Financial information on assets, the financial statements and results of the Company

(These financial statements will be submitted for approval by the general Shareholders' Meeting of 30 May, 2013)

Consolidated income statements

(in millions of Euros)	Notes	**2012**	2011 [1]
Sales	7	72,729	65,307
Fuel and energy purchases	8	(37,098)	(30,195)
Other external expenses	9	(10,087)	(9,931)
Personnel expenses	10	(11,624)	(10,802)
Taxes other than income taxes	11	(3,287)	(3,101)
Other operating income and expenses	12	5,451	3,661
Operating profit before depreciation and amortisation		**16,084**	**14,939**
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities		(69)	(116)
Net depreciation and amortisation		(6,849)	(6,285)
Net increases in provisions for renewal of property, plant and equipment operated under concessions		(164)	(221)
(Impairment)/reversals	13	(752)	(640)
Other income and expenses	14	(5)	775
Operating profit		**8,245**	**8,452**
Cost of gross financial indebtedness	15.1	(2,443)	(2,271)
Discount effect	15.2	(3,285)	(3,064)
Other financial income and expenses	15.3	2,366	1,555
Financial result	**15**	**(3,362)**	**(3,780)**
Income before taxes of consolidated companies		**4,883**	**4,672**
Income taxes	16	(1,586)	(1,336)
Share in income of associates	23	260	51
GROUP NET INCOME		**3,557**	**3,387**
EDF net income		**3,316**	**3,148**
Net income attributable to non-controlling interests		**241**	**239**
Earnings per share (EDF share) in Euros:	**17**		
Earnings per share		1.80	1.70
Diluted earnings per share		1.80	1.70

(1) Figures for 2011 have been restated for the impact of the change in accounting method for actuarial gains and losses on post-employment benefits (see note 2).

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

(in millions of Euros)	Notes	2012 EDF net income	2012 Net income attributable to non-controlling interests	2012 Total	2011 [1] EDF net income	2011 [1] Net income attributable to non-controlling interests	2011 [1] Total
Group net income		**3,316**	**241**	**3,557**	**3,148**	**239**	**3,387**
Gross change in fair value of available-for-sale financial assets [2]		937	-	937	(660)	-	(660)
Related tax effect		(351)	-	(351)	176	-	176
Change in fair value of available-for-sale financial assets	36.2.2	*586*	-	*586*	*(484)*	-	*(484)*
Gross change in fair value of hedging instruments [2]		(782)	20	(762)	(1,303)	43	(1,260)
Related tax effect		160	(9)	151	275	(14)	261
Change in fair value of hedging instruments	41.4	*(622)*	*11*	*(611)*	*(1,028)*	*29*	*(999)*
Gross change in actuarial gains and losses on post-employment benefits		(4,952)	54	(4,898)	(768)	(23)	(791)
Related tax effect		657	(13)	644	268	2	270
Change in actuarial gains and losses on post-employment benefits		*(4,295)*	*41*	*(4,254)*	*(500)*	*(21)*	*(521)*
Translation adjustments		*446*	*82*	*528*	*578*	*35*	*613*
Gains and losses recorded directly in equity		(3,885)	134	(3,751)	(1,434)	43	(1,391)
NET INCOME AND GAINS AND LOSSES RECORDED DIRECTLY IN EQUITY		**(569)**	**375**	**(194)**	**1,714**	**282**	**1,996**

(1) Figures for 2011 have been restated for the impact of the change in accounting method for actuarial gains and losses on post-employment benefits (see note 2).
(2) Gross changes in fair value transferred to income in respect of available-for-sale financial assets and hedging instruments are presented in notes 36.2.2 et 41.4 respectively.

Consolidated balance sheets

ASSETS

(in millions of Euros)	Notes	**31/12/2012**	31/12/2011 [1]
Goodwill	18	10,412	11,648
Other intangible assets	19	7,625	4,702
Property, plant and equipment operated under French public electricity distribution concessions	20	47,222	45,501
Property, plant and equipment operated under concessions for other activities	21	7,182	6,022
Property, plant and equipment used in generation and other tangible assets owned by the Group	22	67,838	60,445
Investments in associates	23	7,555	7,544
Non-current financial assets	36	30,471	24,260
Deferred tax assets	16.3	3,487	3,159
Non-current assets		**181,792**	**163,281**
Inventories	24	14,213	13,581
Trade receivables	25	22,497	20,908
Current financial assets	36	16,433	16,980
Current tax assets		582	459
Other receivables	26	8,486	10,309
Cash and cash equivalents	37	5,874	5,743
Current assets		**68,085**	**67,980**
Assets classified as held for sale	46	**241**	**701**
TOTAL ASSETS		**250,118**	**231,962**

(1) Figures for 2011 have been restated for the impact of the change in accounting method for actuarial gains and losses on post-employment benefits (see note 2).

EQUITY AND LIABILITIES

(in millions of Euros)	Notes	**31/12/2012**	31/12/2011 (1)
Capital	27	924	924
EDF net income and consolidated reserves		24,934	27,559
Equity (EDF share)		**25,858**	**28,483**
Equity (non-controlling interests)		4,854	4,189
Total equity	**27**	**30,712**	**32,672**
Provisions related to nuclear generation – Back-end nuclear cycle, plant decommissioning and last cores	29	39,185	37,198
Provisions for decommissioning of non-nuclear facilities	30	1,090	809
Provisions for employee benefits	31	19,540	14,611
Other provisions	32	1,873	1,338
Non-current provisions	***28***	***61,688***	***53,956***
Special French public electricity distribution concession liabilities	33	42,551	41,769
Non-current financial liabilities	38.1	46,980	42,688
Other non-current liabilities	35	4,218	4,989
Deferred tax liabilities	16.3	5,601	4,479
Non-current liabilities		**161,038**	**147,881**
Current provisions	28	3,894	4,062
Trade payables	34	14,643	13,681
Current financial liabilities	38.1	17,521	12,789
Current tax liabilities		1,224	571
Other current liabilities	35	21,037	19,900
Current liabilities		**58,319**	**51,003**
Liabilities related to assets classified as held for sale	46	**49**	**406**
TOTAL EQUITY AND LIABILITIES		**250,118**	**231,962**

(1) Figures for 2011 have been restated for the impact of the change in accounting method for actuarial gains and losses on post-employment benefits (see note 2).

Consolidated cash flow statements

(in millions of Euros)	Notes	2012	2011 [1]
Operating activities:			
Income before taxes of consolidated companies		4,883	4,672
Impairment (reversals)		752	640
Accumulated depreciation and amortisation, provisions and changes in fair value		9,197	7,210
Financial income and expenses		944	1,117
Dividends received from associates		201	334
Capital gains/losses		(443)	(737)
Change in working capital	43.1	(2,390)	(1,785)
Net cash flow from operations		*13,144*	*11,451*
Net financial expenses disbursed		(1,634)	(1,623)
Income taxes paid		(1,586)	(1,331)
Net cash flow from operating activities		9,924	8,497
Investing activities:			
Investments, net of cash acquired/transferred [2]		20	3,624
Investments in intangible assets and property, plant and equipment	43.2	(13,386)	(11,134)
Net proceeds from sale of intangible assets and property, plant and equipment		748	497
Changes in financial assets		(1,792)	222
Net cash flow used in investing activities		(14,410)	(6,791)
Financing activities:			
Transactions with non-controlling interests [3]		(1,038)	(1,324)
Dividends paid by parent company	27.3	(2,125)	(2,122)
Dividends paid to non-controlling interests		(230)	(261)
Purchases/sales of treasury shares	27.2	(15)	(14)
Cash flows with shareholders		*(3,408)*	*(3,721)*
Issuance of borrowings		12,431	5,846
Repayment of borrowings		(4,869)	(4,071)
Funding contributions received for assets operated under concessions		190	194
Investment subsidies		313	161
Other cash flows from financing activities		*8,065*	*2,130*
Net cash flow from financing activities		4,657	(1,591)
Net increase/(decrease) in cash and cash equivalents		171	115
CASH AND CASH EQUIVALENTS - OPENING BALANCE		**5,743**	**5,567**
Net increase/(decrease) in cash and cash equivalents		171	115
Effect of currency fluctuations		(44)	54
Financial income on cash and cash equivalents		38	44
Effect of reclassifications		(34)	(37)
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**37**	**5,874**	**5,743**

(1) Figures for 2011 have been restated for the impact of the change in accounting method for actuarial gains and losses on post-employment benefits (see note 2).

(2) The impact of disposal of the investment in EnBW during 2011 amounts to €3.8 billion (payment received of €4.5 billion net of €738 million cash transferred).

(3) Contributions via capital increases or reductions and acquisitions of additional interests in controlled companies.
In 2012, payments made for transactions with non-controlling interests include the acquisition of additional interests in the Edison group following the mandatory public offer finalised on 6 September 2012 for €(869) million, and in ERSA following the acquisition of EnBW's investment in that subsidiary on 16 February 2012 for €(252) million (see notes 3.1 and 5.1.1 respectively).
In 2011, €(1,462) million was paid for the acquisition of additional interests in EDF Énergies Nouvelles.

Changes in consolidated equity

(in millions of Euros)	Capital	Treasury shares	Translation adjustments	Impact of fair value adjustment of financial instruments [1]	Other consolidate reserves and net income	**Equity (EDF share)**	Equity (share attributable to non-controlling interests)	**Total equity**
Equity at 31/12/2010	**924**	**(19)**	**543**	**400**	**29,469**	**31,317**	**5,586**	**36,903**
Restatements due to change of method [2]	-	-	26	-	(1,697)	(1,671)	(121)	(1,792)
Equity at 31/12/2010 (restated)	**924**	**(19)**	**569**	**400**	**27,772**	**29,646**	**5,465**	**35,111**
Gains and losses recorded directly in equity	-	-	578	(1,512)	(500)	(1,434)	43	(1,391)
Net income	-	-	-	-	3,148	3,148	239	3,387
Net income and gains and losses recorded directly in equity	-	-	**578**	**(1,512)**	**2,648**	**1,714**	**282**	**1,996**
EDF capital increase [3]	6	(324)	-	-	300	(18)	-	(18)
EDF capital reduction [3]	(6)	324	-	-	(318)	-	-	-
Dividends paid	-	-	-	-	(2,122)	(2,122)	(262)	(2,384)
Purchases/sales of treasury shares	-	(7)	-	-	-	(7)	-	(7)
Other changes [4]	-	-	-	39	(769)	(730)	(1,296)	(2,026)
Equity at 31/12/2011 (restated)	**924**	**(26)**	**1,147**	**(1,073)**	**27,511**	**28,483**	**4,189**	**32,672**
Gains and losses recorded directly in equity	-	-	446	(36)	(4,295)	(3,885)	134	(3,751)
Net income	-	-	-	-	3,316	3,316	241	3,557
Net income and gains and losses recorded directly in equity	-	-	**446**	**(36)**	**(979)**	**(569)**	**375**	**(194)**
Dividends paid	-	-	-	-	(2,125)	(2,125)	(231)	(2,356)
Purchases/sales of treasury shares	-	(7)	-	-	-	(7)	-	(7)
Other changes [5]	-	-	-	-	76	76	521	597
EQUITY AT 31/12/2012	**924**	**(33)**	**1,593**	**(1,109)**	**24,483**	**25,858**	**4,854**	**30,712**

(1) These changes correspond to the effects of fair value adjustment of available-for-sale financial assets and amounts transferred to income following changes in their fair value, and the effects of fair value adjustment of financial instruments hedging cash flows and net foreign investments 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.

(2) Figures at 31 December 2011 and 31 December 2010 have been restated for the impact of the change in accounting method for actuarial gains and losses on post-employment benefits (see note 2).

(3) EDF's capital increase and capital reduction operations relate to the simplified alternative public cash or exchange offer for shares of EDF Énergies Nouvelles.

(4) Other changes (EDF's share and the share attributable to non-controlling interests) include €(716) million and €(764) million respectively reflecting the effects of acquisition of minority shareholdings in EDF Énergies Nouvelles. Other changes in equity attributable to non-controlling interests also include the effects of deconsolidation of EnBW, amounting to €(519) million.

(5) In 2012, other changes attributable to non-controlling interests include €406 million corresponding to the effects of the takeover of Edison and the mandatory public offer (EDF holds 97.4% ownership at 31 December 2012), of which €266 million are indirect non-controlling interests (see note 3.1).

Contents

Notes to the consolidated financial statements

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 Company exercises significant influence (associates), which are accounted for under the equity method. All these economic entities are collectively referred to as the "Group".

The Group is an integrated energy operator engaged in all aspects of the energy business: generation, transmission, distribution, supply and trading of energies.

The Group's consolidated financial statements at 31 December 2012 were prepared under the responsibility of the Board of Directors and approved by the Directors at the Board meeting held on 13 February 2013. They will become final after approval at the General Shareholders' Meeting to be held on 30 May 2013.

Note 1 Group accounting standards

1.1 Declaration of conformity and Group accounting policies

Pursuant to European regulation 1606/2002 of 19 July 2002 on the adoption of international accounting standards, the EDF group's consolidated financial statements for the year ended 31 December 2012 are prepared under the international accounting standards published by the IASB and approved by the European Union for application at 31 December 2012. These international standards are IAS (International Accounting Standards), IFRS (International Financial Reporting Standards), and SIC and IFRIC interpretations.

The comparative figures for 2011 reported in the notes to the financial statements have been restated as a result of the change in accounting method for actuarial gains and losses on post-employment benefits (see note 2).

1.2 Changes in accounting methods at 31 December 2012

Apart from the changes indicated below, the accounting and valuation methods applied by the Group in the consolidated financial statements for the year ended 31 December 2012 are identical to those used in the consolidated financial statements for the year ended 31 December 2011.

1.2.1 Accounting changes introduced in the consolidated financial statements at 31 December 2012

- Change of accounting option concerning recognition of actuarial gains and losses on post-employment benefits

IAS 19 allows the following methods for recognition of actuarial gains and losses on post-employment defined benefit plans:

- either the full amount of such gains and losses, or a portion as determined under the "corridor" method, is recorded through the income statement; the Group applied this approach until 31 December 2011;
- or they are recorded in full through other components of net income and gains and losses recorded directly in equity.

