**

Gains net of expenses on available-for-sale financial assets include gains on disposals, interest income, and dividends.

In 2010, other financial income and expenses principally include additional impairment of €20 million on CEG shares.

In 2009, other financial income and expenses principally include:
- reimbursement by the French State of €335 million of interest following cancellation of the European Commission decision;
- additional impairment of €232 million on shares in CEG.

Note 17 - Income taxes

17.1 ●● Breakdown of tax liability

Details are as follows:

(in millions of Euros)	2010	2009
Current tax expense	(1,385)	(1,520)
Deferred taxes	306	88
TOTAL	**(1,079)**	**(1,432)**

In 2010, €(660) million of the current tax expense relates to EDF's tax consolidated group, and €(725) million to other subsidiaries (€(745) million and €(775) million respectively in 2009).

17.2 ●● Reconciliation of the theoretical and effective tax expense

17.2.1 Reconciliation of the theoretical and effective tax rate

(in millions of Euros)	2010	2009
Income of consolidated companies before tax	**1,814**	**5,102**
Theoretical tax expense	**(625)**	**(1,757)**
Differences in tax rate	219	144
Permanent differences	(129)	93
Taxes without basis	42	33
Net depreciation of deferred tax assets	(587)	91
Other	1	(36)
ACTUAL TAX EXPENSE	**(1,079)**	**(1,432)**
Effective tax rate	**59.48%**	**28.07%**

The increase in 2010 in the effective tax rate primarily relates to the provision in respect of the Italy segment and impairment recognized during the year. Excluding these factors, the effective tax rate for 2010 is 29.6% (28.1% in 2009).

The main factors explaining the difference between the French tax rate (34.43%) and the effective rate are:

- 2010:
  - the positive impact of differences in tax rates applicable to foreign subsidiaries (€219 million),
  - the negative effect of taxation of certain components of the gain on disposal of network activities in the United Kingdom (in particular, the tax effect on hedges of net investments in foreign operations transferred to income) (€(161) million),
  - the positive effect of reversals of depreciation of deferred tax assets (€95 million), mainly in the French tax consolidation group;
- 2009:
  - the positive impact of differences in tax rates applicable to foreign subsidiaries (€144 million),
  - optimization of financing for the takeover of British Energy (€74 million),
  - a net reversal from provisions on deferred tax assets, essentially for French companies (€91 million).

17.2.2 Change in deferred tax assets and liabilities

(in millions of Euros)	Deferred tax assets	Provision on deferred tax assets	Net deferred tax assets	Deferred tax liabilities	Net deferred tax
Situation at December 31, 2008	**3,227**	**(938)**	**2,289**	**(4,135)**	**(1,846)**
Change in tax basis	(443)	46	(397)	210	(187)
Changes in scope of consolidation	502	3	505	(3,414)	(2,909)
Translation adjustments	92	1	93	(315)	(222)
Situation at December 31, 2009	**3,378**	**(888)**	**2,490**	**(7,654)**	**(5,164)**
Change in tax basis	153	(587)	(434)	576	142
Changes in scope of consolidation	(30)	9	(21)	2,386	2,365
Translation adjustments	91	(1)	90	(202)	(112)
SITUATION AT DECEMBER 31, 2010	**3,592**	**(1,467)**	**2,125**	**(4,894)**	**(2,769)**

In 2010, the €142 million change in the tax bases has an impact of €306 million on income and €(521) million on equity (€(187) million change in bases in 2009, comprising an impact of €88 million in the income statement and €(228) million on equity).

17.3 ●● Breakdown of deferred tax assets and liabilities by nature

(in millions of Euros)	12/31/2010	12/31/2009
Deferred tax assets		
Differences between depreciation recorded for accounting and tax purposes	58	138
Net-deductibles provisions for pension obligations	3,829	3,898
Other non-deductibles provisions	1,199	786
Other deductibles temporary differences	1,016	2,383
Revaluations, revaluation surplus and elimination of intercompany profit	512	463
Tax losses and unused tax credits	326	268
Netting of deferred tax assets and liabilities	(3,348)	(4,558)
Deferred tax assets – gross value	**3,592**	**3,378**
Net depreciation of deferred tax assets	(1,467)	(888)
Deferred tax assets – net value	**2,125**	**2,490**
Deferred tax liabilities		
Differences between depreciation recorded for accounting and tax purposes	(5,892)	(8,424)
Other deductible and temporary differences	(910)	(2,527)
Revaluations, revaluation surplus and elimination of intercompany profit	(1,440)	(1,261)
Netting of deferred tax assets and liabilities	3,348	4,558
Deferred tax liabilities	**(4,894)**	**(7,654)**
NET DEFERRED TAXES	**(2,769)**	**(5,164)**

17.4 ●● Unrecorded deferred tax assets

At December 31, 2010, unrecorded deferred tax assets represent a potential tax saving of €1,467 million (€888 million at December 31, 2009). Of the potential tax saving in 2010, €658 million relates to deferred tax assets on employee benefits in France (€745 million at December 31, 2009).

17.5 ●● Tax recorded against equity

The total tax recorded against components of equity during 2010 amounts to €(521) million (€(228) million in 2009), and mainly relates to:
- changes in the fair value of available-for-sale financial assets and hedging instruments at December 31, 2010 (€(454) million) (see notes 36.2.2 and 40.4);
- €(67) million of these fair value adjustments transferred to income (see notes 36.2.2 and 40.4).

Note 18 - Basic earnings per share and diluted earnings per share

The diluted earnings per share is calculated by dividing the Group's share of net income, corrected for dilutive instruments, by the weighted average number of potential shares outstanding over the period after elimination of treasury shares.

At December 31, 2010, there is no dilutive instrument in the EDF group.

The following table shows the reconciliation of the basic and diluted earnings used to calculate earnings per share, and the variation in the weighted average number of shares used in calculating basic and diluted earnings per share:

(in millions of Euros)	2010	2009
Net income attributable to ordinary shares	1,020	3,902
Effect of dilutive instruments	-	-
Net income used to calculated diluted earnings per share	**1,020**	**3,902**
Including: net income of continuing activities	***634***	***3,616***
Including: net income of discontinued activities	***386***	***286***
AVERAGE WEIGHTED NUMBER OF ORDINARY SHARES OUTSTANDING AT END OF THE PERIOD	**1,848,403,320**	**1,824,311,830**
AVERAGE WEIGHTED NUMBER OF DILUTED SHARES OUTSTANDING AT END OF THE PERIOD	**1,848,403,320**	**1,824,311,830**
Earnings per share *(in Euros)*:		
Net earnings per share	0.55	2.14
Diluted earnings per share	0.55	2.14
Earnings per share of continuing activities	0.34	1.98
Diluted earnings per share of continuing activities	0.34	1.98
Earnings per share of discontinued activities	0.21	0.16
Diluted earnings per share of discontinued activities	0.21	0.16

OPERATING ASSETS AND LIABILITIES, EQUITY

Note 19 - Goodwill

19.1 ●● Changes in goodwill

Goodwill on consolidated entities comprises the following:

(in millions of Euros)	12/31/2010	12/31/2009
Net book value at opening date	**13,526**	**6,807**
Acquisitions	200	6,524
Disposals	(116)	-
Impairment	(274)	(4)
Translation adjustments	306	448
Changes in scope of consolidation and other	(1,614)	(249)
NET BOOK VALUE AT CLOSING DATE	**12,028**	**13,526**
Gross value at closing date	13,140	14,364
Accumulated impairment at closing date	(1,112)	(838)

The changes in goodwill in 2010 primarily relate to the following operations:

- acquisitions totaling €200 million, including €140 million for the acquisition of PRE by EnBW;
- disposals totaling €(116) million, chiefly the sale of networks in the United Kingdom;
- impairment totaling €274 million (see note 14);
- other movements totaling €(1,614) million, including €(1,482) million related to the classification of EnBW goodwill as "discontinued operations" and €(102) million resulting from finalization of the initial balance sheets for SPE.

Goodwill on the acquisitions of CENG and SPE is finalized in the consolidated financial statements at December 31, 2010 (see notes 4.2 and 4.4).

The increase in goodwill in 2009 primarily relates to the external growth operations undertaken:

- in the UK with the takeover of British Energy for €5,894 million;
- in Belgium in connection with acquisition of 51% of SPE for €480 million;
- in the US with acquisition of 49.99% of CENG for €11 million.

19.2 ●● Goodwill by operating segment

The breakdown of goodwill is as follows:

(in millions of Euros)	United Kingdom	Germany	Italy	Other international	Other activities	Total
AT DECEMBER 31, 2010	**7,972**	**-**	**1,910**	**604**	**1,542**	**12,028**
At December 31, 2009	7,831	1,387	2,026	786	1,496	13,526

Goodwill for the United Kingdom segment amounts to €7,972 million. Impairment testing is based on two different Cash Generating Units (CGUs):

- nuclear activities, including British Energy and development of four new EPRs;
- Energy Sourcing and Customer Supply (ESCS).

For these two CGUs, the value in use is calculated using a WACC after tax of 7.5%.

The recoverable value of the nuclear activities is estimated based on discounted future net cash flows over the facilities' estimated useful life, taking into consideration the probable extension of the useful lives for all AGRs – Advanced Gas Reactors – (5 years on average) and for Sizewell B (20 years). The approval in December 2010 of useful life extensions for the Heysham 1 and Hartlepool plants confirms the validity of these assumptions.

The electricity price used is the average of four electricity price projection scenarios for the UK.

The recoverable value of the Nuclear CGU is particularly sensitive to the WACC, mainly as a result of the operating lifetimes of nuclear projects, but using a WACC one point higher would not lead to impairment on the CGU. Also, if the number of EPRs constructed was reduced from 4 to 2 the recoverable value of the CGU would remain higher than its book value.

The recoverable value of ESCS is based on the value in use, determined by reference to the entity's 5-year medium-term plan. Terminal value is determined using an after-tax growth rate of 1.7%.

Impairment of €397 million has been recorded in respect of the coal-fired power plants in this CGU following the decline in the "dark spread" gross energy margin (see note 14).

Note 20 - Other intangible assets

The net value of other intangible assets breaks down as follows:

At December 31, 2010

(in millions of Euros)	12/31/2009	Acquisitions	Disposals	Translation adjustments	Changes in scope	Other movements	12/31/2010
Greenhouse gas emission rights –Green Certificates	708	777	(978)	11	(79)	-	439
Other intangible assets	6,900	686	(172)	62	(1,314)	(92)	6,070
Gross value	**7,608**	**1,463**	**(1,150)**	**73**	**(1,393)**	**(92)**	**6,509**
Accumulated amortization and impairment	(2,029)	(722)	155	(11)	689	25	(1,893)
NET VALUES	**5,579**	**741**	**(995)**	**62**	**(704)**	**(67)**	**4,616**

Impairment of €(138) million was booked on other intangible assets in 2010.

At December 31, 2009

(in millions of Euros)	12/31/2008	Acquisitions	Disposals	Translation adjustments	Changes in scope	Other movements	12/31/2009
Greenhouse gas emission rights – Green Certificates	552	707	(675)	24	174	(74)	708
Other intangible assets	4,389	1,153	(216)	53	1,740	(219)	6,900
Gross value	**4,941**	**1,860**	**(891)**	**77**	**1,914**	**(293)**	**7,608**
Accumulated amortization and impairment	(1,718)	(477)	200	(12)	(26)	4	(2,029)
NET VALUES	**3,223**	**1,383**	**(691)**	**65**	**1,888**	**(289)**	**5,579**

Application of IFRIC 12 generated a €124 million increase in other intangible assets at January 1, 2009 (reclassification of assets between property, plant and equipment operated under concessions for other activities and other intangible assets – see note 2.1.2).

EDF's research and development expenses recorded in the income statement total €486 million for the year ended December 31, 2010 (€438 million for the year ended December 31, 2009).

Note 21 - Property, plant and equipment operated under French public electricity distribution concessions

21.1 ●● Net value of property, plant and equipment operated under French public electricity distribution concessions

(in millions of Euros)	12/31/2010	12/31/2009
Property, plant and equipment	42,836	41,431
Property, plant and equipment in progress	1,069	1,020
PROPERTY, PLANT AND EQUIPMENT OPERATED UNDER FRENCH PUBLIC ELECTRICITY DISTRIBUTION CONCESSIONS	**43,905**	**42,451**

21.2 ●● Movements in property, plant and equipment operated under French public electricity distribution concessions (excluding assets in progress)

(in millions of Euros)	Land and buildings	Fossil-fired & hydropower plants	Networks	Other installations, plant, machinery, equipment & other	Total
Gross value at 12/31/2009	**2,068**	**14**	**66,631**	**2,887**	**71,600**
Increases [(1)]	62	4	3,215	301	3,582
Decreases	(26)	-	(403)	(178)	(607)
Translation adjustments	-	-	-	-	-
Changes in the scope of consolidation	-	-	-	-	-
Other movements	-	-	2	-	2
Gross value at 12/31/2010	**2,104**	**18**	**69,445**	**3,010**	**74,577**
Depreciation and impairment at 12/31/2009	**(1,126)**	**(8)**	**(27,042)**	**(1,993)**	**(30,169)**
Net depreciation	(34)	-	(167)	(113)	(314)
Disposals	23	-	313	175	511
Translation adjustments	-	-	-	-	-
Changes in the scope of consolidation	-	-	-	-	-
Other movements [(2)]	(9)	-	(1,685)	(75)	(1,769)
Depreciation and impairment at 12/31/2010	**(1,146)**	**(8)**	**(28,581)**	**(2,006)**	**(31,741)**
Net values at 12/31/2009	**942**	**6**	**39,589**	**894**	**41,431**
NET VALUES AT 12/31/2010	**958**	**10**	**40,864**	**1,004**	**42,836**

(1) Increases also include assets contributed for nil consideration.

(2) Other movements mainly concern depreciation of assets operated under concession, booked against amortization recorded in the special concession liabilities.

Note 22 - Property, plant and equipment operated under concessions for other activities

22.1 ●● Net value of property, plant and equipment operated under concessions for other activities

The net value of property, plant and equipment operated under concessions for other activities breaks down as follows:

(in millions of Euros)	12/31/2010	12/31/2009
Property, plant and equipment	5,432	25,593
Property, plant and equipment in progress	595	1,264
PROPERTY, PLANT AND EQUIPMENT OPERATED UNDER CONCESSIONS FOR OTHER ACTIVITIES	**6,027**	**26,857**

22.2 ●● Movements in property, plant and equipment operated under concessions for other activities (excluding construction in progress and finance-leased assets)

(in millions of Euros)	Land and buildings	Fossil-fired & hydropower plants	Networks	Other installations, plant, machinery, equipment & other	Total
Gross value at 12/31/2009	**3,690**	**9,107**	**31,529**	**2,134**	**46,460**
Increases	98	292	1,842	121	2,353
Decreases	(18)	(28)	(145)	(89)	(280)
Translation adjustments	11	20	178	35	244
Changes in the scope of consolidation	(2,514)	-	(32,824)	(1,107)	(36,445)
Other movements	3	(112)	(33)	29	(113)
Gross value at 12/31/2010	**1,270**	**9,279**	**547**	**1,123**	**12,219**
Depreciation and impairment at 12/31/2009	**(1,903)**	**(4,860)**	**(12,727)**	**(1,377)**	**(20,867)**
Net depreciation	(77)	(239)	(948)	(187)	(1,451)
Disposals	14	24	93	78	209
Translation adjustments	(3)	(5)	(57)	(14)	(79)
Changes in the scope of consolidation	1,174	-	13,361	862	15,397
Other movements	-	(2)	16	(10)	4
Depreciation and impairment at 12/31/2010	**(795)**	**(5,082)**	**(262)**	**(648)**	**(6,787)**
Net value at 12/31/2009	**1,787**	**4,247**	**18,802**	**757**	**25,593**
NET VALUE AT 12/31/2010	**475**	**4,197**	**285**	**475**	**5,432**

Property, plant and equipment operated under concessions other than French public electricity distribution concessions comprise at December 31,2010 concession facilities mainly located in France (transmission and hydropower) and Italy.

Changes in the scope of consolidation in 2010 essentially affected the United Kingdom (where network activities were sold during the year), RTE (for which the consolidation method was changed) and EnBW (due to application of IFRS 5).

Note 23 - Property, plant and equipment used in generation and other tangible assets owned by the Group

23.1 ●● Net value of property, plant and equipment used in generation and other tangible assets owned by the Group

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)	12/31/2010	12/31/2009
Property, plant and equipment	46,730	49,803
Property, plant and equipment in progress	10,101	8,507
Leased property, plant and equipment	437	424
PROPERTY, PLANT AND EQUIPMENT USED IN GENERATION AND OTHER TANGIBLE ASSETS OWNED BY THE GROUP	**57,268**	**58,734**

23.2 ●● Movements in property, plant and equipment used in generation and other tangible assets owned by the Group (excluding construction in progress and finance-leased assets)

(in millions of Euros)	Land and buildings	Nuclear power plants	Fossil-fired & hydropower plants	Networks	Other installations, plant, machinery, equipment & other	Total
Gross value at 12/31/2009	**12,752**	**60,765**	**16,023**	**2,287**	**10,480**	**102,307**
Increases	463	1,315	805	82	1,890	4,555
Decreases	(141)	(388)	(100)	(8)	(231)	(868)
Translation adjustments	61	592	111	5	236	1,005
Changes in the scope of consolidation	(1,657)	(963)	(1,704)	(1,505)	(1,088)	(6,917)
Other movements	(19)	327	241	(16)	32	565
Gross value at 12/31/2010	**11,459**	**61,648**	**15,376**	**845**	**11,319**	**100,647**
Depreciation and impairment at 12/31/2009	**(6,233)**	**(32,306)**	**(8,389)**	**(1,265)**	**(4,311)**	**(52,504)**
Net depreciation	(379)	(2,644)	(1,196)	(89)	(910)	(5,218)
Disposals	82	332	89	4	206	713
Translation adjustments	(14)	(18)	(51)	(1)	(62)	(146)
Changes in the scope of consolidation	407	584	794	902	657	3,344
Other movements	(18)	43	(38)	15	(108)	(106)
Depreciation and impairment at 12/31/2010	**(6,155)**	**(34,009)**	**(8,791)**	**(434)**	**(4,528)**	**(53,917)**
Net value at 12/31/2009	**6,519**	**28,459**	**7,634**	**1,022**	**6,169**	**49,803**
NET VALUE AT 12/31/2010	**5,304**	**27,639**	**6,585**	**411**	**6,791**	**46,730**

The changes observed in 2010 principally concern reclassification of EnBW assets as assets held for sale in the amount of €(3,458) million, and translation adjustments: €348 million in the United Kingdom zone and €305 million in the United States zone.

Changes in the scope of consolidation in 2009 mainly reflect the effects of first consolidation of:

- British Energy (€9,388 million);
- CENG (€3,811 million).

23.3 ●● Finance lease obligations

	12/31/2010				12/31/2009
	Total	Maturity			Total
(in millions of Euros)		< 1 year	1 - 5 years	> 5 years	
Finance lease commitments as lessor	65	16	42	7	466
Finance lease commitments as lessee	235	34	147	54	219

The Group is a party to agreements classified as finance leases under IFRIC 4 and IAS 17, which account for almost all of its finance lease commitments as lessor. The change over the year results from the sale of EDF Energy's network activities, which reduces these commitments by €442 million.

The Group is bound by irrevocable finance-lease contracts for premises, equipment and vehicles used in the course of its business. The corresponding payments are subject to renegotiation at intervals defined in the contracts. The main companies concerned are Tiru and Sofilo.

Note 24 - Investments in associates

Investments in associates are as follows:

(in millions of Euros)	Principal activity [1]	12/31/2010 % voting rights held	12/31/2010 Share of net equity	12/31/2010 Share of net income	12/31/2009 Share of net equity	12/31/2009 Share of net income
RTE	T	100.00	4,649	-	-	-
Alpiq	G	26.06	1,746	107	1,572	92
Dalkia Holding	S	34.00	470	24	493	19
NTPC	G	40.00	133	29	84	8
Taishan	G	30.00	541	-	279	-
Other investments in associates			315	(26)	1,993	(15)
TOTAL			**7,854**	**134**	**4,421**	**104**

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

24.1 ●● RTE

24.1.1 Consolidation method applied to RTE

Following the French government's appointment on December 31, 2010 of two further representatives to the Supervisory Board of RTE, replacing EDF representatives, the Group no longer has exclusive control over RTE's operating and financial policies as defined by IAS 27. However, as the Group still has significant influence, RTE is accounted for under the equity method from that date.

24.1.2 RTE – financial indicators

The key financial indicators for RTE for 2010 are as follows:

(in millions of Euros)	
2010 Operating profit before depreciation and amortization	1,525
2010 Net income	367
Equity at December 31, 2010	4,649
Balance sheet total at December 31, 2010	14,368
Net indebtedness at December 31, 2010	6,341

24.1.3 Transactions between the EDF group and RTE

At December 31, 2010 the main transactions between the EDF group and RTE were as follows:

Sales

ERDF uses RTE's high-voltage and very high-voltage networks to convey energy from its point of generation to the distribution networks. This service generated €3,174 million in sales revenues for RTE from ERDF over 2010.

In executing its responsibility to ensure balance in the electricity system, in 2010 RTE also undertook:
- energy purchases and sales with EDF, amounting to €351 million and €420 million respectively;
- system service purchases from EDF amounting to €279 million.

Other transactions

The EDF group contributes to financing of RTE through a loan amounting to €1,914 million at December 31, 2010. EDF received a total of €142 million in interest expenses on this loan in 2010.

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

24.2 ●● Other associates

The main changes concerning other associates in 2010 result from the following factors:

- Impact of application of IFRS 5 due to the ongoing sale of EnBW (reclassification of the holding in EnBW's share from investments in associates to assets held for sale).
- Rise in value of the share in equity of Taishan following the Group's €213 million subscription to a capital increase in 2010.

At December 31, 2009, the main published indicators concerning associates were as follows:

(in millions of Euros)	Total Assets	Total Liabilities (excluding equity)	Sales	Net income
Alpiq	13,544	8,200	9,816	448
Dalkia holding [(1)]	8,220	5,710	6,854	216

(1) Consolidated financial data including Dalkia Investissement and Dalkia International.

Note 25 - Inventories

The carrying value of inventories, broken down by nature, is as follows:

	12/31/2010			12/31/2009		
(in millions of Euros)	**Gross value**	**Provisions**	**Net value**	Gross value	Provisions	Net value
Nuclear fuel	9,551	(12)	9,539	9,070	(12)	9,058
Other fuel	1,678	(8)	1,670	1,793	(4)	1,789
Other raw materials	1,004	(182)	822	1,152	(204)	948
Work-in-progress for production of goods and services	315	(6)	309	377	(3)	374
Other inventories	377	(32)	345	510	(17)	493
TOTAL INVENTORIES	**12,925**	**(240)**	**12,685**	**12,902**	**(240)**	**12,662**

The long-term portion (more than one year) mainly concerns nuclear fuel inventories amounting to €7,146 million (€6,519 million at December 31, 2009).

At December 31, 2010, the value of EDF Trading's inventories stated at market value is €825 million (€622 million at December 31, 2009).

Note 26 - Trade receivables

Details of net trade receivables are as follows:

(in millions of Euros)	12/31/2010	12/31/2009
Trade receivables, gross value – excluding EDF Trading	17,786	17,918
Trade receivables, gross value – EDF Trading	2,375	2,401
Impairment	(637)	(686)
TRADE RECEIVABLES, NET VALUE	**19,524**	**19,633**

Most trade receivables mature within one year.

Securitization of trade receivables is undertaken on revolving basis, principally by Edison. EDF's share amounts to €2,122 million at December 31, 2010 (€1,385 million at December 31, 2009). As most securitization is without recourse, the corresponding receivables are not carried in the Group's consolidated balance sheet.

The credit risk on trade receivables is shown below:

	12/31/2010			12/31/2009		
(in millions of Euros)	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Trade receivables	**20,161**	**(637)**	**19,524**	**20,319**	**(686)**	**19,633**
overdue by up to 6 months	1,690	(182)	1,508	1,940	(225)	1,715
overdue by 6-12 months	365	(120)	245	318	(135)	183
overdue by more than 12 months	584	(272)	312	428	(199)	229
Trade receivables due	**2,639**	**(574)**	**2,065**	**2,686**	**(559)**	**2,127**
Trade receivables not yet due	**17,522**	**(63)**	**17,459**	**17,633**	**(127)**	**17,506**

Note 27 - Other receivables

Details of other receivables are as follows:

(in millions of Euros)	12/31/2010	12/31/2009
Prepaid expenses	513	600
Other receivables and operating current accounts	8,806	7,511
OTHER RECEIVABLES	**9,319**	**8,111**
Gross value	9,362	8,164
Impairment	(43)	(53)

The majority of other receivables mature within one year.

"Other receivables" mainly comprise the CSPE receivable amounting to €2,812 million at December 31, 2010 (€1,844 million at December 31, 2009) and amounts due from the State and public authorities.

Note 28 - Equity

28.1 ●● Share capital

At December 31, 2010, the share capital amounted to €924,433,331, comprising 1,848,866,662 fully subscribed and paid-up shares with nominal value of €0.50 each, owned 84.5% by the French State (unchanged from December 31, 2009), 13.1% by the public (institutional and private investors) and 2.4% by current and retired Group employees.

28.2 ●● Treasury shares

A share repurchase program authorized by the General Shareholders' meeting of June 9, 2006 was implemented by the Board of Directors, within the limits of 10% of the total number of shares making up the Company's capital. The initial duration of the program is 18 months, renewable by tacit agreement for 12 months.

Under this share repurchase program, for which a liquidity contract exists as required by the market regulator AMF, 2,607,442 shares were acquired during 2010 for a total of €97 million, and 2,294,477 shares were sold for a total of €87 million.

At December 31, 2010, treasury shares deducted from consolidated equity represent 557,344 shares with total value of €(19) million.

28.3 ●● Dividends

The General Shareholders' Meeting of May 18, 2010 decided to distribute a dividend of €1.15 per share in circulation in respect of 2009. Interim dividends of €0.55 per share had been paid out on December 17, 2009, with the possibility to opt for payment in new shares, leading to issuance of 26,695,572 new shares with nominal value of €0.50 plus an issuance premium of €34.63 each. The balance of €0.60 per share, amounting to a total of €1,109 million, was paid out on June 3, 2010.

On November 30, 2010, the Board of Directors decided to distribute an interim dividend of €0.57 per share for 2010, paid in cash on December 17, 2010 (a total of €1,054 million).

28.4 ●● Capital management

Article 24 of the law of August 9, 2004 requires the State to hold more than 70% of the capital of EDF at all times.

Equity has increased since the IPO of November 2005, largely due to the realized profits net of dividends paid out, and after inclusion of changes in the fair value of financial instruments taken to equity. It amounts to €36,903 million at December 31, 2010 compared to its year-end 2009 level of €34,667 million.

Note 29 - Provisions

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

(in millions of Euros)	Notes	12/31/2010 Current	Non-current	Total	12/31/2009 Current	Non-current	Total
Provisions for spent nuclear fuel management		848	10,176	11,024	836	10,311	11,147
Provisions for long-term radioactive waste management		172	6,824	6,996	206	7,220	7,426
Provisions for back-end nuclear cycle	30.1	**1,020**	**17,000**	**18,020**	**1,042**	**17,531**	**18,573**
Provisions for decommissioning		301	16,251	16,552	350	16,970	17,320
Provisions for last cores		-	3,132	3,132	-	3,033	3,033
Provisions for decommissioning and last cores	30.2	**301**	**19,383**	**19,684**	**350**	**20,003**	**20,353**
Provisions for employee benefits	31	**819**	**11,745**	**12,564**	**837**	**13,412**	**14,249**
Other provisions	32	**2,870**	**1,337**	**4,207**	**3,629**	**1,188**	**4,817**
TOTAL PROVISIONS		**5,010**	**49,465**	**54,475**	**5,858**	**52,134**	**57,992**

Note 30 - Provisions for the back-end nuclear cycle and decommissioning

Provisions are estimated under the principles presented in note 1.3.2.1 and 1.3.23.

Obligations can vary noticeably depending on each country's legislation and regulations, and the technologies and industrial practices used in each company.

30.1 •• Provisions for back-end nuclear cycle expenses

The movement in provisions for back-end nuclear cycle expenses breaks down as follows:

At December 31, 2010

(in millions of Euros)	12/31/2009	Increases	Decreases Utilizations	Decreases Reversals	Changes in scope	Other changes	12/31/2010
Provisions for spent nuclear fuel management	11,147	779	(609)	(6)	(250)	(37)	11,024
Provisions for long-term radioactive waste management	7,426	414	(170)	(30)	(686)	42	6,996
PROVISIONS FOR BACK-END NUCLEAR CYCLE	**18,573**	**1,193**	**(779)**	**(36)**	**(936)**	**5**	**18,020**

Breakdown of provisions by company

(in millions of Euros)	EDF	EDF Energy	EnBW	Other	Total
Provisions at 12/31/2009	**15,030**	**2,660**	**879**	**4**	**18,573**
Increases	1,078	-	114	1	1,193
Decreases	(757)	-	(57)	(1)	(815)
Changes in scope	-	-	(936)	-	(936)
Other	9	(3)	-	(1)	5
PROVISIONS AT 12/31/2010	**15,360**	**2,657**	**-**	**3**	**18,020**

30.2 ●● Provisions for decommissioning and last cores

The change in decommissioning and last core provisions breaks down as follows:

At December 31, 2010

(in millions of Euros)	12/31/2009	Increases	Decreases		Changes in scope	Other changes	12/31/2010
			Utilizations	Reversals			
Provisions for decommissioning	17,320	874	(291)	(21)	(1,721)	391	16,552
Provisions for last cores	3,033	155	-	(11)	(22)	(23)	3,132
PROVISIONS DECOMMISSIONING AND LAST CORES	**20,353**	**1,029**	**(291)**	**(32)**	**(1,743)**	**368**	**19,684**

Breakdown of provisions by company

(in millions of Euros)	EDF	EDF Energy	EnBW	CENG	Other	Total
Provisions at 12/31/2009	**12,958**	**5,108**	**1,453**	**442**	**392**	**20,353**
Increases	723	77	167	30	32	1,029
Decreases	(286)	(27)	(6)	-	(4)	(323)
Changes in scope	-	-	(1,743)	-	-	(1,743)
Other	24	212	129	(2)	5	368
PROVISIONS AT 12/31/2010	**13,419**	**5,370**	**-**	**470**	**425**	**19,684**

30.3 ●● EDF's provisions in France and secure financing of long-term obligations for nuclear installations

In France, EDF's provisions are calculated in accordance with the instructions of the law of June 28, 2006 and its implementing provisions.

In compliance with the regulation on secure financing of nuclear expenses:
- EDF books provisions to cover all obligations related to the nuclear facilities it operates;
- EDF is building up a portfolio of dedicated assets to cover long-term obligations (see note 46).

The relevant expenses are estimated based on the economic conditions of the year-end. They are spread over a forecast disbursement schedule and valued on the basis of the expected conditions at the time of payment, through application of a forecast long-term inflation rate. They are then discounted to present value for calculation of the provisions, using the discount rates shown in note 30.3.3.1.

30.3.1 EDF's provisions for back-end nuclear cycle expenses in France

(in millions of Euros)	12/31/2009	Increases	Decreases		Other changes	12/31/2010
			Utilizations	Reversals		
Provisions for burnt nuclear fuel management	8,686	764	(600)	-	2	8,852
Provisions for long-term radioactive waste management	6,344	314	(152)	(5)	7	6,508
PROVISIONS FOR BACK-END NUCLEAR CYCLE IN FRANCE	**15,030**	**1,078**	**(752)**	**(5)**	**9**	**15,360**

Expenses are estimated based on the economic conditions of the year-end, discounted to present value (see note 30.3.3.1) as follows:

(in millions of Euros)	12/31/2010		12/31/2009	
	Costs based on year-end economic conditions	Amounts in provisions at present value	Costs based on year-end economic conditions	Amounts in provisions at present value
Spent fuel management	14,386	8,852	13,969	8,686
Long-term radioactive waste management	23,017	6,508	22,321	6,344
BACK-END NUCLEAR CYCLE EXPENSES	**37,403**	**15,360**	**36,290**	**15,030**

30.3.1.1 EDF's provisions for spent fuel management in France

These provisions cover services in connection with the following:
- removal of spent fuel from EDF's generation centers, as well as reception, interim storage;
- processing, including conditioning and storage of recyclable matter and waste resulting from this processing;
- processing expenses exclusively concerning spent fuel that can be recycled in existing facilities, including the portion in reactors but not yet irradiated.

Expenses are calculated based on forecast physical flows at the closing date. Valuation is based on the contracts signed with AREVA.

In application of the agreement of December 19, 2008 setting forth the principles governing back-end cycle contracts for the post-2007 period, EDF and AREVA signed two contracts on July 12, 2010 entitled the "EDF-AREVA NC Processing-Recycling agreement" and the "protocol for recovery and conditioning of EDF waste, the final shutdown and decommissioning of the AREVA NC plant at La Hague". The Processing-Recycling agreement lays down the contractual terms for the period 2008-2012 and the principles governing prices and investments for subsequent periods.

The effects of these agreements were recognized at December 31, 2010. As they had already been anticipated based on the previous agreements, they have no material impact on the Group's consolidated financial statements.

For fuel in reactors but not yet irradiated, provisions are booked against an increase in the value of the fuel included in inventories.

EDF's contribution towards decommissioning costs for La Hague reprocessing plant, and its share of the cost of recovering and conditioning old waste, are defined in an agreement signed with AREVA on July 6, 2009 setting the exact amounts and timing of payments and releasing EDF from any further obligation. The last installment is due to be paid by July 1, 2011. The first three installments have been paid and the last payments, amounting to €776 million including taxes, are recorded in operating liabilities.

30.3.1.2 EDF's provisions for long-term radioactive waste management in France

This includes future expenses for:

- removal and storage of radioactive waste resulting from decommissioning of regulated nuclear installations operated by EDF;
- removal and storage of radioactive waste resulting from spent fuel processing at La Hague;
- long-term and direct storage of spent fuel that cannot be recycled on an industrial scale in existing installations: plutonium or uranium fuel derived from enriched processing, fuel from Creys Malville and Brennilis;
- EDF's share of the costs of studies, coverage, shutdown and surveillance of storage centers:
  - existing centers, for very low-level waste, and low and medium-level waste;
  - new centers to be opened, for long-life low-level waste and long-life medium and high-level waste.

The volumes of waste concerned by provisions include packages of existing waste and all waste to be conditioned, resulting from plant decommissioning or spent fuel processing at La Hague (based on all fuel in reactors at December 31, burnt or otherwise). These volumes are regularly reviewed, in keeping with the data declared for the purposes of the national waste inventory undertaken by the French agency for radioactive waste management ANDRA (*Agence nationale pour la gestion des déchets radioactifs*).

For waste resulting from decommissioning of plants in operation, the accounting treatment is identical to the treatment of decommissioning expenses: an asset corresponding to the provision is recognized under the accounting policies described in note 1.3.13.1.

For future waste that will result from fuel currently in reactors but not yet irradiated, provisions are booked against an increase in the cost of the fuel included in inventories.

The provision for long-life medium and high-level waste is the largest component of the provisions for long-term radioactive waste management. The French Law of June 28, 2006 on the sustainable management of radioactive materials and waste has confirmed EDF's assumption of geological storage. Provisions are based on that assumption.

Since 2005, the gross value and disbursement schedules for forecast expenses have been based on a scenario of industrial geological waste storage, following conclusions presented in the first half of 2005 by the task force set up by the French department for Energy and Raw Materials (*Direction Générale de l'Énergie et des Matières Premières* – DGEMP, which has since become the French department for Energy and Climate – *Direction Générale de l'Énergie et du Climat* or DGEC) comprising members representing the relevant government departments (DGEMP, the State investment agency APE and the Budget Department), ANDRA and the producers of waste (EDF, AREVA, CEA). The approach applied by EDF to the working group's conclusions is reasonable and coherent with information available internationally.

A working group is due to be set up in 2011, supervised by the DGEC and involving ANDRA and waste producers, to undertake a more in-depth examination of the technical options for storage design. The conclusions of this working group, which are not expected before the end of the first half of 2011, will then form the basis for new calculations.

Regarding the provision for long-life low-level waste, the search for a storage site has been suspended following withdrawal of two sites selected by ANDRA. Further studies by ANDRA and the DGEC should lead to new estimates in 2012.

30.3.2 EDF's provisions for decommissioning and last cores in France

The change in EDF's decommissioning and last core provisions in France breaks down as follows:

(in millions of Euros)	12/31/2009	Increases	Decreases		Other changes	12/31/2010
			Utilizations	Reversals		
Decommissioning for fossil fired power plants	425	97	(58)	-	18	482
Decommissioning provisions for nuclear power plants	10,708	535	(218)	-	6	11,031
Provisions for last cores	1,825	91	-	(10)	-	1,906
EDF'S PROVISIONS FOR DECOMMISSIONING AND LAST CORES IN FRANCE	**12,958**	**723**	**(276)**	**(10)**	**24**	**13,419**

Expenses are estimated based on the economic conditions of the year-end, discounted to present value (see note 30.3.3.1) as follows:

(in millions of Euros)	12/31/2010		12/31/2009	
	Costs based on year-end economic conditions	**Amounts in provisions at present value**	Costs based on year-end economic conditions	Amounts in provisions at present value
Decommissioning provisions for fossil-fired ower plants	657	482	594	425
Decommissioning provisions for nuclear power plants	20,903	11,031	20,696	10,708
Provisions for last cores	3,792	1,906	3,732	1,825
PROVISION FOR DECOMMISSIONING AND LAST CORES	**25,352**	**13,419**	**25,022**	**12,958**

30.3.2.1 Decommissioning provisions for EDF's fossil-fired power plants in France

The expenses related to decommissioning of fossil-fired power plants are calculated using regularly updated studies based on estimated future costs, measured by reference to the charges recorded on past operations and the most recent estimates for plants still in operation.