The Group decided to use the option to record actuarial gains and losses for post-employment benefits in the statement of net income and gains and losses recorded directly in equity from 1 January 2012. The Group considers that this change will make information on post-employment benefits clearer and more comprehensible.

This change of accounting method is applied retrospectively, as required by IAS 8. Note 2 presents a description of this change of accounting method and calculations of its main effects.

- Disclosures on transfers of financial assets

The amendment to IFRS 7, "Financial instruments: disclosures – Transfers of financial assets" adopted by the European Union in 2011 became mandatory on 1 January 2012.

In application of this amendment, the EDF group's financial statements now include additional disclosures concerning transfers of derecognised financial assets, so that readers can assess the nature of the Group's involvement in these derecognised assets, and the associated risks.

As IFRS 7 concerns disclosures, this amendment has no impact on the accounting methods applied in the consolidated financial statements.

1.2.2 Standards and amendments adopted by the European Union in 2012 but not yet mandatory and not applied early by the Group

The Group is currently assessing the potential impact of the following standards, which were adopted by the IASB in 2011:

- IFRS 10 "Consolidated financial statements";
- IFRS 11 "Joint arrangements";
- IFRS 12 "Disclosure of interests in other entities';
- IAS 27 (2011) "Individual financial statements";
- IAS 28 (2011) "Investments in associates and joint ventures".

Based on the analyses conducted to date, the Group concludes that application of the following standards, interpretations and amendments will not have any significant impact:

- IFRS 13 "Fair value measurement»;
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine";
- amendments to IAS 1 entitled "Presentation of items of other comprehensive income (OCI)";
- amendments to IAS 12 entitled "Deferred Tax: Recovery of Underlying Assets";
- amendments to IAS 19 entitled "Employee benefits" on defined-benefit plans;
- amendments to IFRS 1 entitled "Severe hyperinflation and removal of fixed dates for first-time adopters";
- amendments to IAS 32 on Offsetting Financial Assets and Financial Liabilities;
- amendments to IFRS 7 on disclosures concerning offsetting of financial assets and financial liabilities.

1.2.3 Other standards not applied early by the Group

The Group has not applied the following standards, amendments and interpretations, which are expected to be approved by the European Union in 2013 at the earliest:

- amendments to IFRS 1 entitled "Government loans";
- annual improvements to IFRS (2009-2011);
- amendments to IFRS 10, 11 and 12 on "Transition guidance";
- amendments to IFRS 10 and 12 and IAS 27 on "Investment entities".

The potential impact of these amendments is currently being evaluated by the Group.

Finally, as part of the ongoing overhaul of IAS 39, the IASB released a new standard, IFRS 9, "Financial instruments – Phase 1, Classification and Measurement" in November 2009, then an amended version in October 2010. In December 2011 the application date of this new standard was deferred to 1 January 2015, and it is therefore not applicable at 31 December 2012.

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 assets acquired and liabilities assumed through business combinations, and certain financial instruments, which are stated at fair value.

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, considering positive and negative contingencies existing at year-end. The figures in the Group's future financial statements could differ significantly 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.

In a context characterised by financial market volatility, 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.

The main assumptions and sensitivity analyses are presented in note 29.1.5.

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 all the actuarial assumptions used, particularly concerning discount rates and wage increase rates.

The principal actuarial assumptions used to calculate these post-employment and long-term benefits at 31 December 2012 are presented in note 31. These assumptions are updated annually. The Group considers the actuarial assumptions used at 31 December 2012 appropriate and well-founded, but future changes in these assumptions could have a significant effect on the amount of the obligations and the Group's equity and net income. Sensitivity analyses are therefore presented in note 31.

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 – particularly concerning energy price movements – and medium-term financial forecasts. The Group therefore revises the underlying estimates and assumptions based on regularly updated information.

These assumptions, which are specific to the Group, are presented in note 13.

1.3.2.4 Financial instruments

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

1.3.2.5 Energy supplied but not yet measured and billed

As explained in note 1.3.7, the quantities of energy supplied but not yet measured and 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 to prepare 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 concession assets in the balance sheet at a value based on 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 present value of future payments necessary to replace 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 1.3.24 for information. Whatever valuation method is used, measurement of the concession liability concerning assets to be replaced is notably subject to unforeseeable developments in terms of cost, useful life and disbursement dates.

1.3.2.7 Deferred tax assets

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

1.3.2.8 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 supply relevant and 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 a company'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 internal transactions between consolidated companies, including realised internal profits, are eliminated.

A list of subsidiaries, joint ventures and associates is presented in note 52.

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 1 January 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 amortisation comprises items of an unusual nature or amount.

In the cash flow statements, cash flows related to operating activities are presented under the indirect method.

1.3.5 Translation methods

1.3.5.1 Reporting currency

The Group's financial statements are presented in Euros, 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 recognised in equity under the heading "Translation adjustments".

Translation adjustments 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 recognised as income or expenses in the income statement, in the same way as other exchange differences 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 energy sales, connections and other services, which mainly include energy transmission and distribution, 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 completed);
- 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 supplied but not yet measured and 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 recognised net of purchases.

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 recognised 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 realised 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 in accounting for changes in actuarial gains and losses or fair value on 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 recognised when it is probable that the Group will have sufficient taxable profit to utilise 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

The Group has applied revised IFRS 3 since 1 January 2010, and accordingly business combinations arising since that date are recorded under the new acquisition method.

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

Non-controlling interests may 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 decision 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 a transaction between shareholders 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 remains 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 acquired company.

Related costs directly attributable to an acquisition leading to control 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.

Revised IFRS 3 does not apply to common control business combinations, which are examined on a case-by-case basis to determine the appropriate accounting treatment.

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 acquired and liabilities assumed from 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 finalised within twelve 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 amortised, 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 1.3.15.

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

1.3.11.2 Other intangible assets

1.3.11.2.1 Research and development expenses

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

Project development expenses are capitalised 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.

Capitalised development costs are amortised on a straight-line basis over the foreseeable useful life.

1.3.11.2.2 Other self-produced or purchased intangible assets

Other intangible assets mainly comprise:

- software, which is amortised on a straight-line basis over its useful life;
- purchased brands with an indefinite useful life, or amortised on a straight-line basis over their useful life;
- operating or usage rights for power plants, which are amortised on a straight-line basis over the useful life of the underlying asset;
- rights or licenses relating to hydrocarbon concessions, which are amortised 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 1.3.27);

- the positive value of energy purchase/sale contracts stated at fair value as part of a business combination governed by revised IFRS 3: this value is amortised as the contractual deliveries take place.

1.3.11.2.3 Hydrocarbon prospecting, exploration and generation

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

Prospection and exploration costs and costs incurred in connection with geological surveys, exploration tests, geological and geophysical mapping and exploratory drilling are recognised as intangible assets and fully amortised in the year they are incurred.

Development costs related to commercially viable mineral wells and investments in facilities to extract and store hydrocarbons are recognised 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 amortised under the UOP ("Unit Of Production") method.

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

The Group's property, plant and equipment is 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.

1.3.12.1 Initial measurement

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

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

The Group capitalises 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 1.3.21).

When some of the decommissioning costs for a plant are to be borne by a partner, the expected reimbursement is recognised as accrued income in the assets. The difference between the provision and the accrued income is recorded as a tangible asset, and subsequent payments by the partner are deducted from the accrued income.

The following components are thus included in the balance sheet value of property, plant and equipment:

- the discounted cost of decommissioning the facilities;
- and for nuclear facilities, the discounted cost of last core nuclear fuel, including:
  - the cost of the loss on reactor fuel that will not be fully irradiated when production shuts down and cannot be reused because of technical and regulatory constraints;
  - the cost of processing this fuel;
  - and the cost of removing and storing waste resulting from these operations.

Strategic safety spare parts for nuclear facilities are treated as property, plant and equipment, and depreciated over the residual useful life of the installations.

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 and depreciated over a specific period. This mainly concerns the costs of major inspections, which are amortised over a period corresponding to the time elapsing between two inspections.

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.

1.3.12.2 Depreciation

Items of 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, the expected useful lives for the main facilities are as follows:

- hydroelectric dams: 75 years
- electromechanical equipment used in hydropower plants: 50 years
- fossil-fired power plants: 25 to 45 years
- nuclear generation facilities:
  - in France: 40 years
  - outside France: 35 to 60 years
- transmission and distribution installations (lines, substations): 20 to 50 years
- wind farm and photovoltaic facilities: 20 to 25 years

In 2012, the useful life of certain nuclear generation facilities in the United Kingdom was extended by 5 and 7 years.

1.3.13 Concession agreements

1.3.13.1 Accounting treatment

The accounting treatment of public and private agreements depends on the nature of the agreements and their specific contractual features.

For public agreements concerning contractual services, IFRIC 12, "Service concession arrangements", applied by the EDF Group since 1 January 2010, has a limited impact on the Group's financial statements, since the Group considers for most of its concessions that in substance the grantors do not have the characteristic features of control over infrastructures as defined in IFRIC 12.

1.3.13.2 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.

1.3.13.2.1 Public electricity distribution concessions

- General background

Since the enactment of the French Law of 8 April 1946, the EDF group 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 authorised State concession operator.
These agreements 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 (updated in 2007).

- 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 on a specific line in the balance sheet assets at acquisition cost, or their estimated value at the transfer date when supplied by the grantor.

1.3.13.2.2 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 (alternators, etc).

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.

1.3.13.2.3 Public transmission concession

Under French law, assets assigned to the public transmission concession belong to RTE Réseau de Transport d'Électricité (RTE). Following application of the equity method to RTE from 31 December 2010, these assets are included in calculating the equity value of RTE in the Group's consolidated balance sheet.

1.3.13.2.4 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". 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. Edison owns all the assets except for some items of property, plant and equipment on the hydropower generation sites, which will be returned to the grantor for nil consideration or with an indemnity when the concession ends. In compliance with IFRIC 12, certain concession agreements are recorded as intangible assets.

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 1.3.11).

1.3.14 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 analysed 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.

1.3.14.1 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 derecognised 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 asset by the lessor.

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

1.3.14.2 Operating leases

Lease agreements that do not qualify as finance leases are classified and recognised as operating leases. Rental charges are spread over the duration of the lease agreement on a straight-line basis.

1.3.14.3 Arrangements containing a lease

In compliance with IFRIC 4, the Group identifies arrangements that do not have the legal form of a lease contract but nonetheless convey the right to use an asset or group of specific assets to the purchaser, 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 analysed with reference to IAS 17 for classification as either finance or operating leases.

1.3.15 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 an indication that an asset could have been significantly impaired. An impairment test is also carried out at least once a year on cash-generating units (CGUs) or groups of CGUs including goodwill or any intangible asset with an indefinite useful life.

For CGUs including goodwill or another non-amortisable intangible asset, or when there is evidence of loss of value, 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 (CGUs) are groups of homogeneous assets that generate identifiable independent cash flows. The Group's CGUs are

subgroups or legal entities, broken down where necessary by activity (generation and supply, distribution, transmission, other). Goodwill is allocated to the CGUs that benefit from synergies resulting from the acquisition.

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 CGU 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 at least 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 levels, the market share for 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.

1.3.16 Financial assets and liabilities

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

Available-for-sale securities allocated to dedicated assets are presented in note 48.

Financial liabilities comprise loans and other financial liabilities, 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.

1.3.16.1 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;
- 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.

1.3.16.1.1 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 fair value, which is generally equal to the amount of cash paid out. Transaction costs directly attributable to the acquisition are recorded in the income statement. At each subsequent reporting date they are adjusted to fair value, based on quoted prices available from external sources for listed financial instruments, or using recognised valuation techniques such as the discounted cash flow method or reference to external sources for other financial 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 carried at fair value are recorded in the income statement under "Other financial income".

Changes in the fair value of commodity trading contracts are recorded in the income statement under "Sales".

Changes in the fair value of non-trading commodity transactions are reported separately on a specific line of the income statement, "Net changes in fair value on Energy and Commodity derivatives, excluding trading activities" below the operating profit before depreciation and amortisation. These are transactions that come under the scope of IAS 39, which for accounting purposes are not eligible for hedge accounting or the IAS 39 "own use" exemption (see note 1.3.16.1.6).

Regarding the fair value option, the Group classifies an asset or liability "at fair value with changes in fair value included in income" in the three following circumstances:

- when using fair value eliminates or significantly reduces an inconsistency in the measurement of assets and liabilities;
- 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 reporting to management;
- when a contract contains one or more embedded derivatives. In such cases the fair value option may be applied to the hybrid instrument, unless:
  - the embedded derivative does not substantially affect the cash flows of the contract,
  - analysis of the host contract and the embedded derivative does not lead to separation of this embedded derivative.

1.3.16.1.2 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 amortised 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".

1.3.16.1.3 Loans and financial receivables

Loans and financial receivables are valued and recorded at the transaction date, at amortised 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".

1.3.16.1.4 Available-for-sale financial assets

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

On initial recognition, available-for-sale financial assets are recorded at fair value plus transaction costs attributable to their acquisition. They are subsequently readjusted to fair value at each 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. Shares not listed on an active market for which fair value cannot be reliably estimated are recorded at acquisition cost.

Unrealised gains or losses on these assets are recorded in equity, unless there is evidence of a realised loss, in which case impairment is recognised in the financial result (see note 1.3.16.2.2).

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

1.3.16.1.5 Financial liabilities

Financial liabilities are recorded at amortised cost, with separation of embedded derivatives where applicable. Interest expenses are calculated at the effective interest rate and recorded in the income statement under the heading "Cost of gross financial indebtedness" over the duration of the financial liability.

1.3.16.1.6 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 ("own use"). 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 operator, and are outside 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 recognised 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 the trading business, realised and unrealised gains and losses are reported net under the heading "Sales".

- Derivatives classified as hedges

The EDF group uses derivatives 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 ceases to be an effective hedging instrument;
- a derivative 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 derivatives external to the Group, and internal derivatives that are matched with similar transactions external to the Group, qualify for hedge accounting.

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 materialise, the amounts previously recognised 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.

1.3.16.2 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.

1.3.16.2.1 Financial assets recorded at amortised 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.

1.3.16.2.2 Available-for-sale financial assets

If there is a substantial, long-term decline in the fair value of available-for-sale assets, the unrealised 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 when it concerns equity instruments, and leads to a reversal from previously-recorded impairment when it concerns 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 uses the following criteria to assess impairment:

- 3 years as the threshold for assessment of long-term loss of value,
- a 50% decline from historical cost as indication of a significant loss of value.

For available-for-sale financial assets held as part of EDF's dedicated asset portfolio, the Group uses the following criteria to assess impairment:

- a 5-year period as the threshold for assessment of a long-term loss of value,
- a 40% decline from historical portfolio value as indication of a significant loss of value.

In assessing impairment of dedicated assets, the Group takes into consideration factors specific to their nature: legal and regulatory obligations associated with the funds concerned, the timing of the payments they are to finance, and long-term management of the funds.

1.3.16.3 Derecognition of financial assets and liabilities

The Group derecognises a financial asset when:

- the contractual rights to the cash flows generated by the asset expire, or
- the Group transfers the rights to receive contractual cash flows related to the financial asset through the transfer of substantially all of the risks and benefits associated with ownership of the asset.

Any interest created or retained by the Group in transferred financial assets is recorded as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are extinguished, cancelled or expire. When a debt is renegotiated with a lender on substantially different terms, a new liability is recognised.

1.3.16.4 Securitisation operations

When it can be demonstrated that the Group has transferred substantially all the risks and benefits related to transfers of receivables, particularly the credit risk, the items concerned are derecognised.

Otherwise, the operation is considered as a financing operation, and the receivables remain in the balance sheet assets, with recognition of a corresponding financial liability.

1.3.17 Inventories

Inventories are recognised at the lower of acquisition cost or net realisable value, except for inventories held for 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, labour costs, and a share of indirect production costs.

1.3.17.1 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, labour and subcontracted services (e.g. fluoration, enrichment, production, etc).

In accordance with regulatory obligations specific to each country, inventories of fuel (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 with a short-term production process 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 spent quantities based on neutronic measurements and physical inventories.

1.3.17.2 Other operating inventories

Other non-trading operating inventories are generally valued at weighted average cost including direct and indirect purchasing costs. Inventories held for trading are carried at market value.

Impairment of spare parts supplied under a maintenance programme depends on the turnover of these parts and the useful lives of the generation units.

Certificates issued under the various environmental schemes are also included in other inventories (see note 1.3.27).

1.3.18 Trade receivables

Trade receivables are initially recognised at the fair value of the consideration received or receivable. Impairment is recorded when, based on the probability of recovery assessed according to the type of receivable, their carrying amount falls below 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 the value of unbilled receivables for energy already supplied.

1.3.19 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".

1.3.20 Equity

1.3.20.1 Fair value adjustment of financial instruments

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

1.3.20.2 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.

1.3.20.3 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. Net gains or losses on disposals of treasury shares are directly included in equity and do not affect net income.

1.3.21 Provisions other than employee benefit provisions

The Group recognises 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.

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.

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 and final contributions specific to each country;
- 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;
  - losses on energy sale agreements are measured by comparing the estimated income under the contractual terms with the cost of 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 based on discounted future cash flows.

The rate of inflation and the discount rate are based on the economic and regulatory 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 effect" 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 quote are recorded:

- as a change in the corresponding assets if the provision was initially covered by balance sheet assets (decomissioning of plants still in operation, long-term management of the radioactive waste resulting from such decommissioning, and last cores);
- in the income statement in all other cases.

In extremely rare cases, description of a specific litigation covered by a provision may be omitted from the notes to the financial statements if such disclosure could cause serious prejudice to the Group.

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

In extremely rare situations, a provision cannot be booked due to lack of a reliable estimate. In such unusual cases, the obligation is mentioned in the notes as a contingent liability, unless there is little likelihood of an outflow of resources.

1.3.22 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.

1.3.22.1 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 under all types of plan, taking into consideration each country's specific economic conditions and expected wage increases.

For 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, taking into account the longer employee contribution period to qualify for a full pension);
- forecast numbers of pensioners, determined based on employee turnover rates and mortality data available in each country;
- reversion pensions where relevant, taking into account both the life expectancy of the employee and his/her spouse and the marriage rate observed for the population of IEG (electricity and gas sector) status employees;
- 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 to employees.

The provision reflects the value of the fund assets that cover post-employment obligations, which is deducted from the value of the benefit obligation.

Actuarial gains and losses on post-employment benefits generated by changes in actuarial assumptions (discount rate, mortality rate, retirement age, etc) are recognised immediately in the statement of net income and gains and losses recorded directly in equity, in application of the option allowed by IAS 19 (2008).

For other long-term benefits, actuarial gains and losses and the full past service cost are directly included in the provision.

The net expense booked during the year for employee benefit obligations includes:

- the net cost of additional vested benefits, and the financial discount cost on existing benefits;
- the income corresponding to the expected return on fund assets;
- the income or expense related to amendments/terminations of benefit plans or introduction of new plans;
- the change in actuarial gains and losses relating to long-term benefits.

1.3.22.2 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.

1.3.22.2.1 French subsidiaries covered by the IEG system

Subsidiaries belonging to the specific IEG (electricity and gas) sector system, namely EDF, ERDF, RTE Réseau de Transport d'Électricité (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.

Since the financing reform for the IEG sector system took effect on 1 January 2005, the CNIEG (*Caisse Nationale des IEG*, the sector's specific pension body) has managed not only the special IEG pension system, but also the industrial accident, invalidity and death insurance system for the sector.
The CNIEG is a social security body governed by private law, formed by the law of 9 August 2004. It has legal entity status and reports to the French government, operating under the joint supervision of France's ministers for the Budget, Social Security and Energy. Under the funding arrangements introduced by the law, IEG companies establish pension provisions to cover entitlements not funded by France's standard systems (CNAV, AGIRC and ARRCO), to which the IEG system is affiliated, or by the CTA (*Contribution Tarifaire d'Acheminement*) levy on gas and electricity transmission and distribution services.

The provision for pensions thus includes:

- specific benefits of employees in the deregulated or competitive activities;
- specific benefits earned by employees from 1 January 2005 for the regulated activities (transmission and distribution) (past benefits are financed by the CTA levy);
- specific benefits of employees benefiting from early retirement before the standard legal retirement age.

CNIEG management expenses payable by EDF for the administration and payment of retired employees' pensions are also included.

In addition to pensions, other benefits are granted to IEG status former employees (not currently in active service), as detailed below:

- Benefits in kind: article 28 of the IEG national statutes entitles such employees and current employees to benefits in kind in the form of supplies of electricity or gas at the preferential "employee price". The EDF group'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: these are paid upon retirement to employees due to receive the statutory old-age pension, or to their dependants if the employee dies before reaching retirement. These obligations are almost totally covered by an insurance policy.
- Bereavement benefit: this is paid out upon the death of an inactive or disabled 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 three 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, time banking for pre-retirement leave, and pensions for personnel sent on secondment to subsidiaries not covered by the IEG system.

1.3.22.2.2 French and foreign subsidiaries not covered by the special IEG system

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

1.3.22.3 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 incapacity, invalidity, industrial accident or work-related illness; 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 and incapacity 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.

1.3.23 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 privatisation law of 1986 and article 26 of the law of 9 August 2004 require a share offer to be reserved for current and retired employees of the company. The company being privatised 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 recognised as such with a corresponding adjustment in equity.

Valuation of the benefit granted through a share offer reserved for current and former 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.

1.3.24 Special concession liabilities

These liabilities represent the contractual obligations specific to the concession rules for public electricity distribution concessions in France, recognised 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 unamortised 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 amortisation 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 recognised for a given item increase over time,
  - based on the share of the asset's historical cost financed by the grantor for amortisation of the grantor's financing.

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 present 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%;
- amortisation 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 2012:

- Impacts on the income statement:

(in millions of Euros and before taxes)	**2012**
Operating profit	455
Financial result	(575)
Income before taxes of consolidated companies	(120)

- Impacts on the balance sheet - equity:

(in millions of Euros and before taxes)	**2012**
At opening date	2,440
At closing date	2,320

Valuation of concession liabilities under this method is subject to uncertainty over costs and disbursements, and is also sensitive to inflation and discount rates.

1.3.25 Investment subsidies

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

1.3.26 Assets classified as held for sale and associated liabilities, and discontinued operations

Assets that qualify as held for sale and associated liabilities 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.

Impairment is booked when the realisable value is lower than the net book value.

1.3.27 Environment

1.3.27.1 Greenhouse gas emission rights

Since no IFRS specifically addresses the question, the Group has opted for the "net approach" accounting treatment: only purchases and sales of emission rights are recognised in the accounts, and a provision is booked if the entity expects to have an annual shortfall in emission rights.
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 not subject to forward sale 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/sales of emission 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.

1.3.27.2 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;
- at the value of renewable energy certificates obtained.

The renewable energy certificate system thus applies to:

- non-obligated producers (because the obligation concerns energy sales: Poland, EDF Énergies Nouvelles);
- obligated producers (because the obligation concerns energy generation, or because they also sell energy and are subject to an energy sale obligation: Edison, Fenice, EDF Luminus, 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 recognised,
  - 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.

1.3.27.3 Energy savings certificates

In the general framework of an energy savings certificates system (of the kind introduced by the French law of 13 July 2005) EDF fulfils its obligations either by taking measures regarding its assets or action with its final customers that entitle it to energy savings certificates from the State, or by purchasing energy savings certificates directly.

Expenses incurred to meet a cumulative energy savings obligation are treated as:

- property, plant and equipment 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 capitalisation or if the action taken is to encourage third parties to save energy;
- expenses incurred in excess of the cumulative obligation at the year-end are included in inventories until they are utilised to cover EDF's obligation.

Energy savings certificates acquired for resale are recorded as intangible assets.

1.3.27.4 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 activities. These expenses are treated as follows:

- they are capitalised if they are incurred to prevent or reduce future damage or protect resources;
- they are booked as environmental liabilities and increases 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 recognised 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

2.1 Change in recognition of actuarial gains and losses related to post-employment benefits

Since 1 January 2012, the Group has recorded actuarial gains and losses related to post-employment defined benefit plans in the statement of net income and gains and losses recorded directly in equity, under the option allowed by IAS 19.

The Group has thus stopped using the "corridor" method and now recognises all actuarial gains and losses in full.

As this is a change of accounting method, comparative prior year figures resulting from retrospective application of this method are presented in compliance with IAS 8.

The impact on equity (EDF share) amounts to €(1,671) million at 1 January 2011 and €(2,087) million at 31 December 2011.

The impact at 1 January 2011 mainly concerns the France and United Kingdom segments (€(1,010) million and €(566) million respectively).

2.2 Impact on the income statement for 2011

(in millions of Euros)	2011 as published	Impacts of IAS 19 option	2011 restated
Sales	65,307	-	65,307
Fuel and energy purchases	(30,195)	-	(30,195)
Other external expenses	(9,931)	-	(9,931)
Personnel expenses	(10,917)	115	(10,802)
Taxes other than income taxes	(3,101)	-	(3,101)
Other operating income and expenses	3,661	-	3,661
Operating profit before depreciation and amortisation	**14,824**	**115**	**14,939**
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities	(116)	-	(116)
Net depreciation and amortisation	(6,285)	-	(6,285)
Net increases in provisions for renewal of property, plant and equipment operated under concessions	(221)	-	(221)
(Impairment)/reversals	(640)	-	(640)
Other income and expenses	724	51	775
Operating profit	**8,286**	**166**	**8,452**
Cost of gross financial indebtedness	(2,271)	-	(2,271)
Discount effect	(3,064)	-	(3,064)
Other financial income and expenses	1,555	-	1,555
Financial result	**(3,780)**	**-**	**(3,780)**
Income before taxes of consolidated companies	**4,506**	**166**	**4,672**
Income taxes	(1,305)	(31)	(1,336)
Share in income of associates	45	6	51
GROUP NET INCOME	**3,246**	**141**	**3,387**
EDF net income	**3,010**	**138**	**3,148**
Net income attributable to non-controlling interests	**236**	**3**	**239**

2.3 Impact on the statement of net income and gains and losses recorded directly in equity for 2011

(in millions of Euros)	2011 as published	Impacts of IAS 19 option	2011 restated
Group net income	3,246	141	3,387
Gross change in the fair value of available-for-sale financial assets	(660)	-	(660)
Related tax effect	176	-	176
Change in fair value of available-for-sale financial assets	*(484)*	-	*(484)*
Gross change in fair value of hedging instruments	(1,260)	-	(1,260)
Related tax effect	261	-	261
Change in the fair value of hedging instruments	*(999)*	-	*(999)*
Gross change in actuarial gains and losses on post-employment benefits	-	(791)	(791)
Related tax effect	-	270	270
Change in actuarial gains and losses on post-employment benefits (1)	-	*(521)*	*(521)*
Translation adjustments	*676*	*(63)*	*613*
Gains and losses recorded directly in equity	(807)	(584)	(1,391)
NET INCOME AND GAINS AND LOSSES RECORDED DIRECTLY IN EQUITY	**2,439**	**(443)**	**1,996**

(1) EDF's share €(500) million.