The provision recorded at December 31, 2010 reflects the most recent known contractor quotes and commissioning of new generation assets.

For plants still in operation, an asset is recorded against the provision under the principles presented in note 1.3.13.1.

30.3.2.2 Decommissioning provisions for EDF's nuclear power plants in France

These provisions concern the decommissioning of pressurized water reactor (PWR) nuclear power plants currently in operation and nuclear power plants that have been permanently shut down.

They are estimated on the assumption that once decommissioning is complete, the sites will be returned to their original state and the land reused.

For plants still in operation, a tangible fixed asset has been created against the provision, applying the accounting principles presented in note 1.3.13.1.

When some of the decommissioning costs for a plant are to be borne by a foreign partner, the expected reimbursement is recognized against the provision as accrued income in the assets. In such cases the tangible asset created corresponds to the portion of the provision to be financed by EDF, and payments made by the partner are deducted from the accrued income recorded in the assets.

For nuclear power plants currently in operation (PWR plants with 900 MW, 1,300 MW and N4 reactors)

Provisions are estimated based on a 1991 study by the French Ministry of Trade and Industry, which set an estimated benchmark cost in €/MW, confirming the assumptions defined in 1979 by the PEON commission.

This estimate was confirmed by further studies carried out in 1999 focusing on a specific site, and a further valuation in 2009 involving the following steps:

- measurement of the decommissioning cost for a PWR plant with four 900 MW units, taking into consideration the most recent developments in regulations, past experience in decommissioning of shut-down plants and recommendations issued by the French Nuclear Safety Authority;
- a review of the scheduling for decommissioning operations over time;
- determination of the rules for extrapolation of costs for the entire fleet of PWR plants in operation.

International intercomparison supported the results of this study.

This revaluation resulted in a figure for decommissioning costs that confirms the amount of the provision booked to date, and validates the benchmark costs used, expressed as €/MW.

For permanently shut-down nuclear power plants (UNGG power plants, Creys-Malville, Brennilis and Chooz A)

The provision is based on contractor quotes (costs and schedules) updated in 2008, which take into account changes in technical and financial assumptions, experience of decommissioning operations currently in process and an intercomparison study.

30.3.2.3 EDF's provision for last cores in France

This provision covers expenses related to the future loss on unused fuel following the final reactor shutdown. It comprises two types of expenses:

- write-down of the inventory of fuel in the reactor that will not be totally spent when the reactor is shut down, valued at the last known average price;
- the cost of fuel reprocessing and the corresponding waste disposal and storage costs for fuel not yet spent at the time the plant shuts down. These costs are valued in a similar way to provisions for spent fuel management and long-term radioactive waste management.

Since this provision relates to an obligation that existed at the commissioning date of the nuclear unit containing the core, all costs are fully covered by provision and an asset associated with the provision is recognized.

30.3.3 Secure financing of the EDF group's long-term obligations for nuclear installations

The dedicated assets set aside to cover long-term obligations related to nuclear plants are described in note 46.

30.3.3.1 Discount rate

EDF applies a discount rate of 5% in calculating its provisions, together with assumed inflation of 2%, resulting in an effective rate of close to 3%.

Calculation of the discount rate

The discount rate is determined based on long-series data for a sample of bonds with maturities as close as possible to that of the liability. However, some expenses covered by EDF's provisions will be disbursed over periods significantly longer than the duration of instruments generally traded on the financial markets.

The benchmark used to determine the discount rate is the sliding average over 10 years of the return on French treasury bonds over the longest time horizons, plus the spread of corporate bonds rated A to AA, which include EDF.

The assumed inflation rate used is coherent with the forecasts provided by consensus and expected inflation based on the returns on inflation-linked bonds.

Revision of the discount rate

The methodology used to determine the discount rate gives priority to long-term trends in rates, in keeping with the long-term horizon for disbursements. The discount rate is therefore revised in response to structural developments in the economy leading to medium- and long-term changes.

The discount rate applied complies with the two limits set by the decree of February 23, 2007 and the decision of March 21, 2007. It must remain below:
- a regulatory maximum "equal to the arithmetic average over the forty-eight most recent months of the constant 30-year rate (TEC 30 years), observed on the last date of the period concerned, plus one point";
- and the expected rate of return on assets covering the liability.

30.3.3.2 Sensitivity factors in provisions for the back-end nuclear cycle and provisions for decommissioning and last cores

This sensitivity to assumptions concerning costs, inflation rate, long-term discount rate, and disbursement schedules can be estimated through comparison of the gross amount estimated under economic conditions for December of the year concerned with the discounted value of the amount.

This approach can be complemented by estimating the impact of a change in the discount rate on the discounted value.

In application of article 11 of the decree of February 23, 2007, the following table reports these details for the main components of provisions for the back-end nuclear cycle, decommissioning of nuclear plants and last cores:

	Amounts in provisions at present value		Sensitivity to discount rate			
			2010		2009	
(in millions of Euros)	**2010**	2009	+0.25%	-0.25%	+0.25%	-0.25%
Back-end nuclear cycle						
Spent fuel management	8,852	8,686	(197)	210	(192)	205
Long-term radioactive waste management	6,508	6,344	(401)	457	(391)	445
Decommissioning and last cores						
Decommissioning of nuclear power plants	11,031	10,708	(543)	577	(542)	575
Impairment of last cores	1,906	1,825	(81)	87	(81)	87
TOTAL	**28,297**	**27,563**	**(1,222)**	**1,331**	**(1,206)**	**1,312**

30.4 ●● British Energy's nuclear provisions

30.4.1 Restructuring agreements – Financing long-term obligations

Amendments signed with the Nuclear Liabilities Fund (NLF – an independent trust set up by the UK Government as part of the restructuring of British Energy) following the EDF group's acquisition of British Energy have a limited impact on the contractual financing commitments made to British Energy by the UK Secretary of State and the NLF under the "Restructuring Agreements". These agreements were entered into by British Energy on January 14, 2005 as part of the restructuring led by the UK Government from 2005 in order to stabilize British Energy's financial position. Under the terms of the Restructuring Agreements:

- the NLF agreed to fund, to the extent of its assets: (i) qualifying contingent and/or latent nuclear liabilities (including liabilities for management of spent fuel from the Sizewell B power station); and (ii) qualifying decommissioning costs for British Energy's existing nuclear power stations;
- the Secretary of State agreed to fund: (i) qualifying contingent and/or latent nuclear liabilities (including liabilities for the management of spent fuel from the Sizewell B power station) and qualifying decommissioning costs related to British Energy's existing nuclear power stations, to the extent that they exceed the assets of the NLF; and (ii) subject to a cap of £2,185 million (in December 2002 monetary values, adjusted accordingly), qualifying known existing liabilities for British Energy's spent fuel (including liabilities for management of spent fuel from plants other than Sizewell B loaded in reactors prior to January 15, 2005);
- the British Energy group is responsible for funding certain excluded or disqualified liabilities (mainly liabilities incurred in connection with unsafe or careless operation of the power plants). The obligations of British Energy to the NLF and the Secretary of State are guaranteed by the assets of the principal members of British Energy group.

British Energy has also undertaken commitments to pay:

- annual decommissioning contributions for a period limited to the useful lives of the plants that had ceased operations at the date of the "restructuring agreements"; the corresponding provision amounts to €200 million at December 31, 2010;
- £150,000 (indexed to inflation) per tonne of uranium loaded in the Sizewell B reactor after the date of the "restructuring agreements".

Furthermore, British Energy has entered into a separate contract with the Nuclear Decommissioning Authority (NDA) for management of radioactive waste resulting from operation of power plants other than Sizewell B after January 15, 2005 and bears no responsibility for this waste once it is transferred to the processing site at Sellafield. The corresponding costs of £150,000 (indexed to inflation) per tonne of loaded uranium are included in inventories (see note 1.3.18.1).

The specific financing terms for long-term nuclear obligations are reflected as follows in the EDF group's financial statements:

- the obligations are reported in liabilities in the form of provisions amounting to €7,992 million at December 31, 2010;
- in the assets, EDF reports receivables corresponding to the amounts payable under the restructuring agreements by the NLF, for non-contracted obligations or decommissioning obligations, and by the British Government for contracted obligations (or historic liabilities).

These receivables are discounted at the same real rate as the obligations they are intended to finance, and amount to €6,613 million at December 31, 2010 (see note 36.3).

30.4.2 British Energy's provisions for the back-end nuclear cycle

(in millions of Euros)	12/31/2009	Increases	Decreases		Other changes	**12/31/2010**
			Utilizations	Reversals		
Provisions for spent nuclear fuel management	2,209	-	-	-	(38)	2,171
Provisions for long-term radioactive waste management	451	-	-	-	35	486
PROVISIONS FOR BACK-END NUCLEAR CYCLE	**2,660**	**-**	**-**	**-**	**(3)**	**2,657**

Spent fuel from the Sizewell B PWR (pressurized water reactor) plant is stored on site. Spent fuel from other plants is transferred to Sellafield for storage and reprocessing.

The British Energy Group's provisions for the back-end nuclear cycle concern obligations for reprocessing and storage of spent fuel and long-term storage of radioactive waste, required by the existing regulations in the UK approved by the Nuclear Decommissioning Authority (NDA). Their amount is based on contractual agreements or if this is not possible, on the most recent technical estimates.

(in millions of Euros)	Back-end nuclear cycle: Contractualized spending	Back-end nuclear cycle: Non contractualized spending	12/31/2010 Total
Amounts under year-end economic conditions	2,631	3,311	5,942
Discounted value (real rate 3%)	2,171	641	2,812
Amounts in provisions	2,171	486	2,657

30.4.3 British Energy's provisions for decommissioning of nuclear plants and last cores

(in millions of Euros)	12/31/2009	Increases	Decreases		Changes in scope	Other changes	12/31/2010
			Utilizations	Reversals			
Provisions for decommissioning	3,938	14	(26)	-	-	225	4,151
Provisions for last cores	1,150	60	-	-	-	(26)	1,184
PROVISIONS FOR DECOMMISSIONING AND LAST CORES	**5,088**	**74**	**(26)**	**-**	**-**	**199**	**5,335**

Provisions for decommissioning of nuclear plants result from management's best estimates. They cover the full cost of decommissioning and are measured on the basis of existing techniques and methods that are most likely to be used for application of current regulations. The last estimates date from 2006 and assume that plants will be decommissioned and the land will ultimately be reused.

Decommissioning *(in millions of Euros)*	12/31/2010 Total
Non-discounted amount at year-end conditions	12,567
Amounts in provisions (discounted at the real rate of 3%)	3,951

The following table only concerns decommissioning obligations, excluding the discounted value of decommissioning contributions payable to the NLF (€200 million) (see note 30.4.1).

30.5 ●● CENG's provisions

In the US, obligations for spent fuel management, waste management and plant decommissioning are chiefly governed by the NRC (Nuclear Regulatory Commission), and waste transport obligations are governed by the Department of Transport.

(in millions of Euros)	12/31/2009	Increases	Changes in scope	Other changes	12/31/2010
PROVISIONS FOR DECOMMISSIONING AND LAST CORES	**442**	**30**	**-**	**(2)**	**470**

30.5.1 CENG's provisions for the back-end nuclear cycle

Spent fuel is not reprocessed, but put in temporary storage until the US Department of Energy (DOE) takes charge of its final storage. CENG pays a quarterly contribution of $1/MWh based on the quantities of electricity produced, and no provision is therefore established for this cost.

30.5.2 Decommissioning provisions for CENG's nuclear plants

CENG is under an obligation to decommission its three nuclear power plants when they cease operations, in compliance with NRC regulations.

Decommissioning provisions mainly cover internal and external personnel expenses, the cost of materials and equipment, transportation and underground storage, energy costs, real property taxes, contributions paid to the NRC for the decontamination certificate procedures and land rehabilitation expenses in compliance with recommendations.

Estimates of decommissioning costs are calculated for each individual site based on technical studies that are regularly updated. A study completed during the second half of 2010 led to a $50 million reduction in the provision. This was considered as an adjustment to the initial CENG balance sheet (see note 4.2.3).

30.5.3 Assets covering nuclear obligations

The NRC requires a trust fund to be set up plant by plant to finance decommissioning.

These trust funds are invested in debt instruments and equities, and are reserved for the relevant nuclear power plant. CENG's Investment Committee decides on the general investment strategy, including the allocation between asset categories. Investments comply with a conservative approach. Funds cannot be invested directly in companies that own nuclear power plants.

The NRC sets minimum levels for these trust funds, and inspections are carried out every two years. If a shortfall is noted, the NRC may require additional financial guarantees in the form of cash, letters of credit or guarantees from the parent company.

These covering assets are recorded as held-for-sale assets at fair value (stock market value).

30.6 ●● Other subsidiaries

Obligations associated with the back-end of the nuclear cycle concern SPE's share of nuclear power plants.

Decommissioning obligations primarily concern fossil-fired plants in Europe, nuclear plants in Belgium and other industrial facilities.

Note 31 - Provisions for employee benefits

31.1 ●● Changes in provisions

The changes in provisions for employee benefits were as follows in the last two years:

At December 31, 2010

(in millions of Euros)	12/31/2009	Increases	Decreases		Changes in scope	Other changes	12/31/2010
			Utilizations	Reversals			
Provisions for post-employment benefits	13,118	2,333	(2,215)	-	(2,270)	479	11,445
Provisions for other long-term benefits	1,131	223	(126)	-	(108)	(1)	1,119
PROVISIONS FOR EMPLOYEE BENEFITS	**14,249**	**2,556**	**(2,341)**	**-**	**(2,378)**	**478**	**12,564**

(in millions of Euros)	France	United Kingdom	Germany	Italy	Other international	Other activities	Total
Provisions at 12/31/2009	**11,773**	**119**	**1,939**	**54**	**230**	**134**	**14,249**
Amounts used at end of the period	(973)	(506)	(107)	-	(25)	(15)	(1,626)
Changes in the scope of consolidation	(453)	47	(1,972)	-	-	-	(2,378)
Net additions	1,339	316	137	5	26	18	1,841
Translation adjustments	-	5	-	-	10	2	17
Other	406	61	3	(8)	(1)	-	461
PROVISIONS AT 12/31/2010	**12,092**	**42**	**-**	**51**	**240**	**139**	**12,564**

The decrease in provisions since December 31, 2009 mainly results from changes in the provision for post-employment employee benefits, particularly pension obligations for French subsidiaries concerned by the special electricity and gas (IEG) sector pension system. The change also reflects changes in the scope of consolidation, with reclassification of EnBW's provisions as liabilities related to assets held for sale.

At December 31, 2009

(in millions of Euros)	12/31/2008	Increases	Decreases		Other changes	12/31/2009
			Utilizations	Reversals		
Provisions for post-employment benefits	12,703	2,211	(1,933)	(6)	143	13,118
Provisions for other long-term benefits	1,016	222	(122)	(1)	16	1,131
PROVISIONS FOR EMPLOYEE BENEFITS	**13,719**	**2,433**	**(2,055)**	**(7)**	**159**	**14,249**

(in millions of Euros)	France	United Kingdom	Germany	Italy	Other international	Other activities	Total
Provisions at 12/31/2008	**11,420**	**141**	**1,918**	**59**	**41**	**140**	**13,719**
Amounts used at end of the period	(937)	(347)	(104)	(9)	(9)	(18)	(1,424)
Changes in the scope of consolidation	-	13	-	1	176	-	190
Net additions	1,292	342	127	6	16	12	1,795
Translation adjustments	-	11	-	-	4	1	16
Other	(2)	(41)	(2)	(3)	2	(1)	(47)
PROVISIONS AT 12/31/2009	**11,773**	**119**	**1,939**	**54**	**230**	**134**	**14,249**

31.2 ●● Breakdown of provision for employee benefits by nature

(in millions of Euros)	12/31/2010	12/31/2009
Provisions for post-employment benefits – pensions	9,384	8,998
Provisions for post-employment benefits other than pensions	1,704	1,769
Provisions for other long-term benefits	1,065	1,062
Provisions for employee benefits – IEG	**12,153**	**11,829**
Provisions for employee benefits – non-IEG	**411**	**2,420**
TOTAL PROVISIONS FOR EMPLOYEE BENEFITS	**12,564**	**14,249**

31.2.1 French subsidiaries covered by the IEG system

The provision for pensions amounts to €9,384 million at December 31, 2010 (€8,998 million at December 31, 2009). In 2010 it includes the contribution to preserve benefit entitlements (*Contribution pour Maintien de Droits*), which was reclassified during the year as a component of employee benefit provisions. In 2009 it was included in "Other provisions" (see note 32).

In addition to pensions, other benefits are granted to employees not currently in active service, as detailed below:

(in millions of Euros)	12/31/2010	12/31/2009
Benefits in kind (electricity/gas)	1,138	1,176
Retirement gratuities	-	8
Bereavement benefit	273	287
Bonus paid leave	207	217
Other	86	81
PROVISIONS FOR POST-EMPLOYMENT BENEFITS	**1,704**	**1,769**

These benefits are described in note 1.3.25.2.

Personnel are also granted other long-term benefits. For IEG status employees, the related obligations total €1,065 million at December 31, 2010 (€1,062 million at December 31, 2009).

31.2.2 French and foreign subsidiaries not covered by the IEG system

The decrease in provisions for non-IEG employee benefits is mainly attributable to changes in the scope of consolidation, particularly reclassification of obligations relating to EnBW as liabilities held for sale.

31.3 ●● Actuarial assumptions

The main actuarial assumptions used for provisions for post-employment benefits and long-term employee benefits are summarized below:

	France		United Kingdom	
	2010	2009	2010	2009
Discount rates applied to obligations	5.00%	5.25%	5.50%	5.70%
Expected return on fund assets	4.80%	5.32%	6.00%	6.30%
Pay increase rates	2.00%	2.00%	5.10%	5.40%

In France the discount rate for long-term obligations to employees is determined based on the return on a government bond of comparable duration – the 2032 French Treasury bond, which has a duration of 14 years consistent with the duration of employee benefit obligations – plus a spread calculated on the leading non-financial companies.