2.4 Impact on the balance sheet at 31 December 2011

ASSETS

(in millions of Euros)	31/12/2011 as published	Impacts of IAS 19 option	31/12/2011 restated
Goodwill	11,648	-	11,648
Other intangible assets	4,702	-	4,702
Property, plant and equipment operated under French public electricity distribution concessions	45,501	-	45,501
Property, plant and equipment operated under concessions for other activities	6,022	-	6,022
Property, plant and equipment used in generation and other tangible assets owned by the Group	60,445	-	60,445
Investments in associates	7,684	(140)	7,544
Non-current financial assets	24,517	(257)	24,260
Deferred tax assets	2,507	652	3,159
Non-current assets	**163,026**	**255**	**163,281**
Inventories	13,581	-	13,581
Trade receivables	20,908	-	20,908
Current financial assets	16,980	-	16,980
Current tax assets	459	-	459
Other receivables	10,309	-	10,309
Cash and cash equivalents	5,743	-	5,743
Current assets	**67,980**	**-**	**67,980**
Assets classified as held for sale	**701**	**-**	**701**
TOTAL ASSETS	**231,707**	**255**	**231,962**

EQUITY AND LIABILITIES

(in millions of Euros)	31/12/2011 as published	Impacts of IAS 19 option	31/12/2011 restated
Capital	924	-	924
EDF net income and consolidated reserves	29,646	(2,087)	27,559
Equity (EDF share)	**30,570**	**(2,087)**	**28,483**
Equity (non-controlling interests)	4,337	(148)	4,189
Total equity	**34,907**	**(2,235)**	**32,672**
Provisions related to nuclear generation – Back-end nuclear cycle, plant decommissioning and last cores	37,198	-	37,198
Provisions for decommissioning of non-nuclear facilities	809	-	809
Provisions for employee benefits	12,215	2,396	14,611
Other provisions	1,338	-	1,338
Non-current provisions	***51,560***	***2,396***	***53,956***
Special French public electricity distribution concession liabilities	41,769		41,769
Non-current financial liabilities	42,688	-	42,688
Other non-current liabilities	4,989	-	4,989
Deferred tax liabilities	4,479	-	4,479
Non-current liabilities	**145,485**	**2,396**	**147,881**
Current provisions	3,968	94	4,062
Trade payables	13,681	-	13,681
Current financial liabilities	12,789	-	12,789
Current tax liabilities	571	-	571
Other current liabilities	19,900	-	19,900
Current liabilities	**50,909**	**94**	**51,003**
Liabilities related to assets classified as held for sale	**406**	**-**	**406**
TOTAL EQUITY AND LIABILITIES	**231,707**	**255**	**231,962**

2.5 Impact on the balance sheet at 31 December 2010

ASSETS

(in millions of Euros)	31/12/2010 as published	Impacts of IAS 19 option	31/12/2010 restated
Goodwill	12,028	-	12,028
Other intangible assets	4,616	-	4,616
Property, plant and equipment operated under French public electricity distribution concessions	43,905	-	43,905
Property, plant and equipment operated under concessions for other activities	6,027	-	6,027
Property, plant and equipment used in generation and other tangible assets owned by the Group	57,268	-	57,268
Investments in associates	7,854	(107)	7,747
Non-current financial assets	24,921	(173)	24,748
Deferred tax assets	2,125	452	2,577
Non-current assets	**158,744**	**172**	**158,916**
Inventories	12,685	-	12,685
Trade receivables	19,524	-	19,524
Current financial assets	16,788	-	16,788
Current tax assets	525	-	525
Other receivables	9,319	-	9,319
Cash and cash equivalents	4,829	-	4,829
Current assets	**63,670**	-	**63,670**
Assets classified as held for sale	**18,145**	**20**	**18,165**
TOTAL ASSETS	**240,559**	**192**	**240,751**

EQUITY AND LIABILITIES

(in millions of Euros)	31/12/2010 as published	Impacts of IAS 19 option	31/12/2010 restated
Capital	924	-	924
EDF net income and consolidated reserves	30,393	(1,671)	28,722
Equity (EDF share)	**31,317**	**(1,671)**	**29,646**
Equity (non-controlling interests)	5,586	(121)	5,465
Total equity	**36,903**	**(1,792)**	**35,111**
Provisions related to nuclear generation – Back-end nuclear cycle, plant decommissioning and last cores	35,630	-	35,630
Provisions for decommissioning of non-nuclear facilities	753	-	753
Provisions for employee benefits	11,745	1,845	13,590
Other provisions	1,337	-	1,337
Non-current provisions	***49,465***	***1,845***	***51,310***
Special French public electricity distribution concession liabilities	41,161	-	41,161
Non-current financial liabilities	40,646	-	40,646
Other non-current liabilities	4,965	-	4,965
Deferred tax liabilities	4,894	-	4,894
Non-current liabilities	**141,131**	**1,845**	**142,976**
Current provisions	5,010	68	5,078
Trade payables	12,805	-	12,805
Current financial liabilities	12,766	-	12,766
Current tax liabilities	396	-	396
Other current liabilities	18,674	-	18,674
Current liabilities	**49,651**	**68**	**49,719**
Liabilities related to assets classified as held for sale	**12,874**	**71**	**12,945**
TOTAL EQUITY AND LIABILITIES	**240,559**	**192**	**240,751**

2.6 Impact on the statement of cash flows for 2011

(in millions of Euros)	2011 as published	Impacts of IAS 19 option	2011 restated
Operating activities:			
Income before taxes of consolidated companies	4,506	166	4,672
Impairment (reversals)	640	-	640
Accumulated depreciation and amortisation, provisions and change in fair value	7,325	(115)	7,210
Financial income and expenses	1,117	-	1,117
Dividends received from associates	334	-	334
Capital gains/losses	(686)	(51)	(737)
Change in working capital	(1,785)	-	(1,785)
Net cash flow from operations	*11,451*	-	*11,451*
Net financial expenses disbursed	(1,623)	-	(1,623)
Income taxes paid	(1,331)	-	(1,331)
Net cash flow from operating activities	8,497	-	8,497
Investing activities:			
Investments, net of cash acquired/transferred	3,624	-	3,624
Investments in intangible assets and property, plant and equipment	(11,134)	-	(11,134)
Net proceeds from sale of intangible assets and property, plant and equipment	497	-	497
Changes in financial assets	222	-	222
Net cash flow used in investing activities	(6,791)	-	(6,791)
Financing activities:			
Transactions with non-controlling interests	(1,324)	-	(1,324)
Dividends paid by parent company	(2,122)	-	(2,122)
Dividends paid to non-controlling interests	(261)	-	(261)
Purchases/sales of treasury shares	(14)	-	(14)
Cash flows with shareholders	*(3,721)*	-	*(3,721)*
Issuance of borrowings	5,846	-	5,846
Repayment of borrowings	(4,071)	-	(4,071)
Funding contributions received for assets operated under concessions	194	-	194
Investment subsidies received	161	-	161
Other cash flows from financing activities	*2,130*	-	*2,130*
Net cash flow used in financing activities	(1,591)	-	(1,591)
Net increase (decrease) in cash and cash equivalents	115	-	115
CASH AND CASH EQUIVALENTS - OPENING BALANCE	**5,567**	-	**5,567**
Net increase/(decrease) in cash and cash equivalents	115	-	115
Effect of currency fluctuations	54	-	54
Financial income on cash and cash equivalents	44	-	44
Effect of reclassifications	(37)	-	(37)
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**5,743**	-	**5,743**

↗ Note 3. Significant events and transactions

3.1 Edison – takeover by the EDF group

3.1.1 Description of operations

Once the conditions were fulfilled, on 24 May 2012 the EDF group and its Italian partners finalised the takeover of the energy group Edison. The principles of the final agreement were consistent with the preliminary agreement signed by the parties on 26 December 2011.
The Group thus took control of Edison on 24 May 2012 by purchasing Delmi's entire investment (50%) in Transalpina di Energia (TdE) for a total of €784 million, corresponding to the negotiated price of €0.89 per Edison share.
Following this acquisition the Group held 78.96% of the capital and 80.64% of the voting rights in Edison.

At the same time as the EDF group took control of Edison, Delmi took control of Edipower by purchasing the investments in Edipower held by Edison (50%) and Alpiq (20%) for the total consideration of €884 million. Edison and Edipower also signed a long-term (6-year) gas supply contract to cover 50% of Edipower's gas requirements.

In compliance with Italian stock market regulations, on 2 July 2012 the EDF Group launched a mandatory tender offer for the remaining Edison shares, at the price of €0.89 per ordinary share. No offer was made for non-voting shares.
976,306,145 ordinary shares, corresponding to a total of €869 million, were tendered to the offer by minority shareholders by the closing date of 6 September 2012. The additional cost of raising this offer price from the €0.84 envisaged in the preliminary agreement of 26 December 2011 – a total increase of €48 million – was borne in equal shares by the EDF group and Delmi.

Between 2 and 30 November 2012, an offer was also made to Edison minority shareholders to convert their "saving shares", which carry no voting rights, into ordinary shares. As a result of this offer, 437,573 non-voting shares were converted into ordinary shares.

After the mandatory tender offer and the conversion offer for non-voting shares, the EDF group holds 97.40% of the capital and 99.48% of the voting rights of Edison at 31 December 2012.

Italian stock market regulations do not require the EDF group to buy the remaining Edison shares still held by minority shareholders after the mandatory tender offer.

In application of Italian law, ordinary shares in Edison have been delisted since 11 September 2012.

3.1.2 Accounting treatment of the operation

For accounting purposes this operation has been treated as two separate transactions:

- takeover of Edison and TdE by purchasing Delmi's investment in TdE;
- acquisition of minority interests in Edison through the mandatory public offer.

3.1.2.1 Accounting treatment of the takeover of Edison and TdE

The purchase of 50% of TdE from Delmi gave the EDF group control over the Edison group and TdE as of 24 May 2012. Although the mandatory tender offer for Edison shares launched on 2 July 2012 was an inevitable consequence of acquisition of TdE under Italian stock market regulations, for accounting purposes it is considered as a separate operation from the takeover of Edison, since:

- minority shareholders were free to accept or refuse the offer;
- control was acquired on 24 May 2012, independently of the number of shares tendered to the offer by minority shareholders, and cannot be called into question.

Consequently, as required by IFRS 3 (revised) (IFRS 3), the identifiable assets and liabilities acquired from Edison and TdE were recorded at fair value at the date control was acquired. The Group opted to state non-controlling interests at fair value in application of the "full goodwill" method.
In accordance with IFRS 3, the values determined are provisional and the Group has 12 months to finalise allocation of the acquisition price.
Delmi's share of the cost of the mandatory tender offer for Edison shares was considered as a purchase price adjustment clause for the investment in TdE/Edison.

Application of IFRS 3 to the takeover of Edison and TdE is therefore reflected in the following items in the Group's consolidated financial statements:

- a loss on sale of €(1,090) million resulting from remeasurement of the previous holding in Edison to "market participant [1] " fair value at the date control was acquired;
- negative goodwill of €1,023 million.

Since the price for the sale of Edison's investment in Edipower to Delmi was higher than defined in the preliminary agreement of 26 December 2011, a reversal of impairment of €39 million (EDF's share) has been booked in the 2012 income statement.
Finally, acquisition expenses amounting to €(30) million before taxes were recognised in 2012.

Overall, the takeover of Edison and TdE thus generated a €(58) million expense, recognised in the 2012 consolidated income statement under "Other income and expenses".

3.1.2.2 Accounting treatment of the acquisition of minority interests in Edison

In accounting terms, the acquisition of minority interests in the Edison group through the mandatory public offer is a separate transaction from the takeover of Edison (see 3.1.2.1). In accordance with IAS 27 (amended), it was therefore treated as a transaction between shareholders, and the difference between the price paid (including expenses related to the operation) and the share of net assets acquired was recorded in equity in the amount of €(24) million.

3.1.3 Determination of the loss on sale of the previously-held investment

In application of IFRS 3, a loss on sale has been recognised, equal to the difference between the net consolidated value and the "market participant" fair value of the Group's investment in the Edison and TdE subgroups at the date of the takeover.

The "market participant" fair value corresponds to the market price for Edison shares, i.e. the price applied for the transactions with Delmi and minority shareholders through the mandatory tender offer launched on 2 July 2012 (€0.89 per share).

1. The "market participant" fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

The loss on the sale has been recorded under "Other income and expenses" in the 2012 consolidated financial statements. It was determined as follows.

(in millions of Euros)	
(A) "Market participant" fair value [1]	1,709
(B) Net book value of previously-held investment	2,804
(C) Effect of transfer to income of gains and losses recorded directly in equity	5
(A-B+C) LOSS ON SALE	**(1,090)**

(1) The "market participant" fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

3.1.4 Edison initial balance sheet items in the EDF group consolidation and determination of goodwill

3.1.4.1 Provisional initial balance sheet

The fair value of Edison's identifiable assets and liabilities is the Group's current best estimate, based on Edison's most recent available business plan (the 2012-2019 plan) and using standard valuation methods.

After determination of the fair values of the assets acquired and liabilities assumed, Edison's provisional initial balance sheet at 24 May 2012 (basis: 100%) is as follows.

ASSETS

(in millions of Euros)	Historical values	Fair value adjustments	Provisional initial values
Goodwill	2,859	(2,859)	- [1]
Other intangible assets	1,436	1,721	3,157 [2]
Property, plant and equipment	5,222	1,306	6,528 [3]
Investments in associates	49	-	49
Financial assets	815	-	815
Deferred tax assets	111	-	111
Inventories	324	-	324
Trade receivables	3,157	-	3,157
Current tax assets	24	-	24
Other receivables	575	-	575
Cash and cash equivalents	335	-	335
Assets classified as held for sale	1	-	1
TOTAL ASSETS	**14,908**	**168**	**15,076**

EQUITY AND LIABILITIES

(in millions of Euros)	Historical values	Fair value adjustments	Provisional initial values
Capital	5,292	-	5,292
EDF net income and consolidated reserves	1,660	(1,280)	380
Equity (EDF share)	**6,952**	**(1,280)**	**5,672**
Equity (non-controlling interests)	150	204	354 [2]
Total equity	**7,102**	**(1,076)**	**6,026**
Provisions	922	126	1,048 [5]
Financial liabilities	3,982	(39)	3,943 [5]
Deferred tax liabilities	371	1,157	1,528 [4]
Trade payables	1,928	-	1,928
Current tax liabilities	39	-	39
Other liabilities	564	-	564
TOTAL EQUITY AND LIABILITIES	**14,908**	**168**	**15,076**

The main restatements resulting from fair value adjustments of the assets acquired and liabilities assumed are:

(1) Cancellation of historical goodwill (€(2,859) million).

(2) Adjustment of the fair value of intangible assets (€1,721 million), comprising:

- Creation of intangible assets representing the Edison brand (€945 million) and customer relations (€190 million)

The brand has been valued by using the relief from royalty method and "scoring" based on a market study designed to position Edison in relation to its main competitors on the Italian market.

As the Edison brand is a very well-known brand in Italy and the Group intends to continue using it in the long term, its useful life has been considered indefinite.

The fair value assigned to the Edison brand is sensitive to changes in the following main assumptions:

  - royalty rates;
  - discount rates applied to future cash flows.

- Revaluation of hydropower concession assets (intangibles) (€1,165 million)

The fair value of hydropower concessions was determined by the discounted future cash flows method, based on the most recent available Edison business plan (the 2012-2019 plan) and assuming systematic renewal of current concessions for a 20-year duration from the renegotiation date, although on revised financial terms.
A conservative approach was taken, applying a risk premium to the rate used to discount cash flows, and limiting the assumed renewal of concessions to a 20-year duration. Italian regulations on such matters are currently in preparation, and 20 years is expected to be the minimum duration for future concessions.

This fair value is sensitive to changes in the following main assumptions:

  - occurrence, duration and terms of concession renewals;
  - electricity market prices in Italy;
  - cash flow discount rates.

Hydropower concession assets are depreciated over the assumed duration of the concession (26 years on average).

€204 million (net of taxes) of this revaluation of hydropower concession assets is attributable to minority interests.

- Revaluation of long-term gas supply contracts (€230 million)

Long-term gas supply contracts have been revalued using the discounted future cash flows method, based on the most recent available Edison business plan (the 2012-2019 plan).
This fair value is sensitive to changes in the following main assumptions:

  - gas and electricity market prices in Italy;
  - Edison's margin levels on contract renegotiations, both ongoing and future;
  - cash flow discount rates.

Intangible assets related to long-term supply contracts are amortised on the basis of volumes and contract durations (from 8 to 23 years).

- Reclassification of Exploration-Production assets as tangible assets (€(975) million)

In determining Edison's initial balance sheet, Exploration-Production assets, which were included in intangible assets in Edison's historical balance sheet in the amount of €975 million – mainly concerning Abu Qir in Egypt – were reclassified as tangible assets. A fair value for hydrocarbon reserves is thus visible in the balance sheet.

(3) Fair value adjustments of tangible assets, amounting to €1,306 million, mainly result from reclassification of Exploration-Production assets (see before) and revaluation of certain electricity generation assets (fossil-fired and wind power assets) and Exploration-Production assets.

(4) Deferred taxes (€(1,157) million)
Restatements of deferred taxes correspond solely to tax effects associated with fair value adjustments carried out for determination of the initial balance sheet.

(5) Other fair value adjustments
Other adjustments mainly concern contingent liabilities and financial liabilities.

Fair value adjustments of TdE assets and liabilities (excluding Edison shares) mainly result from remeasurement of financial liabilities to fair value (€5 million net of taxes).

No significant change has been made to the initial balance presented in the condensed half-year consolidated financial statements at 30 June 2012.

3.1.4.2 Determination of provisional goodwill

The provisional goodwill recognised on the operation is as follows:

(in millions of Euros)	
Fair value of previously-held investment	1,709
Acquisition price of the investment	784
Fair value of non-controlling interests [1]	991
Price adjustment clause/costs borne by Delmi	(24)
Purchase consideration transferred at 24 May 2012	3,460
Fair value of Edison net assets acquired	5,672
Fair value of TdE net assets acquired (excluding Edison shares) [2]	(1,189)
Fair value of assets acquired and liabilities assumed	4,483
PROVISIONAL NEGATIVE GOODWILL	**(1,023)**

(1) After application of the "full goodwill" method, based on the price of the mandatory tender offer to minority shareholders, i.e. €0.89 per Edison share.
(2) Excluding Edison shares, TdE's balance sheet mainly comprises financial liabilities.

In compliance with IFRS 3, the process for identifying items included in calculating the negative goodwill has been verified and validated to confirm the existence of this income, and the negative goodwill has been included as income in net income (EDF's share) for 2012.

3.1.5 Sensitivity analyses

The main assumptions to which assets and liabilities in the initial balance sheet are sensitive are:

- gas and electricity market prices in Italy;
- gas and electricity sales volumes included in the Edison business plan (the 2012-2019 plan);
- royalty rates used to value the Edison brand;
- financial terms of long-term gas supply contracts;
- assumptions concerning renewal of hydropower concessions (duration, financial terms, etc);
- discount rates by country.

In compliance with IFRS 3, the values of the assets acquired and the liabilities assumed are provisional, and the Group has 12 months to finalise allocation of the purchase price.

If the initial balance sheet is adjusted within the allocation deadline but after 31 December 2012, the fact that the goodwill is negative would lead to recognition of any impacts of the Edison takeover in the Group's income statement. A change in the fair values used would thus have an equivalent impact on the EDF Group's net income (a decline or increase in the value of the assets would lead respectively to a loss or gain).

3.1.6 Impact of the operation on the Group's net indebtedness at 31 December 2012

The takeover of Edison and TdE has the following impacts on consolidated net indebtedness at 31 December 2012.

(in millions of Euros)	
Acquisition price for the shares of TdE	784
Sale price for Edison's disposal of Edipower	(684)
Purchase price for Edison shares (mandatory public offer)	869
Net payments	**969**
Effects of changes in scope/Edison	2,217
Effects of changes in scope/TdE	634
Effects of changes in scope/sale of Edipower	(515)
Effects of fair value measurement of financial liabilities of TdE/Edison	(46)
Effects of fair value measurement of financial liabilities of TdE/Edison	**2,290**
INCREASE/(DECREASE) IN NET INDEBTEDNESS	**3,259**

3.1.7 Effects of the takeover of Edison on the Group's main income statement indicators in 2012

If the takeover of Edison had taken place at 1 January 2012, the impacts on the Group's main income statement indicators would have been as follows:

(in millions of Euros)	2012 as published	2012 as proforma (1)	Change
Sales	72,729	75,223	+2,494
EBITDA	16,084	16,201	+117
Net income (EDF share)	3,316	3,288	(28)

(1) Data for 2012 with full consolidation of Edison from 1 January 2012 (from 24 May 2012 in the published figures).

3.2 Edison – renegotiation of long-term gas supply contracts

During the second half of 2012, the Court of Arbitration of the ICC (International Chamber of Commerce) ruled in favour of Edison in the litigations over price revisions for the long-term gas supply contracts with Rasgas (Qatar) and ENI (Libya).

This generated a positive impact of €680 million (including €347 million for years prior to 2012), which is included in the EDF group's EBITDA for 2012.

An arbitration procedure is still in progress concerning the gas supply contract with Sonatrach (Algeria). The statements of position are expected to be submitted in 2013.

3.3 Developments relating to the Flamanville 3 EPR project

3.3.1 Flamanville 3

In December 2012 EDF announced that the cost of constructing the Flamanville 3 project was to be revised upwards by €2 billion from the cost (of around €6 billion at constant 2008 values) announced in July 2011. The first marketable electricity output is scheduled for 2016.

In addition to the "lead unit" effect, certain other factors have affected the full cost of construction: changes in the boiler design, additional engineering studies, incorporation of new regulatory requirements and the lessons learned from Fukushima. The revised cost also reflects the additional expenditure associated with industrial contingencies, such as replacement of the supports for the reactor building polar crane and its effect on the work schedule, as well as the financial impact of extending construction deadlines.

3.3.2 Termination of the overall nuclear partnership between EDF and ENEL

In November 2007, EDF and ENEL signed a series of agreements governing cooperation for nuclear operations, under the terms of which ENEL took a 12.5% stake in the Flamanville EPR project.

Given the changes in the economic environment and the project itself, as well as the discontinuation of the Italian nuclear revival programme following the June 2011 referendum, ENEL and EDF announced on 4 December 2012 that they were ending their cooperation. They consequently waived their respective options in each other's programmes, and ENEL withdrew from the Flamanville EPR project with effect from 19 December 2012. EDF therefore reimbursed ENEL's investment in the project, totalling €658 million including penalties. In return, EDF will have full rights to the electricity generated by Flamanville 3.

3.4 Significant events and transactions of 2011

3.4.1 Simplified alternative public cash or exchange offer for EDF Énergies Nouvelles

On 8 April 2011 the EDF group, which already owned 50% of EDF Énergies Nouvelles, launched a simplified alternative public offer to acquire all the shares in EDF Énergies Nouvelles, for a cash consideration or in exchange for shares.

The offer closed on 16 June 2011, and the Group acquired the shares tendered for the sum of €1,351 million, raising its ownership of EDF Énergies Nouvelles to 96.71%.

EDF then proceeded with a compulsory squeeze-out of shares not tendered to the offer, at the price of €40 per share.

After this operation, EDF Énergies Nouvelles remained fully consolidated, with the Group's percentage interest at 100% from 29 June 2011.

3.4.2 Sale of the investment in EnBW

The disposal of the Group's holding in EnBW was completed on 17 February 2011. On that date, in application of the agreements signed by the two parties on 6 December 2010, the sum of €4.5 billion was paid to the EDF group in addition to the €169 million downpayment received on 16 December 2010. The net gain on the sale is €304 million (€327 million before taxes, included in "Other income and expenses").

↗ Note 4. Regulatory events in France

4.1 Agreement on recovery of deficits related to the CSPE

The Contribution to the Public Electricity Service (*Contribution au Service Public de l'Électricité* or CSPE) is a contribution set by the State and collected directly from the end-user of electricity to compensate for certain public service charges borne by EDF. It is intended to finance the rise in renewable energies, social tariffs and tariff equalisation.

Since 2007, the amount of CSPE collected has been unable to cover these charges, despite a system of regular rises in the CSPE introduced by the French finance law of 2011, and the resulting shortfall was affecting Group indebtedness.

Under the agreement reached with the French authorities and announced on 14 January 2013, EDF is to receive reimbursement of the receivable consisting of the CSPE shortfall at 31 December 2012 (€4.3 billion) and the costs of bearing this shortfall for the Group (€0.6 billion). The final amount of the receivable will only be set in 2013 after the deliberations of the French Market Regulator CRE (*Commission de Régulation de l'Énergie*) for recognition of the 2012 public service expenses.

A progressive reimbursement schedule for this €4.9 billion receivable was validated in the agreement. It runs until 2018, and bears interest at market rates (1.72%) which will be included in financial income in the Group's consolidated financial statements.

Following conclusion of this agreement, the Group recorded financial income of €0.6 billion at 31 December 2012, and transferred the CSPE receivable from "Other receivables" to "Financial loans and receivables" at an amount of €4.3 billion.

4.2 "NOME" Law – European Commission decision

On 12 June 2012 the European Commission announced that subject to conditions, it approved the State aid contained in the regulated electricity tariffs in France. In 2007 the Commission had opened an investigation into the regulated tariffs for sales to business customers (the "yellow" and "green" tariffs and the TaRTAM transition tariff). Since then, France's NOME law on the new electricity market organisation has modified the French legislative and regulatory context by discontinuing the TaRTAM transition tariff, programming the end of the "yellow" and "green" tariffs for the end of 2015 and setting up a scheme for regulated access to nuclear power (named ARENH, for *Accès Régulé à l'Électricité Nucléaire Historique*) for all suppliers of customers located in France.

Following an inquiry, the European Commission concluded that the business tariffs constitute State aid, but are nevertheless compatible with European law provided:

- the ARENH price remains at €42/MWh until the Commission gives approval of the methodology used to set the ARENH price;
- there is a gradual move towards cost-based pricing every year from the summer of 2012, until the "yellow" and "green" tariffs cease to exist at the end of 2015.

This decision marks the end of the European Commission's investigation concerning State aid.

↗ Note 5. Changes in the scope of consolidation

In addition to the EDF group's takeover of Edison as described in note 3.1, the main changes in the scope of consolidation during 2012 concern the following entities.

5.1 Poland

The purchase of EnBW's investments in subsidiaries ERSA, Kogeneracja and EDF Polska was completed on 16 February 2012 for the sum of €301 million. Following this transaction EDF now owns 97.4% of ERSA and 50% plus one share in Kogeneracja. Kogeneracja and Zielona Gora are again fully consolidated as of 16 February 2012, having been proportionally consolidated since 17 February 2011 after the sale of EnBW (EDF's holdings were respectively 33.4% and 32.9% at 31 December 2011).

The acquisition of minority interests in ERSA is treated as a transaction between shareholders in accordance with IAS 27 (amended), and as a result has an impact of €(124) million on equity in the Group's consolidated financial statements.

In application of IFRS 3 (revised), a €(10) million loss on sale was also recorded in 2012 corresponding to the previous ownership share in Zielona Gora and Kogeneracja. The additional goodwill associated with this operation is below €1 million.

5.2 Photowatt/PV Alliance

EDF's offer for the activities of Photowatt was accepted on 27 February 2012. Via its subsidiary EDF Énergies Nouvelles Réparties (EDF ENR), the Group took possession of the assets of Photowatt and took control of PV Alliance on 1 March 2012. This takeover of business has no significant impact on the Group's consolidated financial statements at 31 December 2012.

5.3 Enerest

On 1 April 2012 Électricité de Strasbourg acquired 100% of Enerest, the longstanding gas supplier to the economic region of Strasbourg. The acquisition price was €139 million. Following establishment of a provisional initial balance sheet, intangible assets (principally concerning customer relations and the "Gaz de Strasbourg" brand) were valued at €38 million before tax effects.

The provisional goodwill on this operation recorded in the consolidated financial statements at 31 December 2012 amounts to €89 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 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 Group uses the following segments:

- "**France**": EDF, RTE Réseau de Transport d'Électricité and ERDF, comprising the deregulated activities (mainly Generation and Supply), network activities (Distribution and Transmission) and island activities;
- "**United Kingdom**": the entities of the EDF Energy subgroup including EDF Energy Nuclear Generation Ltd and EDF Development Company Ltd;
- "**Italy**": all the entities located in Italy, principally the Edison subgroup, TdE and Fenice;
- "**Other international**": EDF International and the other gas and electricity entities located in continental Europe, the US, Latin America and Asia;
- "**Other activities**": all the group's other investments, including EDF Trading, EDF Énergies Nouvelles, Dalkia, Tiru, Électricité de Strasbourg and EDF Investissements Groupe.

No segments have been merged.