In view of the change in yields on the benchmark French treasury bonds and variations in spreads, the Group adjusted its discount rate downwards to 5% at December 31, 2010.

The actual return on Group pension fund assets for 2010 is €1,141 million (€1,146 million for 2009).

For the portfolio of fund assets, in France a 25 base point variation in the expected return on fund assets would result in a 1.31% rise or fall in the expected expense for 2011.

The impact of a 25 base point variation in the discount rate would be a 3.3% variation in the total value of obligations in France, and a 4.9% variation in the service cost for France for 2011.

31.4 ●● Changes in the discounted value of the obligation

(in millions of Euros)	France	United Kingdom	Germany	Italy	Other International	Other Activities	Total
Obligations at 01/01/2010	**18,771**	**7,883**	**1,909**	**54**	**316**	**286**	**29,219**
Current year service cost	488	178	24	-	13	11	714
Interest expenses	984	426	106	1	15	6	1,538
Actuarial gains and losses	1,136	(13)	139	-	29	11	1,302
Effect of curtailment or settlement of a plan	(3)	1	-	-	(1)	-	(3)
Benefits paid	(965)	(264)	(112)	1	(16)	(16)	(1,372)
Contributions by plans participants	-	39	-	-	-	-	39
Past service cost vested	2	-	10	(1)	1	-	12
Past service cost not vested	-	-	-	-	2	(1)	1
Changes in scope of consolidation	(648)	(3,353)	(2,111)	-	-	-	(6,112)
Exchange rate	-	263	5	-	14	4	286
Other	405	-	30	(4)	7	2	440
OBLIGATIONS AT 12/31/2010	**20,170**	**5,160**	**-**	**51**	**380**	**303**	**26,064**
Fair value of fund assets	(6,889)	(4,320)	-	-	(115)	(127)	(11,451)
Unrecognized actuarial gains (losses)	(1,059)	(971)	-	-	(20)	(36)	(2,086)
Unrecognized past service cost	(130)	-	-	-	(5)	(1)	(136)
NET PROVISIONS RECORDED	**12,092**	**(131)**	**-**	**51**	**240**	**139**	**12,391**
Included:							
Provision for post-employment benefits	12,092	42	-	51	240	139	12,564
Pension assets	-	-	-	-	-	-	-
Financial assets	-	(173)	-	-	-	-	(173)

In France, the change in actuarial gains and losses is explained by the lower discount rate (which was reduced from 5.25% to 5%), but also by inclusion of the effects of the 2010 pension reform in actuarial gains and losses.

Other changes in France include €407 million corresponding to reclassification of the provision for preservation of benefit entitlements as pension obligations. One of the main consequences of affiliation of the special IEG pension system with the AGIRC and ARRCO complementary pension schemes in 2004, and the aim to maintain the level at which entitlements were covered by those bodies for the deregulated activities, was the recognition of a provision to cover any shortfall in benefit funding by EDF's contributions. In view of the discussions undertaken in 2010, in compliance with the commitment made in 2004 to review the situation and the nature of the provision – to finance employee pensions – this provision has now been reclassified under pension obligations.

The total experience adjustment for France represents an actuarial gain of €18 million.

31.5 ●● Fund assets

(in millions of Euros)	France	United Kingdom	Germany	Other International	Other Activities	Total
Fair value of dedicated financial assets as of 01/01/2010	**(6,388)**	**(5,981)**	**(36)**	**(85)**	**(125)**	**(12,615)**
Expected return on fund assets	(339)	(365)	(3)	(7)	(1)	(715)
Net contributions	(634)	(543)	(5)	(19)	4	(1,197)
Actuarial gains and losses	(203)	(218)	1	(5)	-	(425)
Benefits paid through dedicated assets	627	264	5	10	(3)	903
Changes in scope of consolidation	46	2,723	69	-	-	2,838
Exchange rate	-	(200)	(5)	(6)	(2)	(213)
Other	2	-	(26)	(2)	-	(26)
FAIR VALUE OF DEDICATED FINANCIAL ASSETS AS OF 12/31/2010	**(6,889)**	**(4,320)**	**-**	**(114)**	**(127)**	**(11,450)**

For France, this item includes €6,889 million of fund assets at December 31, 2010 (€6,388 million at December 31, 2009) to cover EDF's long-term employee benefit obligations allocated to retirement gratuities (covered 100%) and the specific benefits of the special pension system.

They consist of insurance contracts.

At December 31, 2010, investments under the contracts in France break down as follows:

- for retirement gratuities: 47% equities, 53% bonds and monetary instruments (the same distribution as in 2009);
- for the special pension system: 30% equities, 70% bonds and monetary instruments (respectively 35% and 65% in 2009).

Pension obligations in the United Kingdom are partly covered by external funds with a present value of €4.3 billion at December 31, 2010 (€6.0 billion at December 31, 2009). These funds comprise equities (38%), bonds and money market instruments (47%), real estate property (6%) and other investments (9%).

Following the sale of the network businesses in particular, actuarial gains and losses on EDF Energy pension funds decreased from €(1,783) million at December 31, 2009 to €(971) million at December 31, 2010.

31.6 ●● Post-employment and other long-term employee benefit expenses

(in millions of Euros)	**12/31/2010**	12/31/2009
Current year service cost	(714)	(585)
Interest expense (current value method)	(1,538)	(1,461)
Expected return on fund assets	715	634
Actuarial gains and losses recorded during the year	(278)	(173)
Effect of curtailment or settlement of a plan	3	2
Cost of past service vested	(12)	2
Effect of limit	-	-
NET CHARGES RELATED TO POST-EMPLOYMENT BENEFITS AND OTHER LONG-TERM BENEFITS (1)	**(1,824)**	**(1,581)**

(1) Including expenses related to EnBW.

Note 32 - Other provisions and contingent liabilities

Details of changes in other provisions are as follows:

(in millions of Euros)	12/31/2009	Increases	Decreases		Changes in scope	Other changes	12/31/2010
			Utilizations	Reversals			
Provisions for contingencies related to investments	182	16	(4)	-	-	-	194
Provisions for tax liabilities	355	30	(5)	-	(111)	20	289
Provisions for litigation	529	79	(60)	(35)	(22)	15	506
Provisions for onerous contracts	1,029	228	(683)	(23)	(95)	569	1,025
Other	2,722	2,001	(1,638)	(167)	(343)	(382)	2,193
OTHER PROVISIONS	**4,817**	**2,354**	**(2,390)**	**(225)**	**(571)**	**222**	**4,207**

Other provisions essentially comprise:

- a provision of €173 million for the TaRTAM transition tariff system, including €121 million for its prolongation until application of the ARENH system;
- provisions of €545 million for greenhouse gas emission quotas and renewable energy certificates.

Provisions for litigation include a provision relating to a dispute with social security bodies.

Provisions for onerous contracts include the fair value of:

- British Energy sales contracts, amounting to €402 million at December 31, 2010 (€838 million at December 31, 2009);
- CENG sales contracts amounting to €512 million at December 31, 2010. These contracts were previously included in "Other liabilities" at the value of €290 million in the provisional initial balance sheet drawn up for the financial statements at December 31, 2009 (see note 4.2.3).

Other changes include the reclassification of the provision for the contribution to preserve benefit entitlements (€(407) million).

Note 33 - Specific French public electricity distribution concession liabilities for existing assets and assets to be replaced

The changes in specific concession liabilities for existing assets and assets to be replaced are as follows:

(in millions of Euros)	12/31/2010	12/31/2009
Value in kind of assets	39,001	37,770
Unamortized financing by the operator	(18,683)	(18,103)
Rights in existing assets – net value	**20,318**	**19,667**
Amortization in existing by the grantor	9,404	8,887
Provisions for renewal	11,439	11,323
Rights in assets to be replaced	**20,843**	**20,210**
SPECIFIC FRENCH PUBLIC ELECTRICITY DISTRIBUTION CONCESSION LIABILITIES FOR EXISTING ASSETS AND ASSETS TO BE REPLACED	**41,161**	**39,877**

Note 34 - Trade payables

(in millions of Euros)	12/31/2010	12/31/2009
Trade payables – excluding EDF Trading	9,856	10,694
Trade payables – EDF Trading	2,949	2,654
TRADE PAYABLES	**12,805**	**13,348**

Note 35 - Other liabilities

Details of other liabilities are as follows:

(in millions of Euros)	12/31/2010	12/31/2009
Advances and progress payments received	5,896	5,277
Liabilities related to property, plant and equipment	2,167	2,216
Tax and social charges	6,881	6,884
Deferred income	5,848	4,496
Other (1)	2,847	5,334
OTHER LIABILITIES	**23,639**	**24,207**
Non-current	4,965	3,360
Current	18,674	20,847

(1) Including liabilities related to commitments to purchase minority interests, amounting to €66 million at December 31, 2010 (€1,018 million at December 31, 2009).

At December 31, 2010, deferred income includes €2,693 million (€2,444 million at December 31, 2009) of partner advances to EDF under the nuclear plant financing plans, and the €1.7 billion advance to the EDF group under the agreement with the Exeltium consortium.

The decline in 2010 is mainly explained by the following factors:

- Reclassification of CENG sales contracts, amounting to €512 million, as "Provisions for onerous contracts". These contracts were previously included in "Other liabilities" for an amount of €290 million in the provisional initial balance sheet drawn up for the financial statements at December 31, 2009.
- Settlement of the liability related to the put option granted to SPE minority shareholders (€807 million), reflecting:
  - exercise of their option by some of these shareholders;
  - the liquidity conditions of the new shareholder pact of April 16, 2010 signed with minority shareholders wishing to retain their holding in SPE.

FINANCIAL ASSETS AND LIABILITIES

Note 36 - Current and non-current financial assets

36.1 ●● Breakdown between current and non-current financial assets

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

	12/31/2010			12/31/2009		
(in millions of Euros)	**Current**	**Non-current**	**Total**	Current	Non-current	Total
Financial assets carried at fair value with changes in fair value included in income	4,534	13	4,547	4,863	13	4,876
Available-for-sale financial assets	9,748	15,287	25,035	4,987	15,818	20,805
Held-to-maturity investments	2	23	25	61	463	524
Positive fair value of hedging derivatives	1,401	1,180	2,581	1,783	1,112	2,895
Loans and financial receivables	1,103	8,418	9,521	756	7,092	7,848
FINANCIAL ASSETS (1)	**16,788**	**24,921**	**41,709**	**12,450**	**24,498**	**36,948**

(1) Including impairment of €726 million at December 31, 2010 (€911 million at December 31, 2009).

36.2 ●● Details of financial assets

36.2.1 Financial assets carried at fair value with changes in fair value included in income

(in millions of Euros)	**12/31/2010**	12/31/2009
Derivatives – positive fair value	4,530	4,662
Fair value of derivatives held for trading (1)	5	203
Financial assets carried at fair value optionally in income	12	11
FINANCIAL ASSETS CARRIED AT FAIR VALUE WITH CHANGES IN FAIR VALUE INCLUDED IN INCOME	**4,547**	**4,876**
(1) Including the qualifying portion of liquid assets.	-	*197*

Financial assets carried at fair value mainly concern EDF Trading.

At December 31, 2010, 3% of derivatives were valued on the basis of prices listed on an active market, 90% were valued by reference to observable data, and 7% using internal models.

36.2.2 Available-for-sale financial assets

	12/31/2010			12/31/2009 (2)		
(in millions of Euros)	Equities (1)	Debt securities	Total	Equities (1)	Debt securities	Total
Dedicated assets of EDF (note 46)	6,820	6,685	13,505	4,932	6,504	11,436
Liquid assets	4,930	4,355	9,285	2,400	2,138	4,538
Strategic investment	-	-	-	414	-	414
Other	2,172	73	2,245	3,083	1,334	4,417
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**13,922**	**11,113**	**25,035**	**10,829**	**9,976**	**20,805**

(1) Equities and investment funds.

(2) The distribution between equities and debt securities at December 31, 2009 has been reviewed.

The "strategic investment" in 2009 consists of shares in Constellation Energy Group. Following the agreements of November 3, 2010 (see note 4.2.2), the Group no longer considers these shares as a strategic investment, and they are included in "Other" in 2010.

At December 31, 2010, 16% of the portfolio is valued by reference to prices listed on an active market, and 84% by reference to observable data.

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

In 2010

(in millions of Euros)	Gross changes in fair value recorded in equity (1)	Taxes related to gross changes in fair value recorded in equity	Changes after tax in fair value recorded in equity (1)	Gross changes in fair value transferred to income (2)	Taxes related in changes to fair value transferred to income	Changes after tax in fair value transferred to income (2)
Dedicated assets	886	(305)	581	(4)	1	(3)
Liquid assets	(29)	10	(19)	(40)	13	(27)
Strategic investment	-	-	-	-	-	-
Other	(39)	(15)	(54)	(87)	(5)	(92)
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**818**	**(310)**	**508**	**(131)**	**9**	**(122)**

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

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

Gross changes in fair value included in equity in 2010 (EDF's share) principally concern EDF: €850 million, including €886 million for dedicated assets.

No significant impairment was recorded by EDF in 2010.

The impact on equity includes the current or deferred tax related to these changes in fair value.

In 2009

(in millions of Euros)	Gross changes in fair value recorded in equity [1]	Taxes related to gross changes in fair value recorded in equity	Changes after tax in fair value recorded in equity [1]	Gross changes in fair value transferred to income [2]	Taxes related in changes to fair value transferred to income	Changes after tax in fair value transferred to income [2]
Dedicated assets	1,031	(355)	676	(78)	27	(51)
Liquid assets	88	(31)	57	72	(24)	48
Strategic investment	-	-	-	-	-	-
Other	133	(19)	114	(54)	12	(42)
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**1,252**	**(405)**	**847**	**(60)**	**15**	**(45)**

(1) + / ( ): increase/decrease in equity (EDF's share).
(2) + / ( ): increase/decrease in net income.

Gross changes in fair value included in equity in 2009 (EDF's share) principally concern EDF: €1,134 million, including €1,031 million for dedicated assets.

These changes reflect the improvement observed on the financial markets from the second quarter of the year.

Impairment of €(48) million was recorded by EDF.

Details of dedicated assets are given in note 46.

36.2.2.1 Liquid assets

Liquid assets are financial assets consisting of funds or interest rate instruments with initial maturity of over three months, that are readily convertible into cash, and are managed according to a liquidity-oriented policy.

EDF's monetary investment funds included in liquid assets amount to €4,930 million (€2,400 million at December 31, 2009).

36.2.2.2 Other securities

At December 31, 2010, other securities mainly include:
- at CENG, €518 million of available-for-sale assets related to decommissioning trust funds (reserved for financing of plant decommissioning);
- at EDF Inc., shares in CEG (€320 million);
- at EDF, shares in AREVA (€313 million) and Veolia (€423 million).

At December 31, 2010, EnBW's reserved funds are presented in available-for-sale assets. In 2009 they were included in other securities at a value of €1,700 million.

36.3 ●● Fair value of financial assets recorded at amortized cost

	12/31/2010		12/31/2009	
(in millions of Euros)	**Fair value**	**Net book value**	Fair value	Net book value
Held-to-maturity investments	25	25	524	524
Loans and financial receivables – assets receivable from the NLF	6,613	6,613	6,399	6,399
Loans and financial receivables – other	2,912	2,908	1,455	1,449
FINANCIAL INSTRUMENTS OTHER THAN DERIVATIVES	**9,550**	**9,546**	**8,378**	**8,372**

Loans and financial receivables include amounts representing reimbursements receivable from the NLF and the British government for coverage of long-term nuclear obligations, totaling €6,613 million at December 31, 2010 (€6,399 million at December 31, 2009).

36.4 ●● Change in current and non-current financial assets other than derivatives

The variation in financial assets is as follows:

36.4.1 At December 31, 2010

(in millions of Euros)	12/31/2009	Increases	Decreases	Changes in fair value	Changes in scope	Other	12/31/2010
Available-for-sale financial assets	20,805	12,637	(6,554)	1,018	(2,343)	(528)	**25,035**
Held-to-maturity investments	524	53	(66)	-	(487)	1	**25**
Loans and financial receivables	7,848	275	(286)	-	1,322	362	**9,521**

36.4.2 At December 31, 2009

(in millions of Euros)	12/31/2008	Increases	Decreases	Changes in fair value	Changes in scope	Other	12/31/2009
Available-for-sale financial assets	23,112	10,957	(11,918)	1,349	(1,806)	(889)	20,805
Held-to-maturity investments	527	72	(74)	-	-	(1)	524
Loans and financial receivables	1,255	260	(131)	-	6,132	332	7,848

Note 37 - Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and investments in money market instruments. Cash and cash equivalents as stated in the cash flow statements include the following amounts recorded in the balance sheet:

(in millions of Euros)	12/31/2010	12/31/2009
Cash	1,838	3,569
Cash equivalents	2,804	3,207
Financial current accounts	187	206
CASH AND CASH EQUIVALENTS	**4,829**	**6,982**

Note 38 - Current and non-current financial liabilities

38.1 ●● Breakdown between current and non-current financial liabilities

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

	12/31/2010			12/31/2009		
(in millions of Euros)	Non-current	Current	Total	Non-current	Current	Total
Loans and other financial liabilities	39,993	7,784	47,777	43,941	9,927	53,868
Negative fair value of derivative held for trading	-	4,002	4,002	-	3,610	3,610
Negative fair value of hedging derivatives	653	980	1,633	814	3,023	3,837
FINANCIAL LIABILITIES	**40,646**	**12,766**	**53,412**	**44,755**	**16,560**	**61,315**

At December 31, 2010, the fair value of derivatives is determined on the basis of listed prices (1%), observable prices (96%) and internal valuation models (3%).

The maturity of EDF Énergies Nouvelles' credit lines is now based on the maturity date of the agreement rather than the date of the current drawing. Including this change of presentation, the current and non-current portions of loans and other financial liabilities at December 31, 2009 would have been €9,322 million and €44,546 million respectively (the impact of the reclassification is €605 million).

38.2 ●● Loans and other financial liabilities

38.2.1 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 interests	Total
Balances at 12/31/2008	**23,490**	**4,859**	**8,292**	**235**	**575**	**37,451**
Increases	18,904	11,128	413	-	702	31,147
Decreases	(2,766)	(9,926)	(2,929)	(73)	(44)	(15,738)
Changes in scope of consolidation	597	304	109	8	4	1,022
Translation adjustments	185	184	49	-	100	518
Others	(338)	(99)	(42)	76	(129)	(532)
Balances at 12/31/2009	**40,072**	**6,450**	**5,892**	**246**	**1,208**	**53,868**
Increases	5,736	2,057	971	-	137	8,901
Decreases	(1,924)	(2,144)	(841)	(42)	(16)	(4,967)
Changes in scope of consolidation (1)	(9,489)	(753)	(940)	(13)	(276)	(11,471)
Translation adjustments	646	67	205	-	2	920
Others	458	(273)	199	182	(40)	526
BALANCES AT 12/31/2010	**35,499**	**5,404**	**5,486**	**373**	**1,015**	**47,777**

(1) Changes in the scope of consolidation in 2010 concern RTE €(4,812) million, EnBW €(3,544) million and the network activities in the United Kingdom €(3,174) million.