6.1.1 At 31 December 2012

(in millions of Euros)	France	United Kingdom	Italy	Other international	Other activities	Inter-segment eliminations	**Total**
External sales	39,120	9,739	10,098	7,976	5,796	-	72,729
Inter-segment sales	585	-	-	212	632	(1,429)	-
TOTAL SALES	**39,705**	**9,739**	**10,098**	**8,188**	**6,428**	**(1,429)**	**72,729**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION	**9,930**	**2,054**	**1,019**	**1,067**	**2,014**	**-**	**16,084**
OPERATING PROFIT	**5,566**	**972**	**265**	**86**	**1,356**	**-**	**8,245**
Balance sheet:							
Intangible assets and property, plant and equipment	86,077	13,206	10,017	8,784	11,783	-	129,867
Investments in associates	4,786	25	51	2,111	582	-	7,555
Goodwill	-	8,339	-	605	1,468	-	10,412
Other segment assets [(1)]	27,627	4,332	4,102	1,825	7,310	-	45,196
Assets classified as held for sale	-	240	1	-	-	-	241
Other non-allocated assets							56,847
TOTAL ASSETS	**118,490**	**26,142**	**14,171**	**13,325**	**21,143**	**-**	**250,118**
Other information:							
Investments in intangible assets and property, plant and equipment	8,235	1,643	438	490	2,580	-	13,386
Net depreciation and amortisation	(4,186)	(888)	(644)	(590)	(541)	-	(6,849)
Impairment	-	(234)	(44)	(389)	(85)	-	(752)

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

6.1.2 At 31 December 2011

(in millions of Euros)	France	United Kingdom	Italy	Other international	Other activities	Inter-segment eliminations	Total
External sales	37,171	8,568	6,552	7,501	5,515	-	65,307
Inter-segment sales	578	8	-	185	620	(1,391)	-
TOTAL SALES	**37,749**	**8,576**	**6,552**	**7,686**	**6,135**	**(1,391)**	**65,307**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION	**9,196**	**1,942**	**592**	**1,280**	**1,929**	**-**	**14,939**
OPERATING PROFIT	**5,461**	**1,026**	**(155)**	**997**	**1,123**	**-**	**8,452**
Balance sheet:							
Intangible assets and property, plant and equipment	80,537	12,682	3,965	8,966	10,520	-	116,670
Investments in associates	4,620	25	24	2,302	573	-	7,544
Goodwill	-	8,260	1,400	599	1,389	-	11,648
Other segment assets (1)	27,604	4,647	1,837	1,792	8,918	-	44,798
Assets classified as held for sale	-	-	700	1	-	-	701
Other non-allocated assets							50,601
TOTAL ASSETS	**112,761**	**25,614**	**7,926**	**13,660**	**21,400**	**-**	**231,962**
Other information:							
Investments in intangible assets and property, plant and equipment	7,378	1,179	318	437	1 822	-	11,134
Net depreciation and amortisation	(3,899)	(966)	(427)	(528)	(465)	-	(6,285)
Impairment	-	-	(320)	(53)	(267)	-	(640)

(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. This segment also includes commodity trading activities;
- "**Distribution**": management of the low and medium-voltage public distribution 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	Other	Eliminations (1)	**Total**
At 31 December 2012:					
External sales:					
– France	25,330	14,194	159	(563)	39,120
– Rest of the world	29,264	431	3,914	-	33,609
TOTAL SALES	**54,594**	**14,625**	**4,073**	**(563)**	**72,729**
At 31 December 2011:					
External sales:					
– France	24,535	13,099	123	(586)	37,171
– Rest of the world	24,092	432	3,612	-	28,136
TOTAL SALES	**48,627**	**13,531**	**3,735**	**(586)**	**65,307**

(1) Eliminations between deregulated activities: €(31) million for 2012, €(30) million for 2011.

Income statements

↗ Note 7 Sales

Sales are comprised of:

(in millions of Euros)	**2012**	2011
Sales of energy and energy-related services	67,538	60,143
Other sales of goods and services	4,388	4,247
Trading	803	917
SALES	**72,729**	**65,307**

As well as the organic growth resulting from price and volume effects, the sales growth of 2012 was the effect of changes in the scope of consolidation (chiefly Edison) and favourable foreign exchange effects, largely due to the rise of the pound sterling against the Euro.

↗ Note 8 Fuel and energy purchases

Fuel and energy purchases comprise:

(in millions of Euros)	**2012**	2011
Fuel purchases used - power generation	(13,815)	(9,922)
Energy purchases	(15,279)	(13,957)
Transmission and delivery expenses	(8,191)	(6,841)
Gain/loss on hedge accounting	73	274
(Increase)/decrease in provisions related to nuclear fuels and energy purchases	114	251
FUEL AND ENERGY PURCHASES	**(37,098)**	**(30,195)**

Fuel purchases used include costs relating to raw materials for energy generation (coal, biomass, oil, propane, fissile materials, nuclear fuels and gas), purchases of services related to the nuclear fuel cycle, and costs associated with environmental schemes (mainly CO_2 emission rights and renewable energy certificates).

Energy purchases include energy generated by third parties, including energy derived from cogeneration intended for resale.

The rise in fuel and energy purchases in 2012 is explained by the same factors as the rise in sales.

↗ Note 9 Other external expenses

Other external expenses comprise:

(in millions of Euros)	**2012**	2011
External services	(11,948)	(10,710)
Other purchases (excluding external services, fuel and energy)	(3,223)	(3,638)
Change in inventories and capitalised production	4 864	4,147
(Increase)/decrease in provisions on other external expenses	220	270
OTHER EXTERNAL EXPENSES	**(10,087)**	**(9,931)**

↗ Note 10 Personnel expenses

10.1 Personnel expenses

Personnel expenses comprise:

(in millions of Euros)	**2012**	2011
Wages and salaries	(7,400)	(7,119)
Social contributions	(1,641)	(1,346)
Employee profit sharing	(211)	(211)
Other contributions related to personnel	(372)	(375)
Other expenses linked to short-term benefits	(229)	(206)
Short-term benefits	**(9,853)**	**(9,257)**
Expenses under defined-contribution plans	(795)	(730)
Expenses under defined-benefit plans	(692)	(697)
Post-employment benefits	**(1,487)**	**(1,427)**
Other long-term expenses	(282)	(116)
Termination payments	(2)	(2)
Other personnel expenses	**(284)**	**(118)**
PERSONNEL EXPENSES	**(11,624)**	**(10,802)**

10.2 Average workforce

	2012	2011
IEG status	98,783	96,385
Other	55,947	55,419
AVERAGE WORKFORCE	**154,730**	**151,804**

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 18,967 full-time employees at 31 December 2012 (22,504 full-time equivalent employees at 31 December 2011).

↗ Note 11 Taxes other than income taxes

Taxes other than income taxes break down as follows:

(in millions of Euros)	**2012**	2011
Payroll taxes	(221)	(209)
Energy taxes	(1,435)	(1,396)
Other non-income taxes	(1,631)	(1,496)
TAXES OTHER THAN INCOME TAXES	**(3,287)**	**(3,101)**

↗ Note 12 Other operating income and expenses

Other operating income and expenses comprise:

(in millions of Euros)	Notes	2012	2011
Operating subsidies	12.1	4,824	3,679
Net income/(expense) associated with the TaRTAM transition tariff system	12.2	93	(132)
Net income on deconsolidation		75	140
Gains on disposal of property, plant and equipment	12.3	116	79
Net increase in provisions on current assets		(235)	(54)
Net increase in provisions for operating contingencies and losses	12.4	119	217
Other items	12.5	459	(268)
OTHER OPERATING INCOME AND EXPENSES		**5,451**	**3,661**

12.1 Operating subsidies

This item mainly comprises the subsidy received or receivable by EDF in respect of the Contribution to the Public Electricity Service (CSPE), reflected in the financial statements through recognition of income of €4,687 million for 2012 (€3,556 million for 2011). The difference is largely attributable to the higher volumes of purchase obligations, essentially for photovoltaic and wind power, and fuel purchases in non-interconnected zones.

12.2 Net income/(expense) associated with the TaRTAM transition tariff system

Other operating income and expenses in 2012 include €93 million of income resulting from the CRE's decision of 9 October 2012 setting the final charge for the TaRTAM transition tariff sytem.

In 2011, other operating income and expenses included a net expense of €(132) million for the TaRTAM system. This net amount includes €(170) million resulting from the decision of 4 July 2011 issued after the CRE's re-estimation of the cost based on information provided by the suppliers concerned.

12.3 Gains on disposal of property, plant and equipment

In 2012 this item chiefly results from gains on sales of real estate assets in France, amounting to €270 million.
In 2011 it mainly reflected gains on sales of real estate assets in France and the United Kingdom.

12.4 Net increase in provisions for operating contingencies and losses

In 2012, the net increase in provisions for operating contingencies and losses includes €139 million corresponding to reversals of fair value on British Energy commodity sales contracts recognised at the acquisition date of 5 January 2009, following their settlement (€318 million in 2011).

12.5 Other items

In 2012, Other items include €347 million corresponding to the effects of the rulings in Edison's favour in the litigations over price revisions for the long-term gas supply contracts with Rasgas (Qatar) and ENI (Libya).

↗ Note 13 Impairment/reversals

13.1 Impairment by category of asset

Details of impairment recognised and reversed are as follows:

(in millions of Euros)	Notes	**2012**	2011
Impairment of goodwill	18	(52)	(655)
Impairment of other intangible assets	19	(27)	(88)
Impairment of tangible assets and discontinued operations [(1)]	21-22-46	(727)	(620)
Reversal of the provision in respect of operations in Italy		54	723
IMPAIRMENT NET OF REVERSALS		**(752)**	**(640)**

(1) Including €(74) million for discontinued operations in 2012.

13.2 Impairment tests on goodwill and other assets and recognition of impairment

The following tables give details of impairment tests carried out on the main goodwill, intangible assets with indefinite useful lives and other Group assets in 2012, and the key assumptions used.

Impairment of goodwill and intangible assets with indefinite useful lives

Operating segment	Cash-Generating Unit or asset	WACC after tax	Growth rate beyond medium term plan	**Impairment 2012** *(in millions of Euros)*
United Kingdom	EDF Energy – nuclear	7.2%	-	-
United Kingdom	EDF Energy – ESCS	7.2%	1.9%	-
Italy	Edison – Edison brand	7.5 to 7.8%	2%	-
Other international	EDF Luminus	6.6%	2%	-
Other activities	EDF Énergies Nouvelles CGU	12.3%	-	(37)
Other activities	Dalkia International	8.1%	2%	-
Other impairment of goodwill				(15)
TOTAL				**(52)**

Impairment of other assets

Operating segment	Cash-Generating Unit or asset	Impairment indicators	WACC after tax	Growth rate beyond medium term plan	**Impairment 2012** *(in millions of Euros)*
United Kingdom	EDF Energy – ESCS	Decline in sparkspreads (West Burton B plant) and sale of Sutton Bridge plant	7.2%	-	(234)
Italy	Edison CGU	Economic situation in Greece	15%	-	(44)
Other international	CENG	Decline in long-term electricity price scenarios	6.6%	-	(396)
Other impairment of assets					(26)
TOTAL					**(700)**

In 2011, impairment totalled €(640) million and mainly concerned Edison (€(320) million, principally relating to the sale of Edipower to Delmi) and Dalkia International (€(151) million, principally on renewable energy activities in Italy).

United Kingdom

EDF Energy's goodwill amounts to €8,339 million at 31 December 2012. Impairment testing is based on two different Cash Generating Units (CGUs):

- Nuclear activities, including power plants in operation and plans to develop new EPRs;
- Energy Sourcing and Customer Supply (ESCS), including development of the West Burton plant.

The recoverable value of the nuclear activities is estimated based on discounted future net cash flows from the generation units over their estimated useful life, taking into consideration the probable extension of the useful lives of the AGRs (Advanced Gas Reactors) and Sizewell B. The approval of the 7-year extensions for the Hinkley Point B and Hunterston B reactors in December 2012 confirms the validity of the assumptions adopted by the Group. The assumptions regarding electricity price movements in the United Kingdom take account of the need to develop new generation facilities to meet demand from 2020, especially due to retirement of existing coal-fired plants, and a recovery in nuclear power over the same horizon. The greenhouse gas emission rights prices used for the impairment tests were determined on a basis that reflects application of energy market reforms.

The recoverable value of the Nuclear CGU is sensitive to assumptions regarding long-term movements in electricity prices and WACC, mainly as a result of the operating lifetimes of nuclear plants, but using a WACC one half-point higher would not lead to impairment on this 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 3-year medium-term plan. Terminal value is determined using an after-tax growth rate to infinity of 1.9%.

When it acquired British Energy in 2009, EDF Energy made a commitment to the European Commission to dispose of its investment in the Sutton Bridge gas plant. A sale agreement subject to conditions was signed in December 2012. The Sutton Bridge plant is recorded as discontinued operations at 31 December 2012 at its sale price less selling expenses, leading to recognition of impairment amounting to €74 million.

The West Burton plant is a 1,305 MW combined cycle gas plant scheduled to begin commercial operation in the first half of 2013. In view of the substantial decline in sparkspreads in 2012, the plant was subjected to an impairment test. Its recoverable value is estimated based on discounted cash flows over its expected useful life. Impairment testing on these bases led to recognition of impairment of €160 million in 2012.

Italy – Edison

After the takeover of Edison, finalised on 24 May 2012, and determination of the initial balance sheet for the purposes of the operation, the EDF group's consolidated financial statements no longer record any goodwill associated with the Edison subgroup (see note 3.1). However, since that date, an intangible asset with indefinite useful life of €945 million representing the Edison brand has been recognised in the consolidated financial statements.

In application of the Group's accounting policies as presented in note 1.3.15, the Edison brand was subjected to an impairment test that did not lead to recognition of any impairment. This test was based on cash flows from the medium-term plan, using an after-tax discount rate of 7.5% to 7.8%.

Impairment of €44 million was recorded in respect of other Edison assets in 2012 (including €20 million for fossil-fired generation assets in Greece).

Other international

EDF Luminus

EDF Luminus' goodwill amounted to €383 million at 31 December 2012. For the purposes of impairment testing EDF Luminus is considered as a single cash-generating unit. The recoverable value is based on its value in use, determined using cash flows over 20 years and a terminal value.

Under the plan to withdraw from civil nuclear energy, confirmed by the Belgian government in July 2012, Belgian nuclear power plants are to close by 2025. For the purposes of determining cash flows, it was thus considered that the nuclear plants in which EDF Luminus holds investments will close by 2025, and that the electricity generated by those plants will be replaced by power from a combined cycle gas plant. The impairment test also assumes that electricity sale prices will decrease due to greater competition.

Impairment testing on these bases did not lead to recognition of any impairment in 2012.

CENG

The recoverable value of CENG's assets is estimated based on future cash flows over the estimated useful life of generation facilities. In the United States, the decline in gas prices as shale gas operations expanded caused a significant downturn in long-term electricity prices, which is an indication of impairment. The impairment test was based on the economic assumptions that basic energy generation in the United States will be based on gas, obsolete power plants will be shut down and greenhouse gas regulation will remain at a modest level. On these bases, the impairment test led to recognition of impairment of €396 million in respect of CENG's assets.