EDF undertook several major bond issues during 2010:

On January 26, 2010, EDF issued two bonds on the US market in the form of a private placement reserved for institutional investors (issue governed by Rule 144A of the US Securities and Exchange Commission), in two installments:
- a 10-year $1.4 billion installment with an annual coupon of 4.60%;
- a 30-year $850 million installment with an annual coupon of 5.60%.

On March 10, 2010, Edison issued a €500 million bond with 5-year maturity and annual coupon of 3.25% (EDF's share: €245 million), as part of its EMTN program.

On March 29, 2010, EDF undertook a bond issue on the Swiss market for CHF 400 million with an annual coupon of 2.25%, maturing in September 2017.

On April 27, 2010, EDF undertook a bond issue on the Euronext Paris market for €1.5 billion with an annual coupon of 4.625%, maturing in April 2030.

On September 22, 2010, EDF issued a £1 billion bond with 40-year maturity and annual coupon of 5.125%.

On November 3, 2010, Edison issued a €600 million bond with 7-year maturity and annual coupon of 3.9% (EDF's share: €294 million).

On November 12, 2010 EDF issued a 2-tranche bond on the Euronext Paris market. The first 15-year tranche amounts to €750 million (coupon 4.0%) and the second 30-year tranche also amounts to €750 million (coupon 4.5%).
This issue made it possible to restructure the debt (partial redemption of bonds maturing between 2013 and 2015).

Loans and other financial liabilities of the Group's main entities are as follows:

(in millions of Euros)	**12/31/2010**	12/31/2009
EDF and other affiliated subsidiaries (1)	33,656	30,756
EDF Energy (2)	5,312	11,943
EnBW	-	3,416
EDF Énergies Nouvelles	4,059	3,295
Edison (3)	2,104	2,302
Other	2,646	2,156
GROSS INDEBTEDNESS	**47,777**	**53,868**

(1) ERDF, PEI, EDF International and EDF Investissement Groupe.
(2) Including holding companies.
(3) Edison excluding TDE.

At December 31, 2010, none of these entities was in default on any borrowing.

The Group's principal borrowings at December 31, 2010 are as follows:

(in millions)	Entity	Issue	Maturity	Issuance amount	Currency	Rate
Euro MTN	EDF	11/2008	01/2013	2,000	EUR	5.6%[(1)]
Bond	EDF	01/2009	01/2014	1,250	USD	5.5%
Euro MTN	EDF	07/2009	07/2014	3,269	EUR	4.5%
Euro MTN	EDF	01/2009	01/2015	2,000	EUR	5.1%[(1)]
Euro MTN	EDF	10/2001	10/2016	1,100	EUR	5.5%
Euro MTN	EDF	01/2008	01/2018	1,500	EUR	5.0%
Bond	EDF	01/2009	01/2019	2,000	USD	6.5%
Bond	EDF	01/2010	01/2020	1,400	USD	4.6%
Euro MTN	EDF	05/2008	05/2020	1,200	EUR	5.4%
Euro MTN	EDF	01/2009	01/2021	2,000	EUR	6.3%
Euro MTN	EDF	09/2009	09/2024	2,500	EUR	4.6%
Euro MTN	EDF	11/2010	11/2025	750	EUR	4.0%
Euro MTN	EDF	04/2010	04/2030	1,500	EUR	4.6%
Euro MTN	EDF	02/2003	02/2033	850	EUR	5.6%
Euro MTN	EDF	05/2009	06/2034	1,500	GBP	6.1%
Bond	EDF	01/2009	01/2039	1,750	USD	7.0%
Euro MTN	EDF	11/2010	11/2040	750	EUR	4.5%
Euro MTN	EDF	09/2010	09/2050	1,000	GBP	5.1%

(1) These two bonds were partially redeemed after two €750 million issues in 2010.

38.2.2 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 interests	Total
Less than one year	876	1,070	4,774	49	1,015	7,784
From one to five years	11,777	2,306	539	160	-	14,782
More than five years	22,846	2,028	173	164	-	25,211
LOANS AND FINANCIAL LIABILITIES AT 12/31/2010	**35,499**	**5,404**	**5,486**	**373**	**1,015**	**47,777**

38.2.3 Breakdown of loans by currency

	12/31/2010			12/31/2009		
(in millions of Euros)	Initial debt structure	Impact of hedging derivatives[(1)]	Debt structure after hedging derivatives	Initial debt structure	Impact of hedging derivatives[(2)]	Debt structure after hedging derivatives
Euro (EUR)	28,510	(3,089)	25,421	37,232	(10,356)	26,876
American dollar (USD)	9,257	(4,568)	4,689	5,081	(32)	5,049
Pound sterling (GBP)	5,081	8,678	13,759	7,386	11,463	18,849
Other	4,929	(1,021)	3,908	4,169	(1,075)	3,094
LOANS AND FINANCIAL LIABILITIES	**47,777**	**-**	**47,777**	**53,868**	**-**	**53,868**

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

(2) Hedges of liabilities and net assets of foreign subsidiaries, and dollar/sterling swaps classified as economic hedges.

38.2.4 Breakdown of loans by type of interest rate, before and after swaps

(in millions of Euros)	12/31/2010 Initial debt structure	12/31/2010 Impact of hedging derivatives	12/31/2010 Debt structure after hedging derivatives	12/31/2009 Initial debt structure	12/31/2009 Impact of hedging derivatives	12/31/2009 Debt structure after hedging derivatives
Fixed rates	41,150	(49)	41,101	44,569	613	45,182
Floating rates	6,627	49	6,676	9,299	(613)	8,686
LOANS AND FINANCIAL LIABILITIES	**47,777**	**-**	**47,777**	**53,868**	**-**	**53,868**

The breakdown of loans and financial liabilities by interest rate includes the impact of all derivatives designated as hedges in accordance with IAS 39.

38.2.5 Credit lines

At December 31, 2010, the Group has credit lines with various banks totaling €11,085 million (€10,039 million at December 31, 2009).

	12/31/2010				12/31/2009
	Total	Maturity			Total
(in millions of Euros)		< 1 year	1 - 5 years	> 5 years	
CONFIRMED CREDIT LINES	**11,085**	**1,178**	**5,907**	**4,000**	**10,039**

The increase in credit lines over 2010 reflects the introduction of new credit lines for EDF (€3,750 million) and the non-inclusion of EnBW and RTE's credit lines.

38.2.6 Fair value of loans and other financial liabilities at December 31, 2010

(in millions of Euros)	12/31/2010 Fair value	12/31/2010 Net book value	12/31/2009 Fair value	12/31/2009 Net book value
LOANS AND FINANCIAL LIABILITIES	**52,868**	**47,777**	**57,014**	**53,868**

38.3 ●● Net indebtedness

Net indebtedness is not defined in the accounting standards and is not directly visible in the consolidated balance sheet. It 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 reviewed in 2010 to reflect loans to RTE, which has been accounted for under the equity method from December 31, 2010.

38.3.1 Net indebtedness by nature

(in millions of Euros)	Notes	12/31/2010	12/31/2009
Loans and other liabilities	38.2.1	47,777	53,868
Derivatives used to hedge liabilities		49	373
Cash and cash equivalents	37	(4,829)	(6,982)
Liquid assets (1)	36.2	(9,285)	(4,735)
Loan to RTE		(1,914)	-
Net indebtedness of discontinued activities		2,591	(28)
NET INDEBTEDNESS		**34,389**	**42,496**

(1) Available-for-sale financial assets: €9,285 million and financial assets carried at fair value: €0 million at December 31, 2010 (respectively €4,538 million and €197 million at December, 31, 2009).

2010 is marked by a significant decline in net indebtedness, resulting particularly from sale of the UK networks and application of the equity method to RTE (see note 4.1.4.1).

Net indebtedness of discontinued activities mainly corresponds to the Group's investment in EnBW.

38.3.2 Changes in net indebtedness

(in millions of Euros)	2010	2009
Operating profit before depreciation and amortization (EDITDA)	**16,623**	**15,929**
Cancellation of non-monetary items included in EBITDA	(1,165)	(2,320)
Net financial expenses disbursed	(2,197)	(1,367)
Income tax paid	(1,967)	(869)
Other items	152	84
Net cash flow from operations	**11,446**	**11,457**
Change in net working capital (1)	298	(863)
Net operating investments (gross CAPEX less disposals)	(12,053)	(11,576)
Non-recurring items (2)	-	1,224
Free cash flow	**(309)**	**242**
Allocation to dedicated assets, France	(1,343)	(1,902)
Financial investments (3)	3,613	(12,932)
Dividends paid	(2,353)	(1,289)
Other items	(287)	(696)
Monetary (increase)/decrease in net indebtedness, excluding the impact of changes in the scope of consolidation and exchange rates	**(679)**	**(16,577)**
Effects of changes in the scope of consolidation (4)	9,358	577
Effect of exchange rate fluctuations	(782)	(758)
Other non-monetary changes	15	(319)
(Increase)/Decrease in net indebtedness of continuing activities	**7,912**	**(17,077)**
(Increase)/Decrease in net indebtedness of discontinued activities	**195**	**(943)**
Net indebtedness at beginning of period	**42,496**	**24,476**
NET INDEBTEDNESS AT END OF PERIOD	**34,389**	**42,496**

(1) The change in working capital shown in the change in net indebtedness differs from the change in working capital presented in the consolidated cash flow statements: it does not include the final payment for decommissioning of La Hague after the 2008 EDF-AREVA agreement (€(633) million in 2010 and €(605) million in 2009), which is included in "Other items».

(2) Cancellation of the European Commission decision.

(3) The main financial investments for 2010 mainly concern the cash the sale price of electricity distribution networks in the United Kingdom for €3,655 million.

(4) This includes decreases of €6,341 million in net indebtedness associated with the change in consolidation method applied to RTE and €2,991 million resulting from deconsolidation of the UK electricity distribution networks' liabilities.

Note 39 - Management of financial risks

As an operator in the energy sector worldwide, the EDF group is exposed to risks related to interest rates, exchange rates and fluctuations in commodity prices. The Group uses derivatives in various hedging strategies to eliminate or limit these financial risks, but not for speculative purposes.

To that end, the Group has set up a dedicated body responsible for defining the risk management policy and its governing principles, and supervising their correct application.

EDF entities and Group subsidiaries, particularly EDF Trading, EDF Energy and Edison have adapted these principles as appropriate for management of the risks inherent to their business.

Risks related to exchange rate, interest rate and commodity price fluctuations create volatility affecting Group results, equity and cash flows.

The main derivatives used are forward exchange contracts, currency options and currency swaps, interest rate swaps, cross currency swaps and commodity futures, forwards and swaps.

The equity risk lies essentially in the portfolio to cover nuclear obligations, and to a lesser degree in long-term investments for EDF's cash management.

On the energy markets, the Group enters into trading operations on the wholesale electricity, CO_2 and fossil fuel markets, mainly through its subsidiary EDF Trading. EDF Trading's spot and forward transactions mostly involve instruments such as forward contracts (with or without physical delivery), swaps and options (see Management Report section 1.9.2).

While EDF Trading is responsible for controlling its own exposure to energy market risks, its commitments on the markets are also managed at Group level through a "Value at risk" (VaR) limit with a stop-loss limit.

The credit risk covers the risk of unpaid trade receivables and the risk of default on contractual obligations by counterparties, and the Group has an appropriate risk management policy based on the four following principles:
- close monitoring of the Group's counterparties (a daily report on alerts and specific conservative measures for certain counterparties);
- a methodology to assign exposure limits for each counterparty, related to financial and energy markets;
- monthly consolidation of exposure to counterparty risk on financial and energy market activities and quarterly consolidation across all activities;
- introduction of a loss limit for the Group and for each entity, and compliance monitoring by the Corporate Credit Committee.

Regarding the risk of customer default, another component of the counterparty risk, a statement of receivables not yet due and overdue is shown in note 26.

In the special case of EDF Trading, credit risk is partly covered by bilateral margin agreements and letters of credit.

A description of the types of financial risk and energy market risks and the Group's management and control framework for those risks can be found in section 1.9 of the Management Report.

The sensitivity analysis required by IFRS 7 is contained in the Management Report:
- Foreign exchange risk: section 1.9.1.3;
- Interest rate risk on financing issued and financial assets: section 1.9.1.4;
- Equity risk on financial assets: section 1.9.1.5.

The principal information on financial assets and liabilities are described by theme in the following notes and sections:
- Liquidity risks:
  - Maturity of loans and other financial liabilities: note 38.2.2 to the financial statements;
  - Covenants and off balance sheet commitments: note 38.2.5 to the financial statements;
  - Off balance sheet investment commitments: note 42.1.4.2 to the financial statements;
  - Off balance sheet commitments: section 1.11 of the Management Report.
- Foreign exchange risks:
  - Breakdown of loans by interest rate and currency: notes 38.2.3 and 38.2.4 to the financial statements.
- Equity risks (Management Report – section 1.9.1.5):
  - Coverage of nuclear obligations: note 30.3.3 to the financial statements;
  - Coverage of social obligations: note 31.5 to the financial statements;
  - Long-term cash management;
  - Direct investments.
- Interest rate risks:
  - Discount rate for nuclear provisions: calculation method and sensitivity: note 30.3.3.1 to the financial statements;
  - Discount rate used for employee benefits: note 31.3 to the financial statements;
  - Breakdown of loans by interest rate and currency: notes 38.2.3 and 38.2.4 to the financial statements.
- Balance sheet treatment of financial and market risks:
  - Derivatives and hedge accounting: note 40 to the financial statements, with direct correspondence to the statement of changes in equity;
  - Derivatives not recorded as hedges: note 41 to the financial statements.

Note 40 - Derivatives and hedge accounting

Hedge accounting is applied in compliance with IAS 39, and concerns interest rate derivatives used to hedge long-term indebtedness, currency derivatives used to hedge net foreign investments and debts in foreign currencies, and currency and commodity derivatives used to hedge future cash flows.

The fair value of hedging derivatives reported in the balance sheet breaks down as follows:

(in millions of Euros)	Notes	12/31/2010	12/31/2009
Positive fair value of hedging derivatives	36.1	2,581	2,895
Negative fair value of hedging derivatives	38.1	(1,633)	(3,837)
FAIR VALUE OF HEDGING DERIVATIVES		**948**	**(942)**
Including interest rate hedging derivatives	40.4.1	(192)	(124)
Including foreign currency hedges	40.4.2	797	380
Including cash flow hedge commodity derivatives	40.4.3	365	(1,205)
Including Commodity-related fair value hedges	40.5	(22)	7

In 2010

(in millions of Euros)	Quoted prices	Observable data	Internal model	Total
Positive fair value of hedging derivatives	-	2,581	-	2,581
Negative fair value of hedging derivatives	(1)	(1,629)	(3)	(1,633)
FAIR VALUE OF HEDGING DERIVATIVES	**(1)**	**952**	**(3)**	**948**

In 2009

(in millions of Euros)	Quoted prices	Observable data	Internal model	Total
Positive fair value of hedging derivatives	4	2,879	12	2,895
Negative fair value of hedging derivatives	(47)	(3,735)	(55)	(3,837)
FAIR VALUE OF HEDGING DERIVATIVES	**(43)**	**(856)**	**(43)**	**(942)**

40.1 ●● Fair value hedges

The EDF group hedges the exposure to changes in the fair value of fixed-rate debts. The derivatives used for this hedging are fixed/floating interest rate swaps and cross currency swaps, with changes in fair value recorded in the income statement. Fair value hedges also include currency hedging instruments on certain firm purchase commitments.

At December 31, 2010, the ineffective portion of fair value hedges represents a gain of €2 million (loss of €7 million at December 31, 2009), included in the financial result.

40.2 ●● Cash flow hedges

The EDF group uses cash flow hedging principally for the following purposes:

- to hedge its floating-rate debt, using interest-rate swaps (floating/fixed rate);
- to hedge the exchange rate risk related to debts contracted in foreign currencies, using cross currency swaps;
- to hedge future cash flows related to expected sales and purchases of electricity, gas, and coal, using futures, forwards and swaps.

The EDF group also hedges the currency risk associated with fuel and commodity purchases.

At December 31, 2010, the ineffective portion of cash flow hedges represents a loss of €3 million (gain of €2 million at December 31, 2009).

40.3 ●● Hedges of net investment in foreign entities

Hedging of net foreign investment is used for protection against exposure to the exchange rate risk related to net investments in the Group's foreign entities.

This risk is hedged at Group level either by contracting debts for investments in the same currency, or through the markets, in which case the Group uses currency swaps and forward exchange contracts.

40.4 ●● Impact of hedging derivatives on equity

Changes in the fair value of hedging derivatives included in equity (EDF's share) over the year are as follows:

In 2010

(in millions of Euros)	Gross changes in fair value recorded in equity (1)	Tax related to gross changes in fair value recorded in equity	Changes after taxes in fair value recorded in equity (1)	Ineffectiveness	Gross changes in fair value transferred to income (2)	Tax related to changes in fair value transferred to income	Changes after taxes in fair value transferred to income (2)
Derivatives on:							
- Interest rate hedging	(50)	10	(40)	6	-	-	-
- Exchange rate hedging	934	(319)	615	(7)	661	(222)	439
- Net foreign exchange hedging	(911)	192	(719)	-	514	(177)	337
- Commodity hedging	68	(27)	41	2	(1,471)	457	(1,014)
HEDGING DERIVATIVES	**41**	**(144)**	**(103)**	**1**	**(296)**	**58**	**(238)**

(1) + / ( ): increase/decrease in equity (EDF's share).
(2) + / ( ): increase/decrease in net income.

Net changes in fair value transferred to income for hedges of net investments in foreign operations mostly relate to the sale of network activities in the United Kingdom.

The main components of the €41 million positive change, after tax, in the fair value of commodity hedging derivatives are:

- €(267) million on electricity hedging contracts;
- €206 million on gas hedging contracts;
- €77 million on coal hedging contracts;
- €47 million on oil product hedging contracts;
- €(22) million on CO_2 emission right hedging contract.

The main components of the amount of €(1,014) million after tax transferred to income in respect of commodity hedges terminated during the year are:

- €(547) million on electricity hedging contracts;
- €(300) million on coal hedging contracts;
- €(125) million on CO_2 emission right hedging contracts;
- €(91) million on gas hedging contracts;
- €49 million on oil product hedging contracts.