Other activities

Dalkia International

Dalkia International's goodwill amounted to €800 million at 31 December 2012. The recoverable value of assets is estimated based on values in use taken from the 5-year medium-term plan and a terminal value.

The impairment test did not lead to recognition of any impairment in 2012.

EDF Énergies Nouvelles

At 1 March 2012 EDF ENR Photowatt and PV Alliance joined EDF Énergies Nouvelles' scope of consolidation. It was decided to write off these companies' assets in full in the opening balance sheet due to the negative cash flows reflected in the medium-term plans.

Also, due to the macroeconomic situation in Greece, development activities in the country were halted until conditions improve. Goodwill for Greece has therefore been fully impaired.

↗ Note 14 Other income and expenses

Other income and expenses in 2012 include:

- income of €160 million concerning ERDF, resulting from reversal of a provision for renewal following a change in estimate for the useful life of high/low voltage transformers (extended from 30 years to 40 years);
- the effects of the Group's takeover of Edison, amounting to €(58) million. Details of the impacts of this operation are presented in note 3.1;
- a net expense of €(70) million associated with revision of the estimated costs for decommissioning permanently shut-down nuclear power plants in France (UNGG power plants, Creys-Malville, Brennilis and Chooz A), and the revision of certain costs associated with interim storage of spent fuel – see note 29.1.

Other income and expenses in 2011 included:

- income of €414 million corresponding to reversals from provisions for renewal of ERDF's concession assets, following a change in estimate for the useful life of low-voltage twisted overhead pipes (extended from 40 to 50 years);
- income of €327 million corresponding to the gain on sale of EnBW.

↗ Note 15 Financial result

15.1 Cost of gross financial indebtedness

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

(in millions of Euros)	**2012**	2011
Interest expenses on financing operations	(2,538)	(2,284)
Change in the fair value of derivatives and hedges of liabilities	39	(5)
Transfer to income of changes in the fair value of cash flow hedges	(39)	(3)
Net foreign exchange gain on indebtedness	95	21
COST OF GROSS FINANCIAL INDEBTEDNESS	**(2,443)**	**(2,271)**

The rise in interest expenses in 2012 reflects the higher average gross financial indebtedness over the year.

15.2 Discount effect

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

Details of this expense are as follows:

(in millions of Euros)	**2012**	2011
Provisions for long-term and post-employment employee benefits	(1,392)	(1,337)
Provisions for back-end nuclear cycle, decommissioning and last cores	(1,889)	(1,554)
Other provisions and advances	(4)	(173)
DISCOUNT EFFECT	**(3,285)**	**(3,064)**

The higher discount effect in 2012 on provisions for back-end nuclear cycle, decommissioning and last cores generated a €(244) million expense related to revision of the discount rate for France (see note 29.1.5).

Following termination of the industrial nuclear partnership between EDF and ENEL, the discount effect on other provisions and advances in 2012 includes income of €101 million resulting from reversal of discount expenses on advances received from ENEL, which were reimbursed at the end of the year.

15.3 Other financial income and expenses

Other financial income and expenses comprise:

(in millions of Euros)	**2012**	2011
Financial income on cash and cash equivalents	38	44
Gains (losses) on available-for-sale financial assets	708	137
Gains (losses) on other financial assets	968	568
Changes in financial instruments carried at fair value with changes in fair value included in income	(70)	86
Other financial expenses	(245)	(95)
Foreign exchange gain/loss on financial items other than debts	(93)	(36)
Return on hedging assets	635	597
Capitalised borrowing costs	425	254
OTHER FINANCIAL INCOME AND EXPENSES	**2,366**	**1,555**

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

The gain on other financial assets at 31 December 2012 includes an amount of €629 million for accumulated prior costs borne in connection with the CSPE system (see note 4.1).

The fair value of Veolia Environnement shares at 31 December 2011 was more than 50% lower than their historical value, and as a result impairment of €(340) million was recorded against available-for-sale financial assets.

In 2011, "Gains (losses) on other financial assets" included income of €232 million resulting from a debt waiver by the CEA (French Atomic Energy commission), relating to a loan from the CEA to EDF for construction of the Creys-Malville plant.

Note 16 Income taxes

16.1 Breakdown of tax expense

Details are as follows:

(in millions of Euros)	**2012**	2011
Current tax expense	(1,619)	(1,690)
Deferred taxes	33	354
TOTAL	**(1,586)**	**(1,336)**

In 2012, €(1,058) million of the current tax expense relates to EDF's tax consolidated group in France, and €(561) million relates to other subsidiaries (€(1,005) million and €(685) million respectively in 2011).

16.2 Reconciliation of the theoretical and effective tax expense (tax proof)

(in millions of Euros)	**2012**	2011
Income of consolidated companies before tax	4,883	4,672
Income tax rate applicable to the parent company	36.10%	36.10%
Theoretical tax expense	(1,763)	(1,687)
Differences in tax rate	349	329
Permanent differences	(62)	65
Taxes without basis	49	(78)
Depreciation of deferred tax assets	(167)	36
Other	8	(1)
ACTUAL TAX EXPENSE	**(1,586)**	**(1,336)**
EFFECTIVE TAX RATE	**32.48%**	**28.60%**

The effective tax rate for 2012 and 2011 was driven up by impairment. After adjustment for this factor, the effective tax rate is 29.1% and 26.4% respectively for 2012 and 2011.

The main factors explaining the difference between the theoretical tax rate and the effective rate are:

- 2012:
  - the positive impact of differences in tax rates applicable to foreign subsidiaries (€349 million), including €177 million related to the 2-point drop in tax rates in the UK.
- 2011:
  - the positive impact of differences in tax rates applicable to foreign subsidiaries (€329 million), including €177 million related to the 2-point drop in tax rates in the UK;
  - the positive effect of reversals of depreciation of deferred tax assets (€119 million), mainly in the French tax consolidation group.

16.3 Change in deferred tax assets and liabilities

(in millions of Euros)	**2012**	2011
Deferred tax assets	3,159	2,577
Deferred tax liabilities	(4,479)	(4,894)
NET DEFERRED TAXES AT 1 JANUARY	**(1,320)**	**(2,317)**
Change in net income	34	354
Change in equity	506	671
Translation adjustments	(53)	(64)
Changes in scope of consolidation	(1,357)	(18)
Other movements	76	54
NET DEFERRED TAXES AT 31 DECEMBER	**(2,114)**	**(1,320)**
Deferred tax assets	3,487	3,159
Deferred tax liabilities	(5,601)	(4,479)

€550 million of the change in 2012 in deferred tax assets included in equity results from the change in actuarial gains and losses on post-employment benefits (€251 million in 2011).

16.4 Breakdown of deferred tax assets and liabilities by nature

(in millions of Euros)	**31/12/2012**	31/12/2011
Deferred tax assets:		
Differences between depreciation recorded for accounting and tax purposes	185	83
Non-deductible provisions for pension obligations	6,318	4,804
Other non-deductible provisions	731	546
Other deductible temporary differences	1,257	1,214
Revaluations, revaluation surplus and elimination of intercompany profit	656	622
Tax losses and unused tax credits	872	720
Netting of deferred tax assets and liabilities	(3,793)	(3,338)
Deferred tax assets	**6,226**	**4,651**
Unrecorded deferred tax assets	(2,739)	(1,492)
Deferred tax assets in balance sheet	**3,487**	**3,159**
Deferred tax liabilities:		
Differences between depreciation recorded for accounting and tax purposes	(5,570)	(5,785)
Other taxable temporary differences	(849)	(510)
Revaluations, revaluation surplus and elimination of intercompany profit	(2,975)	(1,522)
Netting of deferred tax assets and liabilities	3,793	3,338
Deferred tax liabilities in balance sheet	**(5,601)**	**(4,479)**
NET DEFERRED TAXES	**(2,114)**	**(1,320)**

At 31 December 2012, unrecorded deferred tax assets represent a potential tax saving of €2,739 million (€1,492 million at 31 December 2011). Of the potential tax saving in 2012, €1,831 million relates to deferred tax assets, mainly on employee benefits in France. This is significantly higher than in 2011 (€734 million) due to the change in actuarial gains and losses recorded in equity in 2012.

↗ Note 17 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 31 December 2012, there are no dilutive instruments in the EDF group.

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

(in millions of Euros)	**2012**	2011
Net income attributable to ordinary shares	3,316	3,148
Effect of dilutive instruments	-	-
Net income used to calculated diluted earnings per share	3,316	3,148
Average weighted number of ordinary shares outstanding during the year	1,847,342,956	1,847,318,156
Average weighted number of diluted shares outstanding during the year	1,847,342,956	1,847,318,156
Earnings per share (in Euros):		
EARNINGS PER SHARE	**1.80**	**1.70**
DILUTED EARNINGS PER SHARE	**1.80**	**1.70**

OPERATING ASSETS AND LIABILITIES, EQUITY

↗ Note 18 Goodwill

18.1 Changes in goodwill

Goodwill on consolidated entities comprises the following:

(in millions of Euros)	**31/12/2012**	31/12/2011
Net book value at opening date	11,648	12,028
Acquisitions	129	21
Disposals	-	(14)
Impairment (note 13)	(52)	(655)
Translation adjustments	209	239
Changes in scope of consolidation and other	(1,522)	29
NET BOOK VALUE AT CLOSING DATE	**10,412**	**11,648**
Gross value at closing date	11,079	12,775
Accumulated impairment at closing date	(667)	(1,127)

The changes in goodwill in 2012 primarily relate to:

- acquisitions, including €89 million recognised after the takeover of Enerest by Électricité de Strasbourg (see note 5.3);
- translation adjustments of €209 million, largely due to the rise of the Pound sterling against the Euro;
- changes in the scope of consolidation, including €(1,400) million for the derecognition of Edison's historical goodwill following determination of the fair value of the assets acquired and liabilities assumed in the takeover operation of 24 May 2012.

The changes in goodwill in 2011 primarily related to:

- impairment amounting to €(655) million, mainly concerning Edison and Dalkia;
- translation adjustments of €239 million, largely due to the rise of the pound sterling against the Euro.

18.2 Goodwill by operating segment

The breakdown of goodwill is as follows:

(in millions of Euros)	**31/12/2012**	31/12/2011
EDF Energy	8,339	8,260
Total United Kingdom	**8,339**	**8,260**
Edison	-	1,400
Total Italy	-	**1,400**
EDF Luminus (Belgium)	383	378
ESTAG (Austria)	112	112
Other	110	109
Total Other International	**605**	**599**
Dalkia International	800	799
EDF Énergies Nouvelles	195	209
Other	473	381
Total Other activities	**1,468**	**1,389**
GROUP TOTAL	**10,412**	**11,648**

Note 19 Other intangible assets

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

At 31 December 2012

(in millions of Euros)	31/12/2011	Acquisitions	Disposals	Translation adjustments	Changes in scope	Other movements	**31/12/2012**
Software	1,665	251	(149)	(3)	(21)	29	1,772
Positive fair value of commodity contracts acquired in a business combination	704	-	(29)	(1)	245	(46)	873
Greenhouse gas emission rights – green certificates	366	681	(597)	3	65	(2)	516
Other intangible assets	2,926	220	(9)	34	1,658	203	5,032
Intangible assets in development	1,303	357	-	(1)	-	112	1,771
Gross values	**6,964**	**1,509**	**(784)**	**32**	**1,947**	**296**	**9,964**
Accumulated amortisation and impairment	(2,262)	(659)	160	(6)	626	(198)	(2,339)
NET VALUES	**4,702**	**850**	**(624)**	**26**	**2,573**	**98**	**7,625**

Changes in scope mainly concern the effects of the takeover of the Edison group, particularly recognition of the Edison brand at the value of €945 million, and intangible assets related to hydropower concessions for an amount of €1,165 million. For more details, see note 3.1.4.

Impairment of €(27) million was recorded in respect of other intangible assets in 2012.

At 31 December 2011 *(in millions of Euros)*	31/12/2010	Acquisitions	Disposals	Translation adjustments	Changes in scope	Other movements	31/12/2011
Gross values	6,509	1,216	(777)	25	(8)	(1)	6,964
Accumulated amortisation and impairment	(1,893)	(493)	183	(6)	13	(66)	(2,262)
NET VALUES	**4,616**	**723**	**(594)**	**19**	**5**	**(67)**	**4,702**

Impairment of €(88) million was booked on other intangible assets in 2011.

EDF's research and development expenses recorded in the income statement total €527 million for 2012 (€518 million for 2011).

Note 20 Property, plant and equipment operated under French public electricity distribution concessions

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

(in millions of Euros)	**31/12/2012**	31/12/2011
Property, plant and equipment	45,919	44,342
Property, plant and equipment in progress	1,303	1,159
PROPERTY, PLANT AND EQUIPMENT OPERATED UNDER FRENCH PUBLIC ELECTRICITY DISTRIBUTION CONCESSIONS	**47,222**	**45,501**

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

(in millions of Euros)	Land and buildings	Networks	Other installations, plant, machinery, equipment & other	Total
Gross value at 31/12/2011	2,138	72,345	3,158	77,641
Increases [(1)]	99	3,452	303	3,854
Decreases	(18)	(431)	(129)	(578)
Other movements	(5)	1	(1)	(5)
Gross value at 31/12/2012	**2,214**	**75,367**	**3,331**	**80,912**
Depreciation and impairment at 31/12/2011	(1,164)	(30,066)	(2,069)	(33,299)
Net depreciation	(37)	(184)	(129)	(350)
Disposals	16	344	127	487
Other movements [(2)]	(6)	(1,736)	(89)	(1,831)
Depreciation and impairment at 31/12/2012	**(1,191)**	**(31,642)**	**(2,160)**	**(34,993)**
Net values at 31/12/2011	974	42,279	1,089	44,342
NET VALUES AT 31/12/2012	**1,023**	**43,725**	**1,171**	**45,919**

(1) Increases also include facilities provided by the concession grantors.
(2) Other movements mainly concern depreciation of assets operated under concessions, booked against amortisation recorded in the special concession liabilities.