In 2009

(in millions of Euros)	Gross changes in fair value recorded in equity (1)	Tax related to gross changes in fair value recorded in equity	Changes after taxes in fair value recorded in equity (1)	Ineffectiveness	Gross changes in fair value transferred to income (2)	Tax related to changes in fair value transferred to income	Changes after taxes in fair value transferred to income (2)
Derivatives on:							
- Interest rate hedging	3	2	5	-	-	-	-
- Exchange rate hedging	(797)	261	(536)	-	(234)	82	(152)
- Net foreign exchange hedging	(181)	240	59	-	-	-	-
- Commodity hedging	(412)	160	(252)	2	(1,095)	389	(706)
HEDGING DERIVATIVES	**(1,387)**	**663**	**(724)**	**2**	**(1,329)**	**471**	**(858)**

(1) + / ( ): increase/decrease in equity (EDF's share).
(2) + / ( ): increase/decrease in net income.

The main components of the €(252) million negative change, after tax, in the fair value of commodity hedging derivatives are:
- €(488) million on electricity hedging contracts;
- €(20) million on coal hedging contracts;
- €217 million on oil product hedging contracts.

The main components of the amount of €(706) million after tax transferred to income in respect of commodity hedges terminated during the year are:
- €(734) million on electricity hedging contracts;
- €280 million on gas hedging contracts;
- €(142) million on oil product hedging contracts.

40.4.1 Interest rate hedging derivatives

Interest rate hedging derivatives break down as follows:

	Notional at 12/31/2010				Notional at 12/31/2009	Fair value	
(in millions of Euros)	< 1 year	1 to 5 years	> 5 years	Total	Total	12/31/2010	12/31/2009
Purchases of CAP contracts	-	90	8	98	98	-	-
Purchases of options	50	120	-	170	170	(1)	-
Interest rate transactions	**50**	**210**	**8**	**268**	**268**	**(1)**	**-**
Fixed rate payer/floating rate receiver	432	2,121	1,295	3,848	3,343	(158)	(65)
Floating rate payer/fixed rate receiver	159	1,065	2,060	3,284	2,214	(18)	40
Variable/variable	96	1,968	-	2,064	2,019	22	8
Fixed/fixed	414	4,053	5,819	10,286	9,588	(37)	(107)
Interest rate swaps	**1,101**	**9,207**	**9,174**	**19,482**	**17,164**	**(191)**	**(124)**
INTEREST RATE HEDGING DERIVATIVES	**1,151**	**9,417**	**9,182**	**19,750**	**17,432**	**(192)**	**(124)**

The fair value of interest rate/exchange rate cross-currency swaps comprises the interest rate effect only.

The notional value of cross-currency swaps is included both in this note and the note on Exchange rate hedging derivatives (40.4.2).

40.4.2 Exchange rate hedging derivatives

Exchange rate hedging derivatives break down as follows:

At December 31, 2010

	Notional amount to be received at 12/31/2010				Notional amount to be given at 12/31/2010				Fair value
(in millions of Euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total	12/31/2010
Forward exchange transactions	2,453	1,566	23	4,042	2,543	1,560	23	4,126	68
Swaps	13,220	7,762	6,048	27,030	12,450	7,304	5,902	25,656	712
Options	4,877	-	-	4,877	4,845	-	-	4,845	17
FOREIGN CURRENCY HEDGES	**20,550**	**9,328**	**6,071**	**35,949**	**19,838**	**8,864**	**5,925**	**34,627**	**797**

The notional value of cross-currency swaps shown in this note is also included in the note on interest rate hedging derivatives (40.4.1).

At December 31, 2009

	Notional amount to be received at 12/31/2009				Notional amount to be given at 12/31/2009				Fair value
(in millions of Euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total	12/31/2009
Forward exchange transactions	5,431	3,348	-	8,779	5,120	2,969	-	8,089	109
Swaps	10,247	7,898	5,707	23,852	10,199	7,659	5,567	23,425	271
Options	72	-	-	72	74	-	-	74	-
FOREIGN CURRENCY HEDGES	**15,750**	**11,246**	**5,707**	**32,703**	**15,393**	**10,628**	**5,567**	**31,588**	**380**

The fair value of interest rate/exchange rate cross-currency swaps comprises the exchange rate effect only.

40.4.3 Commodity-related cash flow hedges

Details of commodity-related cash flow hedges are as follows:

	Units of measure	12/31/2010 Net notional				12/31/2010 Fair value	12/31/2009 Net notional	12/31/2009 Fair value
(in millions of Euros)		< 1 year	1 to 5 years	> 5 years	Total		Total	
Forwards/futures		11	(2)	-	9	19	58	(585)
Power	**TWh**	**11**	**(2)**	**-**	**9**	**19**	**58**	**(585)**
Swaps		-	-	-	-	-	17	-
Forwards/futures		358	410	-	768	16	1 166	(236)
Gas	**Millions of therms**	**358**	**410**	**-**	**768**	**16**	**1,183**	**(236)**
Swaps		23,446	7,652	-	31,098	187	26,643	93
Forwards/futures		-	-	-	-	-	-	-
Oil products	**Thousands of barrels**	**23,446**	**7,652**	**-**	**31,098**	**187**	**26,643**	**93**
Swaps		5	7	-	12	160	19	(333)
Forwards/futures		-	-	-	-	-	-	1
Coal	**Millions of tonnes**	**5**	**7**	**-**	**12**	**160**	**19**	**(332)**
Forwards/futures		4,094	2,373	-	6,467	(24)	12,985	(145)
CO_2	**Thousands of tonnes**	**4,094**	**2,373**	**-**	**6,467**	**(24)**	**12,985**	**(145)**
Other						**7**		**-**
CASH FLOW HEDGE COMMODITY DERIVATIVES						**365**		**(1,205)**

40.5 ●● Commodity-related fair value hedges

Details of commodity-related fair value hedges are as follows:

		12/31/2010		12/31/2009	
(in millions of Euros)	Units of measure	Net notional	Fair value	Net notional	Fair value
Gas (swaps)	Millions of therms	169	(1)	175	(11)
Coal and freight	Millions of tonnes	(16)	(21)	(18)	18
FAIR VALUE HEDGING COMMODITY DERIVATIVES			**(22)**		**7**

Note 41 - Derivative instruments not recorded as hedges

Details of the fair value of trading derivatives reported in the balance sheet are as follows:

(in millions of Euros)	Notes	12/31/2010	12/31/2009
Positive fair value of trading derivatives	36.2	4,530	4,662
Negative fair value of trading derivatives	38.1	(4,002)	(3,610)
FAIR VALUE OF TRADING DERIVATIVES		**528**	**1,052**
Including interest rate derivatives held for trading	41.1	15	27
Including currency derivatives held for trading	41.2	(62)	(58)
Including non hedging commodity derivatives	41.3	575	1,083

In 2010

(in millions of Euros)	Quoted prices	Observable data	Internal model	Total
Positive fair value of trading derivatives	6	4,226	298	4,530
Negative fair value of trading derivatives	(4)	(3,725)	(273)	(4,002)
FAIR VALUE OF TRADING DERIVATIVES	**2**	**501**	**25**	**528**

In 2009

(in millions of Euros)	Quoted prices	Observable data	Internal model	Total
Positive fair value of trading derivatives	23	4,419	220	4,662
Negative fair value of trading derivatives	(11)	(3,423)	(176)	(3,610)
FAIR VALUE OF TRADING DERIVATIVES	**12**	**996**	**44**	**1,052**

41.1 ●● Interest rate derivatives held for trading

Interest rate derivatives held for trading break down as follows:

	Notional at 12/31/2010				Notional at 12/31/2009	Fair value	
(in millions of Euros)	< 1 year	1 to 5 years	> 5 years	Total	Total	12/31/2010	12/31/2009
Fixed rate payer/floating rate receiver	3,515	1,040	1,515	6,070	4,028	(219)	(161)
Floating rate payer/fixed rate receiver	1,245	1,195	1,415	3,855	4,590	235	188
Variable/variable	-	442	-	442	205	(1)	-
INTEREST RATE DERIVATIVES HELD FOR TRADING	**4,760**	**2,677**	**2,930**	**10,367**	**8,823**	**15**	**27**

41.2 ●● Currency derivatives held for trading

Currency derivatives held for trading break down as follows:

At December 31, 2010

	Notional amount to be received at 12/31/2010				Notional amount to be given at 12/31/2010				Fair value
(in millions of Euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total	12/31/2010
Forward transactions	2,686	551	292	3,529	2,676	553	297	3,526	(27)
Swaps	3,297	129	96	3,522	3,172	125	95	3,392	(35)
CURRENCY DERIVATIVES HELD FOR TRADING	**5,983**	**680**	**388**	**7,051**	**5,848**	**678**	**392**	**6,918**	**(62)**

At December 31, 2009

	Notional amount to be received at 12/31/2009				Notional amount to be given at 12/31/2009				Fair value
(in millions of Euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total	12/31/2009
Forward transactions	2,781	794	28	3,603	2,788	766	28	3,582	(17)
Swaps	2,689	220	-	2,909	2,704	238	-	2,942	(41)
CURRENCY DERIVATIVES HELD FOR TRADING	**5,470**	**1,014**	**28**	**6,512**	**5,492**	**1,004**	**28**	**6,524**	**(58)**

41.3 ●● Commodity derivatives not classified as hedges

Details of commodity derivatives not classified as hedges are as follows:

		12/31/2010		12/31/2009	
(in millions of Euros)	Units of measure	Net notional	Fair value	Net notional	Fair value
Swaps		(3)	548	(2)	651
Options		14	369	18	159
Forwards/futures		(22)	(460)	(27)	(539)
Power	**TWh**	**(11)**	**457**	**(11)**	**271**
Swaps		10	(24)	17	(33)
Options		110,858	23	89,172	24
Forwards/futures		(152)	(140)	837	113
Gas	**Millions of therms**	**110,716**	**(141)**	**90,026**	**104**
Swaps		(7,431)	(8)	(8,653)	52
Options		1,283	-	(3,156)	1
Forwards/futures		199	8	1,585	(21)
Oil products	**Thousands of barrels**	**(5,949)**	**-**	**(10,224)**	**32**
Swaps		(48)	(1,135)	(53)	(75)
Forwards/futures		83	1,352	104	328
Freight		15	(41)	19	(8)
Coal and freight	**Millions of tonnes**	**50**	**176**	**70**	**245**
Swaps		(1,575)	(7)	(303)	(14)
Options		4,270	(2)	-	-
Forwards/futures		11,702	81	13,069	531
CO_2	**Thousands of tonnes**	**14,397**	**72**	**12,766**	**517**
Swaps			8		(91)
Other			**8**		**(91)**
Embedded commodity derivatives			**3**		**5**
NON HEDGING COMMODITY DERIVATIVES			**575**		**1,083**

These mainly include contracts included in EDF Trading's portfolio.

OTHER INFORMATION

Note 42 - Off-balance sheet commitments

The off-balance sheet commitments of EnBW (a discontinued operation) and RTE (accounted for under the equity method) are not included in these commitments.

The table below shows off-balance sheet commitments given and received by the Group at December 31, 2010:

Commitments given

(in millions of Euros)	Notes	12/31/2010	Maturity within 1 year	Maturity between 1 and 5 years	Maturity after 5 years	12/31/2009
Firm irrevocable purchase commitments	42.1.1	39,596	6,370	14,223	19,003	51,578
Operating contract performance commitments	42.1.2	17,269	8,179	6,857	2,233	20,124
Operating lease commitments as lessee	42.1.3	1,791	378	992	421	2,461
Investment commitments given	42.1.4	3,189	772	2,411	6	4,738
Financing commitments given	42.1.5	4,990	364	1,128	3,498	3,331
TOTAL CONTRACTUAL OBLIGATIONS AND COMMITMENTS GIVEN		**66,835**	**16,063**	**25,611**	**25,161**	**82,232**

Commitments received

(in millions of Euros)	Notes	12/31/2010	Maturity within 1 year	Maturity between 1 and 5 years	Maturity after 5 years	12/31/2009
Operating commitments received	42.2.1	3,990	3,388	518	84	6,208
Operating lease commitments as lessor	42.2.3	1,473	258	809	406	1,553
Investment commitments received	42.2.4	4,500	4,500	-	-	58
Financing commitments received	42.2.5	689	635	36	18	184
TOTAL COMMITMENTS RECEIVED (1)		**10,652**	**8,781**	**1,363**	**508**	**8,003**

(1) Excluding electricity supply commitments, described in note 42.2.2 and credit lines in note 38.2.5.

42.1 ●● Commitments given

42.1.1 Firm irrevocable purchase commitments given

In the course of its generation and supply activities, the Group has entered into long-term contracts for purchases of electricity, gas, other energies and commodities, as well as nuclear fuels, for periods of up to 20 years.

In almost all cases, these are reciprocal commitments, and the third parties concerned are under an obligation to supply or purchase the quantities specified in the contracts.

EDF has also entered into long-term purchase contracts with a certain number of electricity producers, by contributing to the financing of power plants.

At December 31, 2010, firm irrevocable purchase commitments mature as follows:

	12/31/2010					12/31/2009
	Total	Maturity				Total
(in millions of Euros)		< 1 year	1 - 5 years	5 - 10 years	> 10 years	
Electricity purchases	8,182	2,072	2,697	1,166	2,247	16,010
Gas purchases (1)	10,609	1,602	4,615	3,169	1,223	10,488
Other energy and commodity purchases	2,239	765	1,086	361	27	4,020
Nuclear fuel purchases	18,566	1,931	5,825	5,686	5,124	21,060
FIRM AND IRREVOCABLE PURCHASE COMMITMENTS	**39,596**	**6,370**	**14,223**	**10,382**	**8,621**	**51,578**

(1) Excluding Edison (see note 42.1.1.2).

The changes result essentially from changes in the scope of consolidation and the decrease in market prices in 2010.

42.1.1.1 Electricity purchases

Electricity purchase commitments mainly concern EDF, and are mostly for Island Energy Systems (IES), which has made commitments to purchase the electricity generated using bagasse and coal by ERDF and EDF Energy.

In addition to the obligations reported above and under article 10 of the Law of February 10, 2000, in mainland France EDF is obliged, at the producer's request and subject to compliance with certain technical features, to purchase the power produced by co-generation plants and renewable energy generation units (wind turbines and small hydro-electric plants, etc.). The additional costs generated by this obligation are offset, after validation by the CRE, by the Contribution to the Public Electricity Service (*Contribution au Service Public de l'Électricité* or CSPE). The purchase obligations covered by the CSPE total 31 TWh for 2010 (28 TWh for 2009), including 13 TWh for co-generation (13 TWh for 2009), 9 TWh for wind power (8 TWh for 2009) and 4 TWh for hydropower.

The decrease in 2010 results from the ongoing sale of EnBW, which reduces electricity purchase commitments by €6.8 billion and from the application of the equity method to RTE.

42.1.1.2 Gas purchases

Gas purchase commitments are principally undertaken by EDF in connection with the expansion of their gas supply businesses.

Edison has entered into "take or pay" gas import contracts for final total capacity of 18 billion cubic meters (m^3) a year once all contracts are in operation. The contracts already in operation concern imports from Russia, Libya, Algeria, Qatar and Norway, for total supplies of 15.8 billion m^3 per year. A contract for a total volume of 2 billion m^3 per year from Algeria will also come into force in the next few years.

The contract with Terminale GNL Adriatico, a gas liquefaction unit in which Edison has a 10% holding and which started operation in October 2009, stipulates the following:

- the obligation for Edison to retain its investment until July 1, 2011 at the latest;
- the other shareholders' right to buy out Edison's 10% holding in the event Edison ends the supply contract with Rasgas, at a price corresponding to the sum of capital contributions made at the date the purchase option is exercised;
- Edison is to benefit from approximately 80% of the terminal's regasification capacities for a 25-year period.

The Group is involved in independent power plant (IPP) ventures under power purchase agreements (PPA). Gas purchase commitments are mostly related to electric IPPs, covered by electricity purchase agreements received. These agreements include "pass-through" clauses allowing almost all fluctuations in supply source costs to be passed on to the customer.

42.1.1.3 Other energy and commodity purchases

Purchase commitments for other energies and commodities mainly concern coal and oil used to operate the fossil-fired plants.

The change in these commitments mostly results from the ongoing sale of EnBW.

42.1.1.4 Nuclear fuel purchases

Commitments for purchases of nuclear fuel arise from supply contracts for the nuclear plants intended to cover the EDF group's needs for nuclear fuel and fluoration, enrichment and fuel assembly production services.

42.1.2 Operating contract performance commitments given

In the course of its business, the Group provides contract performance guarantees, generally through the intermediary of banks. The Group has also given and received commitments jointly with third parties, maturing as follows at December 31, 2010:

	12/31/2010				12/31/2009
	Total	Maturity			Total
(in millions of Euros)		< 1 year	1 - 5 years	> 5 years	
Satisfactory performance, completion and bid guarantees	801	344	422	35	1,297
Commitments related to orders for operating items [1]	3,992	2,050	1,475	467	4,562
Commitments related to orders for fixed assets	9,282	4,742	3,872	668	10,406
Other operating commitments	3,194	1,043	1,088	1,063	3,859
OPERATING CONTRACT PERFORMANCE COMMITMENTS GIVEN	**17,269**	**8,179**	**6,857**	**2,233**	**20,124**

(1) Excluding raw materials and energy.

Satisfactory performance, completion and bid guarantees at December 31, 2010 mainly consist of guarantees given by EDF Énergies Nouvelles in connection with its development projects, Dalkia International and EDF.

Firm commitments on operating orders other than commodity and energy purchases and commitments for purchases of property, plant and equipment amount to €13,274 million (compared to €14,968 million at December 31, 2009).

The main such commitments concern:
- EDF and ERDF (€8,338 million in 2010, €7,326 million at December 31, 2009): commitments of €5,638 million undertaken upon signature of capital asset orders (€4,666 million at December 31, 2009), including €1,471 million for construction of the future EPR-type nuclear plant at Flamanville in France (€1,107 million in 2009);
- EDF Énergies Nouvelles (EEN) (€1,875 million, €2,404 million at December 31, 2009);
- EDF Energy (€1,110 million, €1,425 million at December 31, 2009): commitments for construction of a CCG plant;
- island electricity generation (€911 million, €1,161 million at December 31, 2009): commitments mainly undertaken for nuclear plant construction.

€1.8 billion of the change in these commitments results from the ongoing sale of EnBW and application of the equity method to RTE.

Other operating commitments mainly concern:
- Edison (€766 million, €736 million in 2009);
- CENG (€363 million): commitments given to its subsidiaries guaranteeing payment of premiums for nuclear operator's civil liability insurance.

The impact of the ongoing sale of EnBW on other operating commitments amounts to €(1,250) million.

42.1.3 Operating lease commitments

The Group is committed as lessee to irrevocable operating lease contracts for premises, equipment and vehicles used in the course of its business. The corresponding payments are subject to renegotiation at intervals defined in the contracts. EDF, EDF Energy and EDF Trading are the principal entities concerned.

42.1.4 Investment commitments given

At December 31, 2010, commitments related to investments are as follows:

	12/31/2010				12/31/2009
	Total	Maturity			Total
(in millions of Euros)		< 1 year	1 - 5 years	> 5 years	
Investment commitments	2,457	126	2,330	1	4,505
Other commitments related to Group entities	732	646	81	5	233
INVESTMENT COMMITMENTS GIVEN	**3,189**	**772**	**2,411**	**6**	**4,738**

42.1.4.1 Investment commitments

Commitments terminated in 2010 mainly concern CEG's waiver of its put option to sell EDF certain non-nuclear generation assets for a maximum of $2 billion (€1.4 billion), under the agreement of November 3, 2010 between EDF and CEG (see note 4.2.2).

The chief commitments executed in 2010 concern:

- Commitment granted to OEW by EDF International relating to EnBW under a shareholder agreement concluded on July 26, 2000:
  OEW, which jointly controls EnBW with EDF, has a put option on all or some of its Subjected Shares (25% of the capital of EnBW), exercisable at any time until December 31, 2011 at the price of €37.14 per share. OEW has agreed to waive its right to exercise this option at the effective date of transfer of EnBW (expected in 2011). The option remains in the EDF group's off-balance sheet commitments at December 31, 2010 at the value of €2,322 million.
- Commitments made by EDEV SA in relation to EDF EN:
  In connection with EDF EN's admission to the regulated market on November 28, 2006, a shareholder agreement and a further agreement concerning EDF EN were signed on July 17, 2006 between EDF and EDEV (hereafter referred to as "the EDF group") and Mr Pâris Mouratoglou and the Luxembourg company SIIF – Société Internationale d'Investissements Financiers (hereafter referred to as "the Mouratoglou group»). An amendment to this agreement was also signed between the two Groups on November 10, 2006.
  The outstanding commitments made under these agreements by the EDF group and the Mouratoglou group applicable at December 31, 2010 are as follows:
  - Liquidity commitment
    The EDF group and the Mouratoglou group will refrain from any acquisition of shares that would reduce the publicly traded portion of the capital of EDF EN to below 95% of that portion. This commitment by the EDF group would expire should the Mouratoglou group come to own less than 10% of the capital of EDF EN.
  - Preferential right
    In the event that the Mouratoglou group plans to transfer some or all of its shares, the EDF group will benefit from a preferential right to purchase those shares. This right will be exercised differently depending on whether the beneficiary of the intended share transfer is one or more financial institutions (for placement with institutional investors or on the market), or other third parties.
    If the EDF group does not exercise its preferential right, the Mouratoglou group may proceed with the intended transfer.
    This preferential right will not apply in certain circumstances defined in the agreement.
  - Provisions concerning the Mouratoglou group's investment
    Should the Mouratoglou group's investment fall below 10% of the capital of EDF EN, EDEV would grant the Mouratoglou group a put option for three months from the date at which the investment falls below 10%, covering all the Mouratoglou group's residual investment in EDF EN, at a per-share price equal to the average volume-weighted closing price of the EDF EN share over the 60 trading days preceding notification of exercise of the option; this price cannot be more than 10% higher than the share's last closing price before such notification.
    If the Mouratoglou group does not exercise this put option, EDEV will have a call option over all shares held by the Mouratoglou group for a three-month period starting upon the expiry of the exercise period for the above put option, at a per-share price identical to the price defined for the put option; this price cannot be more than 10% lower than the share's last closing price before notification.
    These two options will automatically expire on December 31, 2015.
- Agreement with Veolia Environnement:
  Veolia Environnement has granted EDF a call option on all its Dalkia shares in the event that a competitor of EDF takes control over Veolia Environnement. EDF has also granted Veolia Environnement a call option over all its Dalkia shares in the event that the status of EDF should change and a competitor of Veolia Environnement, individually or with other parties, should take control over EDF. If the parties fail to agree on the sale price of the shares, it is to be fixed by an independent expert.
- Commitment by EDF Energy to Centrica:
  Centrica has taken a 20% investment in the project company in charge of constructing four EPRs in the United Kingdom. EDF Energy holds the other 80%.
  Centrica has a put option to sell its shares to EDF. This option can be triggered by criteria related to the pre-development budget, or exercised just before the final investment decision for the first EPR.
  At the current stage of the project, the value of this option does not make it a significant commitment for the Group.

- In connection with the formation of EDF Investissements Groupe, C3 (a wholly-owned EDF subsidiary) signed unilateral promises with NBI (Natixis Belgique Investissement, a subsidiary of the Natixis group) to buy and sell shares in investments held respectively by NBI and C3. NBI thus allows C3 to purchase NBI's investment at any time based on the company's net asset value until 2030, and to sell its total investment to NBI based on net asset value during the 5 years following formation of the company.

42.1.4.2 Other commitments related to the Group

These commitments primarily concern investment guarantees provided by EDF Trading (€655 million).

42.1.5 Financing commitments given

Guarantees of borrowings by the Group at December 31, 2010 comprise the following:

	12/31/2010				12/31/2009
	Total	Maturity			Total
(in millions of Euros)		< 1 year	1 - 5 years	> 5 years	
Security interests in real property	4,633	240	1,055	3,338	2,767
Guarantees related to borrowings	197	40	14	143	323
Other financing commitments	160	84	59	17	241
FINANCING COMMITMENTS GIVEN	**4,990**	**364**	**1,128**	**3,498**	**3,331**

Security interests in real property and assets provided as guarantees mainly concern property, plant and equipment and take the form of pledges or mortgages, and shares representing investments in consolidated subsidiaries which own property, plant and equipment. The net book value of current and non-current assets given as guarantees is €4,633 million at December 31, 2010 (up by €1,866 million from €2,767 million in 2009).

The increase concerns EDF Énergies Nouvelles, and is mainly due to a change in the valuation method for pledges in 2010. When shares in a consolidated company are pledged, the amount recorded as an off balance sheet commitment is now the net book value of the underlying asset. As the shares are eliminated in the consolidated balance sheet, they are replaced by the assets held by the entity whose shares are pledged.

Guarantees of borrowings were principally given by EDF.

42.2 ●● Commitments received

42.2.1 Operating commitments received

The commitments executed during 2010 principally relate to EDF. They mainly concern commitments received from insurance companies to cover risks associated with construction of the EPR plant, amounting to €2,868 million at December 31, 2010.

Most of the rest of the change in 2010 results from application of the equity method to RTE.

EDF EN reciprocal commitments are no longer presented both in commitments given and in commitments received. This change in presentation affects commitments received from EDF Énergies Nouvelles in 2009, reducing them by €2,957 million.

42.2.2 Electricity supply commitments

EDF has signed several long-term contracts with a number of European electricity operators, undertaking to supply electricity. These contracts are of two types:

- co-financing agreements for nuclear power plants, either for a specific plant or for a defined group of plants. Companies participating in this financing are entitled to a share of the power generated by the plants concerned, in proportion to their initial contribution;
- long-term commercial sales contracts, generally covered by the nuclear power plants.

The main change observed in 2010 relates to the agreement for the first tranche of electricity supplies between the EDF group and Exeltium, which was finalized during the first half of 2010 (see note 4.4.2). EDF has undertaken in this agreement to deliver approximately 150 TWh over a 24-year period starting from May 1, 2010.

When it invested in EnBW in 2001, EDF made a commitment to the European Commission to make some of its generation capacity available to the market for an initial duration of 5 years, in principle until February 7, 2006. The purpose of this arrangement was to facilitate competitors' access to the French market, to make up for supply difficulties on the emerging French market over the early years. Since February 2006, EDF has had the right to file a documented application to withdraw from this auction procedure, but has chosen not to exercise this right to date. After discussions with the European Commission and upon a proposal by EDF, the Commission authorized certain adjustments to the auction process, primarily by introduction of baseload products for a period of 4 years, on sale since September 2006, although the volume of energy made available annually by EDF is unchanged.

In 2010, close to 39 TWh was made available to the market (38 TWh in 2009). The auction procedure is still in operation, on a quarterly basis.

On December 22, 2008, the European Commission approved Lake Acquisitions Ltd's takeover of British Energy subject to similar conditions concerning the sale of between 5 and 10 TWh of electricity on the market between 2012 and 2015. Also, under agreements concluded by EDF with Centrica in May 2009, EDF will supply an additional 18 TWh of electricity to Centrica at market prices, for a 5-year period starting from 2011 (see note 5.2).

Finally, following the dispute between EDF and Direct Énergie, the French competition authorities (*Conseil de la concurrence*) issued a ruling on December 10, 2007 accepting EDF's proposed commitments to tender a significant capacity of electricity (1,500 MW, *i.e.* approximately 10 TWh per year for 15 years) to alternative suppliers at prices enabling them to compete effectively with EDF's offers on the deregulated mass market.

For the initial 5-year period, 2008-2012, EDF proposed to apply an average baseload supply price of €42/MWh in current Euros in 2010 (€39.4/MWh in 2009) with progressive rises to reach €47.2/MWh in 2012. For the second 10-year period, the price has been fixed at a level that covers EDF's development costs for the Flamanville EPR.

EDF thus undertook three calls for tender for baseload electricity supply contracts on March 12, 2008, November 19, 2008 and November 18, 2009. The contracts concerned cover a total of 500 MW each, for periods of up to fifteen years. All 1,500 MWh available were subscribed in these three tenders.

42.2.3 Operating lease commitments as lessor

The Group is a party to agreements classified as operating leases under IFRIC 4, which account for most of its operating lease commitments as lessor. These agreements mainly concern the Asian IPPs, and also the tolling contract signed by EDF Energy and various partners for the Sutton Bridge plant in 2009.

42.2.4 Investment commitments received

In connection with the planned sale of the subsidiary EnBW, the Group received a commitment from Germany's Baden-Württemberg region to purchase shares for €4.5 billion (after receipt of a downpayment of €169 million in 2010).

42.2.5 Financing commitments received

Financing commitments received mainly relate to EDF and EDF Énergies Nouvelles.

Note 43 - Contingent liabilities

43.1 ●● Tax inspections

Tax inspections are regularly carried out at Group companies.

In 2009 and 2010 EDF underwent a tax inspection covering the tax years 2004 to 2008. At the end of 2009, EDF was notified of a proposed tax reassessment for the period 2004-2006. EDF is contesting most of the corrections notified.

RTE and ERDF have also been subject to tax inspection concerning the years 2008-2009 and 2007-2008 respectively. RTE is contesting most of the corrections notified. At ERDF the inspection is continuing for 2008 as the year 2007 is now statute-barred.

The items under discussion include the question of the deductibility of the provision for annuities following work-related accidents and illness.

43.2 ●● Labor litigation

EDF is party to a number of labor lawsuits with employees, primarily regarding the calculation and implementation of rest periods. EDF estimates that none of these lawsuits, individually, is likely to have a significant impact on its profits and financial position. However, because they concern situations likely to involve a large number of EDF's employees in France, these litigations could present a systemic risk and a material, negative impact on the Group's financial results.

43.3 ●● Edipower

Proceedings are continuing in the action brought before the court of Rome by ACEA (Rome's municipal utility) against several parties, including among others AEM Spa (now named A2A Spa), EDF, Edipower Spa and Edison Spa. ACEA is claiming that the joint level of investment in Edison by EDF and AEM violates the 30% limit applicable to public companies' stakes in Edipower, as set by the privatization decree of November 8, 2000. It argues that exceeding the 30% limit constitutes unfair competition that could have an adverse effect on energy market competition and is detrimental to ACEA. Consequently ACEA is claiming compensation and asking for measures to be taken to put an end to the situation, for example divestment of investments held in excess of the stated level and a ban on receiving energy generated by Edipower above the authorized quantities. In January 2007, Endesa Italia joined ACEA in its action. The hearing relating to the substance of the case was initially scheduled for June 2008, then subsequently postponed several times until March 24, 2011.

In December 2010, Endesa Italia, now renamed E.ON Italia, and EDF signed a release agreement in which E.ON Italia undertakes to drop the case and all other claims against EDF in connection with EDF's indirect investment in Edipower. This agreement will be presented to the judge at the hearing scheduled for March 24, 2011.

Note 44 - Held-for-sale assets and liabilities

(in millions of Euros)	12/31/2010 Total	12/31/2009 Total
ASSETS CLASSIFIED AS HELD FOR SALE	**18,145**	**1,265**
LIABILITIES RELATED TO ASSETS CLASSIFIED AS HELD FOR SALE	**12,874**	**411**

Held-for-sale assets and liabilities principally relate to the ongoing sale of EnBW (€17,857 million of assets and €12,862 million of liabilities).

The sales undertaken in 2010 of assets and liabilities related to Eggborough, GESO and a subsidiary of Dalkia International in the Czech Republic.

EnBW

In application of IFRS 5, EnBW income statement items are reported on a specific line, "Net income of discontinued activities" for 2009 and 2010.

The key indicators for EnBW for 2009 and 2010 are as follows:

(in millions of Euros)	12/31/2010	12/31/2009
Sales	7,316	7,166
Operating profit before depreciation and amortization	1,246	1,193
Net operating income	755	796
Financial result	(284)	(321)
Net income	380	311

In application of IFRS 5, EnBW's assets and liabilities are included in assets and liabilities held for sale at December 31, 2010. EnBW's simplified balance sheet (EDF's share) at that date is as follows:

(in millions of Euros)	**12/31/2010**
Assets	
Goodwill and other intangible assets	2,143
Generation assets	6,704
Investments in associates	1,653
Deferred taxes assets	24
Inventories	316
Trade receivables	1,671
Other receivables	556
Financial assets	4,047
Cash and cash equivalents	738
Assets classified as held for sale	5
TOTAL ASSETS	**17,857**
Equity and liabilities	
Equity (EDF share)	4,476
Non-controlling interests	519
Nuclear provisions	2,679
Provisions for employee benefits	1,972
Other provisions	514
Deferred tax liabilities	1,056
Trade payables	1,417
Other payables	1,190
Financial liabilities	4,034
TOTAL EQUITY AND LIABILITIES	**17,857**

EnBW also contributes €2,591 million to the Group net indebtedness at December 31, 2010.

Note 45 - Contribution of joint ventures

The joint ventures' contributions to the consolidated balance sheet and income statement are as follows:

At December 31, 2010 (1)

(in millions of Euros)	% owned	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Operating profit before depreciation and amortization
Edison	48.96%	1,921	6,713	2,055	2,159	5,175	693
CENG	49.99%	453	5,215	286	1,611	597	236
Other		2,103	6,101	1,818	1,354	2,990	486
TOTAL		**4,477**	**18,029**	**4,159**	**5,124**	**8,762**	**1,415**

(1) In application of IFRS 5, EnBW figures are not consolidated at this level.

At December 31, 2009 (1)

(in millions of Euros)	% owned	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Operating profit before depreciation and amortization
EnBW	46.07%	4,145	12,475	3,490	8,825	-	-
Edison	48.96%	1,673	6,942	1,624	2,515	4,382	707
CENG	49.99%	404	4,861	627	1,084	80	34
Other		2,260	6,222	1,903	1,330	2,699	387
TOTAL		**8,482**	**30,500**	**7,644**	**13,754**	**7,161**	**1,128**

(1) In application of IFRS 5, EnBW income statement data are not consolidated at this level.

"Other" mainly concerns Dalkia and EDF Investissements Groupe.

Note 46 - Dedicated assets

46.1 ●● Regulations

The French law of June 28, 2006 and the associated regulations require assets (dedicated assets) to be set aside to cover provisions for nuclear plant decommissioning expenses and long-term storage expenses for radioactive waste (spent fuel and fuel recovered from decommissioning). The regulations govern the way dedicated assets are built up, the management and governance of the funds themselves. These assets are clearly identified and managed separately from the company's other financial assets and investments. They are also subject to specific monitoring and control by the Board of Directors and the administrative authorities.

The initial aim of these laws and regulations was to cover the full present cost of long-term nuclear obligations by June 29, 2011. The NOME law enacted in 2010 deferred the deadline for constitution of dedicated assets by 5 years.

The decree of December 29, 2010 made RTE shares eligible for dedicated assets, subject to certain conditions and administrative authorization. Since the conditions are fulfilled and authorization has been received, 50% of EDF's shares in RTE were allocated to dedicated assets on December 31, 2010.

46.2 ●● Portfolio contents and measurement

EDF's dedicated assets consist of diversified bond and equity instruments, and 50% of the shares in RTE since December 31, 2010. Given the applicable regulations, these dedicated assets are a highly specific category of assets.

46.2.1 Diversified bond and equity investments

Certain dedicated assets take the form of government bonds currently held and managed directly by EDF.

The rest comprise specialized collective investment funds on leading international markets, managed by independent French or foreign asset management companies selected on the basis of solicited proposals or through a call for bids. They cover various segments of the bond and equity markets, with EDF aiming to achieve the broadest diversification possible, in the form of open-end funds and small numbers of "reserved" funds established solely for the use of the Group (which does not participate in the fund management).

This portfolio is structured and managed on an index-based approach, following a strategic allocation defined by the Board of Directors and reported to the administrative authorities. The strategic allocation is designed to meet the overall objective of long-term coverage of obligations, and determines the structure and management of the portfolio as a whole. It also takes into consideration international stock market cycles (for which the statistical inversion generally observed between equity market cycles and bond market cycles – as well as between geographical areas – has led the Group to define an overall composite benchmark indicator), and continuation of investment until payments become due.

As a result, for accounting purposes, the portfolio is evaluated as a whole, all funds combined, treating the cash flows generated as a group of financial assets. This ensures consistency with the specificities of the dedicated asset portfolio, in particular the legal association with the liability and the distant timing of significant payments – the first important due date is not until 2021, and payments continue until 2117 for the plants currently in operation.

At the year-end, dedicated assets are presented in available-for-sale financial assets in the balance sheet, at their liquidation value. In view of the specific financial characteristics of the portfolio of dedicated assets, the Group has exercised judgment in determining whether indicators of impairment appropriate to the structure of the portfolio should be taken into consideration.

EDF thus takes a 5-year period as the basis for assessment of prolonged decline compared to historical value. This period is at the low end of the range of statistical estimates concerning stock markets.

Also, based on statistical observations of the asset/liability management model used for this portfolio, EDF considers impairment of dedicated assets to be significant when the value is 40% or more below the portfolio's historical value.

In parallel to these general criteria for impairment, in the course of operational asset monitoring EDF exercises judgment through its long-term management rules defined and supervised by its governance bodies (maximum investment ratios, volatility analyses and assessment of individual fund manager quality, generally based on the audit process).

46.2.2 RTE shares

By allocating 50% of RTE shares to dedicated assets, the Group diversified its dedicated asset portfolio and reduced its volatility, since this infrastructure asset offers predictable returns with low correlation with other categories of financial assets such as equities and bonds.

The value of the RTE shares allocated to dedicated assets is €2,324 million at December 31, 2010. This value corresponds to the net consolidated value of 50% of the Group's investment in RTE, presented in investments in associates in the consolidated balance sheet.

46.3 ●● Valuation of EDF's dedicated asset portfolio

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

(in millions of Euros)	Balance sheet presentation	12/31/2010	12/31/2009
Securities		256	234
Investment funds		6,502	4,664
Other financial investments		62	34
Equities		**6,820**	**4,932**
Securities		741	700
Investment funds		5,944	5,804
Bonds		**6,685**	**6,504**
Reserved investment funds	**Available-for-sale financial assets**	**13,505**	**11,436**
RTE (50% of the Group's investment)	**Investments in associates**	**2,324**	**-**
TOTAL DEDICATED ASSETS		**15,829**	**11,436**

46.4 ●● Valuation of the dedicated asset portfolio during the year

In addition to the allocation of 50% of shares in RTE, the cash allocation to dedicated assets for 2010 amounted to €1,343 million compared to €1,902 million in 2009.

Withdrawals totaling €362 million were made to cover EDF's cash needs equivalent to amounts reversed from provisions for payments in execution of the relevant obligations (€302 millions in 2009).

The Group's assessment of the value of the dedicated asset portfolio did not lead to recognition of any impairment at December 31, 2010.

A total of €(2) million in net gains and losses on disposals and reversals of impairment was recorded in 2010.

The difference between the fair value and acquisition cost of diversified equity and bond instruments is a positive €744 million at December 31, 2010 before taxes.

46.5 ●● Present cost of long-term nuclear obligations to be covered

The Group's long-term nuclear obligations in France concerned by the regulations for dedicated assets are included in EDF's consolidated financial statements at the following values:

(in millions of Euros)	12/31/2010	12/31/2009
Provisions for long-term radioactive waste management	6,508	6,344
Provisions for nuclear plant decommissioning	11,031	10,708
Provisions for last cores – portion for future long-term radioactive waste management	371	355
PRESENT COST OF LONG-TERM NUCLEAR OBLIGATIONS TO BE COVERED	**17,910**	**17,407**

Note 47 - Related parties

Details of transactions with related parties are as follows:

	Proportionally consolidated companies		Associates		French State or State-owned entities		Group Total	
(in millions of Euros)	**12/31/2010**	12/31/2009	**12/31/2010**	12/31/2009	**12/31/2010**	12/31/2009	**12/31/2010**	12/31/2009
Sales	10	26	100	111	1,173	1,211	1,283	1,348
Fuel and energy purchases	98	96	536	624	1,822	1,942	2,456	2,662
Other external purchases	-	-	35	-	985	838	1,020	838
Financial assets	40	122	-	-	235	183	275	305
Other assets	67	140	1,463	252	541	382	2,071	774
Financial liabilities	134	149	1,914	-	-	-	2,048	149
Other liabilities	130	327	852	16	1,483	2,389	2,465	2,732

The changes observed in assets and liabilities of associates at December 31, 2010 mainly relate to the application of the equity method to RTE.

47.1 ●● Transactions with entities included in the scope of consolidation

Transactions with RTE (classified as an associate from December 31, 2010) are presented in note 24.1.

Transactions with joint ventures and associates concern sales and purchases of energy.

47.2 ●● Relations with the French State and State-owned entities

47.2.1 Relations with the French State

The French State holds 84.5% of the capital of EDF at December 31, 2010, and is thus entitled in the same way as any majority shareholder to control decisions that require approval by the shareholders.

In accordance with the legislation applicable to all companies having the French State as their majority shareholder, EDF is subject to certain inspection procedures, in particular economic and financial inspections by the State, audits by the French Court of Auditors (*Cour des Comptes*) or Parliament, and verifications by the French General Finance Inspectorate (*Inspection Générale des Finances*).

Under an agreement entered into by the French State and the EDF group on July 27, 2001 concerning the monitoring of external investments, procedures exist for prior approval by the French State or notification (advance or otherwise) of the State in respect of certain planned investments, additional investments or disposals by the Group. This agreement also introduced a procedure for monitoring the results of external growth operations.

The public service contract between the French State and EDF was signed on October 24, 2005. This contract is intended to form the framework for public service missions entrusted by the lawmaker to EDF for an unlimited period, since the Law of August 9, 2004 simply requires a report every three years without stipulating the duration of the contract. The first three-year report was remitted to the French government during 2008.

EDF, like other electricity producers, also participates in the multi-annual generation investment program defined by the minister in charge of energy, which sets objectives for the allocation of generation capacity.

Finally, the French State intervenes through the regulation of electricity and gas markets, particularly for authorization to build and operate generation facilities, and establishment of sales tariffs for customers that have stayed on the regulated tariffs, transmission and distribution tariffs, and the level of the Contribution to the Public Electricity Service (*Contribution au Service Public de l'Électricité* or CSPE).

47.2.2 Relations with GDF SUEZ

Since the distribution network management businesses were transferred to subsidiaries – ERDF SA, a subsidiary of EDF, has managed electricity distribution since January 1, 2007 and GRDF SA, a subsidiary of GDF SUEZ, has managed gas distribution since January 1, 2008 – the agreement defining relations between ERDF SA and GRDF SA in respect of the common operator has replaced the previous agreement between EDF and GDF SUEZ.

The common network operator manages the local public service for energy distribution, covering network construction, operation and maintenance, and metering.

EDF and GDF SUEZ also have two other common services governed by contracts:

- the Health and Safety Delegation;
- the Information Technology and Telecommunications Division (DIT), which is responsible for certain information systems.

47.2.3 Relations with public sector entities

The Group enters into normal business transactions with public sector entities, mainly for electricity supplies and invoicing for access to the transmission network.

Transactions with AREVA concern uranium purchases, uranium enrichment, nuclear fuel purchases, plant maintenance operations and equipment purchases, and transportation, storage, processing and recycling services for spent fuel.

On December 19, 2008 EDF and AREVA signed a framework agreement for spent fuel management contracts concerning periods after 2007. In execution of this agreement, EDF and AREVA signed two contracts on July 12, 2010 entitled the "EDF-AREVA NC Processing-Recycling agreement" and the "protocol for recovery and conditioning of EDF waste, the final shutdown and decommissioning of the AREVA NC plant at La Hague".

In view of the advances already paid to AREVA by EDF, the outstanding amount under these agreements of the full and final payment for conditioning of EDF waste, final shutdown and decommissioning of facilities at La Hague is estimated at €776 million including taxes at December 31, 2010. An equivalent provision exists at that date, and payment of this balance will take place during 2011.

The Group also holds shares in AREVA, as stated in note 36.2.2.2.

47.3 ●● Management compensation

The Company's key management and governance personnel are the Chairman of the Board of Directors, the members of the Comex since February 4, 2010 or their date of appointment if they joined the Comex during the year, and the external members of the Board of Directors.

In 2009, The Group's key management and governance personnel were the Chairman of the Board of Directors, the Chief Officers until November 25, 2009, and the external members of the Board of Directors.

The total compensation paid by EDF and controlled companies to the Group's key management and governance personnel amounted to €9.0 million for 2010 (€4.5 million in 2009) and covered short-term benefits (basic salaries, performance-related salary, profit share and benefits in kind) and the corresponding employer contributions, plus director's fees over the entire year. The increase from 2009 is primarily explained by the introduction of broader governance: the Comex has eight members at December 31, 2010.

Other than the benefits reported above, key management and governance personnel benefit from no other special pension system, starting bonus or severance payment entitlement other except by contractual arrangement.

Note 48 - Environment

48.1 ●● Greenhouse gas emission rights

In application of the Kyoto protocol, the EU Directive aiming to reduce greenhouse gas emission levels by attributing emission rights came into effect in 2005, for an initial three-year period which ended on December 31, 2007 and was marked by a reduction in the volumes of rights allocated.

The second allocation period runs from 2008 to 2012.

In the EDF group, the companies subject to this Directive are EDF, EDF Energy, British Energy, Edison, Fenice, Dalkia International and Dalkia Investissement, Bert, EDF Demasz, Kogeneracja, Zielonagora, EC Krakow, Ersa, EC Wybrzeze, SPE and ESTAG.

In 2010, the Group surrendered 89 million tonnes in respect of emissions generated in 2009. In 2009, the Group surrendered 94 million tonnes in respect of emissions generated in 2008.

The Group's total quota allocation for 2010 recorded in the national registers is 62 million tonnes (75 million tonnes for 2009).

The volume of emissions at December 31, 2010 stood at 70 million tonnes (83 million tonnes at December 31, 2009). The provision resulting from over-quota emissions amounts to €319 million and covers the shortfall in rights at the end of 2010 (€372 million at December 31, 2009).

As part of the Clean Development Mechanism defined in the Kyoto protocol, the Group set up a Carbon Fund in late 2006, with the aim of supporting projects to reduce greenhouse gas emissions in emerging countries, and benefiting from carbon emission permits. This fund involves EDF and all the European entities, and is managed by EDF Trading.

CER credit purchases through the Carbon Fund amount to €182 million at December 31, 2010 (€178 million at December 31, 2009).

48.2 ●● Energy savings certificates

In all its subsidiaries, the Group is engaged in a process to control energy consumption through various measures developed by national legislations, in application of European Union Directives.

The French Law of July 13, 2005 introduced a system of energy savings certificates. Companies selling electricity, gas, heat or cold to end-users with sales above a certain level are subject to energy savings obligations for a three-year period. They fulfill these obligations by making direct or indirect energy savings rewarded by certificates, or by purchasing energy savings certificates. At the end of the three years, the entities concerned must provide evidence of compliance with obligations by surrendering the certificates, or pay a fine to the Treasury.

For EDF, the obligation was to save 30 TWh in final energy cumulated and discounted ("*cumac*") over the first three-year period that ended on June 30, 2009. EDF complied with this obligation.

This second period, running from January 1, 2011 to December 31, 2013 extends obligations to new groups of actors (fuel distributors) and tightens up the requirements for obtaining energy savings certificates. EDF's obligation will be calculated retrospectively, based on gas and electricity sales to households and service sector businesses for the period 2010-2012.

The volumes of certificates obtained between the two periods will count towards achievement of the obligation for the second period.

48.3 ●● Renewable energy certificates

In the United Kingdom, Poland and Italy, certificates are awarded when electricity is generated from renewable energy sources, to encourage greater use of renewable energies through a compensation system for generation costs and an obligation for energy suppliers to sell a certain quantity of renewable energy. In practice, the generator or supplier must provide proof that the obligation has been fulfilled or surrender the renewable energy certificates gained and/or purchased. Similar systems have been introduced for cogeneration.

In 2010, Italy and the United Kingdom reported a deficit in their renewable energy balance. A provision of €226 million was booked.

Note 49 - Subsequent events

49.1 ●● Fulfillment of conditions for the sale of EnBW

The conditions applicable to the sale of the Group's investment in EnBW to the Baden-Württemberg region were fulfilled on February 10, 2011. As a result, in compliance with the agreements between the two parties, the sale operation will be finalized on February 17, 2011 through a payment of €4.5 billion to the EDF group (in addition to the downpayment of €169 million received on December 16, 2010).

Consequently, a €7.1 billion reduction in consolidated net indebtedness will be registered in the consolidated financial statements for 2011.

Note 50 - Scope of consolidation

The scope of consolidation at December 31, 2010 is as follows:

Company		Head office	% owned	% voting rights	Consolidation method	Business sector
FRANCE						
Électricité de France			100	100	Parent company	G,D,S
RTE EDF Transport			100	100	EM	T
Électricité Réseau Distribution France (ERDF)			100	100	FC	D
PEI Group			100	100	FC	G
UNITED KINGDOM						
EDF Energy	(1)		100	100	FC	G,D,S
EDF Energy UK Ltd			100	100	FC	S
EDF Development Company Ltd			100	100	FC	G
GERMANY						
EnBW	(1)		46.07	46.07	Discontinued activities	G,D,S,T
ITALY						
Edison	(1)		48.96	50	PC	G,D,S
Transalpina Di Energia (TDE)			50	50	PC	S
MNTC			100	100	FC	S
Wagram 4			100	100	FC	S
Fenice	(1)		100	100	FC	G
OTHER INTERNATIONAL						
EDF International		France	100	100	FC	S
Estag	(1)	Austria	25	25	PC	G,S
EDF Belgium		Belgium	100	100	FC	G
Segebel		Belgium	100	100	FC	S
SPE		Belgium	63.5	63.5	FC	G
Sviluppo Nucleare Italia		Italy	50	50	PC	S
Ute Norte Fluminense		Brazil	90	90	FC	G
Ute Paracambi		Brazil	100	100	FC	G
Figlec		China	100	100	FC	G
Shandong Zhonghua Power Company		China	19.6	19.6	EM	G
San Men Xia		China	35	35	EM	G
Taishan Nuclear Power JV Co		China	30	30	EM	G
EDF Inc. (USA)		USA	100	100	FC	S
UniStar Nuclear Energy Inc.		USA	100	100	FC	G
Constellation Energy Nuclear Group		USA	49.99	49.99	PC	G
Bert		Hungary	95.57	95.57	FC	G
EDF Demasz	(1)	Hungary	100	100	FC	D
Nam Theun Power Company		Laos	40	40	EM	G
SLOE Centrale Holding BV		Netherlands	50	50	PC	G
EC Krakow		Poland	94.31	94.31	FC	G

Company		Head office	% owned	% voting rights	Consolidation method	Business sector
EC Wybrzeze		Poland	99.74	99.74	FC	G
EDF Polska		Poland	86.52	100	FC	S
ERSA (Rybnik)		Poland	79.79	97.34	FC	G
Kogeneracja		Poland	40.58	50	FC	G
Zielona Gora		Poland	39.93	98.4	FC	G, D
SSE		Slovakia	49	49	PC	D
EDF Alpes Investissements		Switzerland	100	100	FC	S
Alpiq	(1)	Switzerland	26.06	26.06	EM	G,D,S,T
Meco		Vietnam	56.25	56.25	FC	G
OTHER ACTIVITIES						
Dalkia Holding	(1)	France	34	34	EM	S
Edenkia		France	50	50	EM	S
Dalkia International	(1)	France	50	24.14	PC	S
Dalkia Investissement	(1)	France	67	50	PC	S
Richemont		France	100	100	FC	G
EDF Développement Environnement SA		France	100	100	FC	S
Société pour le Conditionnement des Déchets et Effluents Industriels (SOCODEI)		France	100	100	FC	S
Cofiva		France	100	100	FC	S
Sofinel		France	55	54.98	FC	S
Électricité de Strasbourg		France	88.82	88.82	FC	D
Tiru – Traitement Industriel des Résidus Urbains	(1)	France	51	51	FC	S
Dunkerque LNG		France	100	100	FC	S
EDF Énergies Nouvelles (EDF EN)	(1)	France	50	50	FC	G,S
Immobilière Wagram Étoile		France	100	100	FC	S
La Gérance Générale Foncière		France	100	100	FC	S
Immobilière PB6		France	50	50	PC	S
Société Foncière Immobilière et de Location (SOFILO)		France	100	100	FC	S
Protertia		France	100	100	FC	S
EDF Optimal Solutions		France	100	100	FC	S
Société C2		France	100	100	FC	S
Société C3		France	100	100	FC	S
EDF Holding SAS		France	100	100	FC	S
Domofinance		France	45	45	EM	S
Fahrenheit		France	100	100	FC	S
EDF Trading	(1)	United Kingdom	100	100	FC	S
EDF Production UK Ltd		United Kingdom	100	100	FC	G
DIN UK		United Kingdom	100	100	FC	S
Wagram Insurance Company		Ireland	100	100	FC	S
Océane Ré		Luxembourg	99.98	99.98	FC	S
EDF Investissements Groupe		Belgium	93.32	50	PC	S
EDF Gas Deutschland		Germany	100	100	FC	S
FSG		Germany	50	50	PC	S

Consolidation methods: FC = full consolidation, PC = proportional consolidation, EM = accounted for under the equity method.
Business segments: G = Generation, D = Distribution, S = Services, T = Transmission.
(1) Group.

●● Statutory Auditors' Report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English speaking readers.

This Statutory Auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

The report also includes information relating to the specific verification of information given in the Group's 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.

Year ended December 31, 2010

To the shareholders,

Following our appointment as Statutory Auditors by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2010 on:
• the audit of the accompanying consolidated financial statements of Électricité de France S.A.;
• the justification of our assessments;
• the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting policies used and significant accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities, and of the financial position of the Group as of December 31, 2010 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the following matters set out in the notes to the consolidated financial statements:
• the changes in accounting principles, whose application is mandatory as of January 1st, 2010, in presentation and in the related comparative information as described in note 2;
• the conditions of consolidation of financial information related to Italian entities, in the Group's consolidated financial statements, as described in the introductory paragraph to the notes to the consolidated financial statements as well as in note 4.3 ;
• the valuation of long-term provisions relating to nuclear electricity production, as described in note 30 to the consolidated financial statements, results as indicated in note 1.3.2.1 from management's best estimates. This valuation is sensitive to the assumptions made concerning costs, inflation rates, long-term discount rates, and forecast cash outflows. Changes in these parameters could lead to a material revision of the level of provisioning.

2. Justification of assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code ("*Code de Commerce*") relating to the justification of our assessments, we bring to your attention the following matters:

Accounting policies

As part of our assessment of the Group accounting principles and methods, we have verified the appropriateness of the disclosures presented in notes 1.3.10 and 1.3.29.1 with respect to the accounting treatments of commitments to purchase non-controlling interests in a fully consolidated company and greenhouse gas emission quotas, areas which are not mandatory or specifically addressed in IFRS as adopted in the European Union as of December 31, 2010, and to those applied to the major events of the period that affect the comparability of the financial information presentation.

Management judgments and estimates

Note 1.3.2 to the consolidated financial statements describes the main sensitive accounting policies for which management is required to make estimates and exercise judgment and notes 4.3, 14 and 15 present respectively the information related to the Group's activities in Italy, to the impairment charges and to the provisions for risks related to long-lived assets that have been recognized during the period. These estimates were determined in the context of the difficulty to determine the future power and commodities price curves and are based on macro-economic assumptions appropriate to the very long-term cycle of Group assets.

Our procedures consisted in assessing these estimates, the data and assumptions on which they are based, reviewing, on a test basis, the calculations performed by the Company, comparing accounting estimates of prior periods with corresponding actual amounts, reviewing the procedures for approving these estimates by management and finally verifying that the notes to the consolidated financial statements provide appropriate disclosures.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole and contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information relating to the Group, given in the management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, February 14, 2011

The Statutory Auditors

KPMG Audit
Department of KPMG S.A.

Deloitte & Associés

Jean-Luc Decornoy

Michel Piette

Alain Pons

Patrick E. Suissa