↗ Note 21 Property, plant and equipment operated under concessions for other activities

21.1 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)	**31/12/2012**	31/12/2011
Property, plant and equipment	6,256	5,326
Property, plant and equipment in progress	926	696
PROPERTY, PLANT AND EQUIPMENT OPERATED UNDER CONCESSIONS FOR OTHER ACTIVITIES	**7,182**	**6,022**

21.2 Movements in property, plant and equipment operated under concessions for other activities (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 31/12/2011	1,240	9,234	524	1,187	12,185
Increases	32	338	38	42	450
Decreases	(3)	(22)	(5)	(9)	(39)
Translation adjustments	2	(6)	37	5	38
Changes in the scope of consolidation	41	142	-	(1)	182
Other movements	10	(20)	-	(1)	(11)
Gross value at 31/12/2012	**1,322**	**9,666**	**594**	**1,223**	**12,805**
Depreciation and impairment at 31/12/2011	(787)	(5,091)	(261)	(720)	(6,859)
Net depreciation	(24)	(270)	(20)	(46)	(360)
Impairment net of reversals	(1)	(8)	-	-	(9)
Disposals	2	17	5	8	32
Translation adjustments	-	2	(18)	1	(15)
Changes in the scope of consolidation	17	616	-	4	637
Other movements	(1)	25	-	1	25
Depreciation and impairment at 31/12/2012	**(794)**	**(4,709)**	**(294)**	**(752)**	**(6,549)**
Net value at 31/12/2011	453	4,143	263	467	5,326
NET VALUE AT 31/12/2012	**528**	**4,957**	**300**	**471**	**6,256**

At 31 December 2012, property, plant and equipment operated under concessions other than French public electricity distribution concessions comprise concession facilities mainly located in France (hydropower) and Italy.

Changes in the scope of consolidation in 2012 concern the takeover of Edison.

↗ Note 22 Property, plant and equipment used in generation and other tangible assets owned by the Group

22.1 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)	**31/12/2012**	31/12/2011
Property, plant and equipment	51,392	47,184
Property, plant and equipment in progress	16,130	12,951
Finance-leased property, plant and equipment	316	310
PROPERTY, PLANT AND EQUIPMENT USED IN GENERATION AND OTHER TANGIBLE ASSETS OWNED BY THE GROUP	**67,838**	**60,445**

At 31 December 2012, property, plant and equipment in progress primarily concern EPR construction projects in France and the United Kingdom. Impairment of €(10) million was also recorded in 2012 in respect of property, plant and equipment in progress (€(29) million in 2011).

22.2 Movements in property, plant and equipment used in generation and other tangible assets owned by the Group (excluding assets 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 31/12/2011	11,581	63,043	14,904	821	13,173	103,522
Increases	231	2,195	1,165	51	2,844	6,486
Decreases	(275)	(818)	(104)	(3)	(269)	(1,469)
Translation adjustments	96	155	196	-	1	448
Changes in the scope of consolidation	272	-	1,565	(2)	(535)	1,300
Other movements	23	(371)	143	-	(307)	(512)
Gross value at 31/12/2012	**11,928**	**64,204**	**17,869**	**867**	**14,907**	**109,775**
Depreciation and impairment at 31/12/2011	(6,275)	(35,785)	(8,734)	(430)	(5,114)	(56,338)
Net depreciation	(319)	(2,081)	(691)	(27)	(863)	(3,981)
Impairment net of reversals	(4)	(357)	(198)	-	(75)	(634)
Disposals	109	647	93	3	250	1,102
Translation adjustments	(38)	(30)	(116)	-	(32)	(216)
Changes in the scope of consolidation	12	-	1,083	1	18	1,114
Other movements	15	568	(84)	4	67	570
Depreciation and impairment at 31/12/2012	**(6,500)**	**(37,038)**	**(8,647)**	**(449)**	**(5,749)**	**(58,383)**
Net value at 31/12/2011	5,306	27,258	6,170	391	8,059	47,184
NET VALUE AT 31/12/2012	**5,428**	**27,166**	**9,222**	**418**	**9,158**	**51,392**

Changes in the scope of consolidation in 2012 mainly concern the takeover of Edison during the year.

The lower level of depreciation on nuclear generation facilities in 2012 is primarily explained by the 5-year and 7-year extensions of the operating lifetimes of certain nuclear power plants in the United Kingdom.

In France, the amount of property, plant and equipment rose due to expenses incurred to improve the performance of nuclear units. The reinforced management plan also enhanced monitoring of general maintenance expenditure and scheduled checks carried out at regular intervals. These checks qualify as major inspections and the related costs are capitalised.

22.3 Finance lease contracts

	31/12/2012				31/12/2011
	Total	Maturity			Total
(in millions of Euros)		< 1 year	1 to 5 years	> 5 years	
Future minimum lease payments receivable as lessor	**58**	16	35	7	60
Future minimum lease payments payable as lessee	**478**	39	130	309	149

The Group is the lessor in agreements classified as finance leases under IFRIC 4 and IAS 17, which account for almost all of its finance lease commitments as lessor.
The Group is bound as lessee 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.

Note 23 Investments in associates

Investments in associates are as follows:

(in millions of Euros)	Principal activity [1]	31/12/2012 Ownership %	31/12/2012 Share of net equity	31/12/2012 Share of net income	31/12/2011 Share of net equity	31/12/2011 Share of net income
RTE Réseau de Transport d'Électricité	T	100.00	4,786	407	4,620	272
Alpiq	G	25.00	1,203	(201)	1,396	(276)
Taishan	G	30.00	693	-	688	-
Dalkia Holding	O	34.00	422	(1)	443	23
NTPC	G	40.00	123	27	125	23
Other investments in associates			328	28	272	9
TOTAL			**7,555**	**260**	**7,544**	**51**

(1) G = generation, T= transmission, O = Other.

23.1 RTE Réseau de transport d'Électricite (RTE)

23.1.1 RTE - Financial indicators

The key financial indicators for RTE for 2012 are as follows:

(in millions of Euros)	
Operating profit before depreciation and amortisation	1,610
Net income	407
Equity at 31 December 2012	4,786
Balance sheet total at 31 December 2012	15,625
Net indebtedness at 31 December 2012	6,875

23.1.2 Transactions between the EDF group and RTE

At 31 December 2012 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 €3,239 million in sales revenues for RTE from ERDF over 2012.

In executing its responsibility to ensure balance in the electricity system, during 2012 RTE also undertook:

- energy purchases and sales with EDF, amounting to €181 million and €205 million respectively;
- system service purchases from EDF amounting to €285 million.

Other transactions

The EDF group contributes to financing of RTE through loans amounting to a total of €1,174 million at 31 December 2012 (€1,400 million at 31 December 2011). RTE recorded a total of €65 million in interest expenses on this loan in 2012.

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

23.2 Alpiq

23.2.1 Published financial indicators

The main published indicators by the Alpiq group for 2011 were as follows:

(in millions of Euros)	
2011 Sales	11,334
2011 Net income	(1,093)
Equity at 31 December 2011	5,104
Balance sheet total at 31 December 2011	14,352

23.2.2 Impairment

On 14 December 2012, Alpiq announced that further adjustments would be necessary in view of the difficult market conditions and significant changes in the European energy environment, leading it to step up its cost-cutting programme and recognise additional impairment of €(248) million (EDF's share) in 2012. This impairment is recorded by Alpiq and particularly concerns assets in Switzerland and Italy.

This announcement followed Alpiq's move to refocus business on Switzerland and certain international sectors, initiated in 2011. Impairment of €(320) million (EDF's share) was recognised in investments in associates in the Group's 2011 consolidated financial statements. It was recorded by Alpiq in its consolidated accounts, and mainly concerned its investments in Romande Énergie in Switzerland, and Edipower and A2A in Italy.

Note 24 Inventories

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

	31/12/2012			31/12/2011		
(in millions of Euros)	Gross value	Provisions	Net value	Gross value	Provisions	Net value
Nuclear fuel	10,297	(15)	10,282	9,848	(13)	9,835
Other fuel	2,104	(4)	2,100	1,963	(8)	1,955
Other raw materials	1,298	(217)	1,081	1,095	(196)	899
Work-in-progress for production of goods and services	216	(30)	186	553	(11)	542
Other inventories	625	(61)	564	378	(28)	350
TOTAL INVENTORIES	**14,540**	**(327)**	**14,213**	**13,837**	**(256)**	**13,581**

The long-term portion (more than one year) mainly concerns nuclear fuel inventories amounting to €7,591 million at 31 December 2012 (€6,778 million at 31 December 2011).
The value of EDF Trading's inventories stated at market value is €764 million at 31 December 2012 (€943 million at 31 December 2011).

Note 25 Trade receivables

Details of net trade receivables are as follows:

(in millions of Euros)	31/12/2012	31/12/2011
Trade receivables, gross value – excluding EDF Trading	20,518	17,962
Trade receivables, gross value – EDF Trading	2,927	3,613
Impairment	(948)	(667)
TRADE RECEIVABLES, NET VALUE	**22,497**	**20,908**

Most trade receivables mature within one year.

The credit risk on trade receivables is shown below:

	31/12/2012			31/12/2011		
(in millions of Euros)	Gross value	Impairment	Net values	Gross value	Impairment	Net values
TRADE RECEIVABLES	**23,445**	**(948)**	**22,497**	**21,575**	**(667)**	**20,908**
overdue by up to 6 months	2,144	(251)	1,893	2,019	(193)	1,826
overdue by 6-12 months	688	(211)	477	506	(125)	381
overdue by more than 12 months	1,046	(408)	638	670	(278)	392
Trade receivables due	3,878	(870)	3,008	3,195	(596)	2,599
Trade receivables not yet due	19,567	(78)	19,489	18,380	(71)	18,309

The changes observed in 2012 include the effect of full consolidation of Edison since 24 May 2012.

The Group undertook securitisation of trade receivables for a total of €1,185 million in December 2012, including €774 by the Edison group.
As most securitisation operations are carried out on a recurrent, without-recourse basis, the corresponding receivables are not carried in the Group's consolidated balance sheet.

↗ Note 26 Other receivables

Details of other receivables are as follows:

(in millions of Euros)	**31/12/2012**	31/12/2011
Prepaid expenses	1,621	621
CSPE	997	3,821
VAT receivables	2,001	1,869
Other tax receivables	678	595
Other operating receivables	3,189	3,403
OTHER RECEIVABLES	**8,486**	**10,309**
Gross value	8,583	10,363
Impairment	(97)	(54)

Most other receivables mature within one year.

Prepaid expenses in 2012 include past payments for future spent fuel management services, with a corresponding entry in provisions for nuclear generation (see note 29).

At 31 December 2012, the CSPE receivable included in "Other receivables" mainly corresponds to the CSPE to be collected on energy supplied but not yet billed. Under the agreement signed with the French authorities, an amount of €4,250 million corresponding to the shortfall in CSPE compensation at 31 December 2012 has been reclassified as a financial asset (see note 4.1).

↗ Note 27 Equity

27.1 Share capital

At 31 December 2012, 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 84.4% by the French State, 13.6% by the public (institutional and private investors) and 1.9% by current and retired Group employees, with 0.1% held by EDF as treasury shares.

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

27.2 Treasury shares

A share repurchase program authorised by the General Shareholders' Meeting of 9 June 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 was 18 months, renewed for 12 months then by tacit agreement every year.

Under this share repurchase program, for which a liquidity contract exists as required by the market regulator AMF, 8,398,898 shares were acquired during 2012 for a total of €134 million, and 7,413,159 shares were sold for a total of €119 million.

At 31 December 2012, treasury shares deducted from consolidated equity represent 2,161,333 shares with total value of €33 million.

27.3 Dividends

The General Shareholders' Meeting of 24 May 2012 decided to distribute a dividend of €1.15 per share in circulation in respect of 2011. Interim dividends of €0.57 per share had been paid out on 16 December 2011, and the balance of €0.58 per share amounting to a total of €1,072 million was paid out on 6 June 2012.

On 22 November 2012, the Board of Directors decided to distribute an interim dividend of €0.57 per share or a total of €1,053 million for 2012, paid out in cash on 17 December 2012.

In keeping with the amendment to the company's articles of association proposed at the General Shareholders' Meeting of 24 May 2011, shareholders who have held their shares continuously for at least 2 years at the year-end date and still hold them at the dividend distribution date are entitled to a 10% increase in their dividends. The number of shares eligible for this increase cannot be more than 0.5% of the company's capital for a single shareholder. This amendment will take effect for the payment in 2014 of the dividend for the year 2013.

Note 28 Provisions

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

(in millions of Euros)	Notes	31/12/2012 Current	31/12/2012 Non-current	31/12/2012 Total	31/12/2011 Current	31/12/2011 Non-current	31/12/2011 Total
Provisions for back-end nuclear cycle		1,094	18,431	19,525	1,302	17,528	18,830
Provisions for decommissioning and last cores		225	20,754	20,979	173	19,670	19,843
Provisions related to nuclear generation	29	**1,319**	**39,185**	**40,504**	**1,475**	**37,198**	**38,673**
Provisions for decommissioning of non-nuclear facilities	30	**45**	**1,090**	**1,135**	**41**	**809**	**850**
Provisions for employee benefits	31	**912**	**19,540**	**20,452**	**940**	**14,611**	**15,551**
Other provisions	32	**1,618**	**1,873**	**3,491**	**1,606**	**1,338**	**2,944**
TOTAL PROVISIONS		**3,894**	**61,688**	**65,582**	**4,062**	**53,956**	**58,018**

Note 29 Provisions related to nuclear generation – back-end nuclear cycle, plant decommissioning and last cores

Provisions related to nuclear generation comprise provisions for back-end nuclear cycle expenses (management of spent fuel and radioactive waste), provisions for plant decommissioning and provisions for last cores.

Provisions are estimated under the principles presented in note 1.3.2.1.

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

The movement in provisions for back-end nuclear cycle, provisions for decommissioning and provisions for last cores breaks down as follows:

(in millions of Euros)	31/12/2011	Increases	Decreases: Utilisations	Decreases: Reversals	Changes in scope	Other movements	31/12/2012
Provisions for spent nuclear fuel management	11,530	337	(647)	(21)	-	618	11,817
Provisions for long-term radioactive waste management	7,300	511	(150)	-	-	47	7,708
Provisions for back-end nuclear cycle	**18,830**	**848**	**(797)**	**(21)**	-	**665**	**19,525**
Provisions for nuclear plant decommissioning	16,430	1,262	(234)	-	-	(30)	17,428
Provisions for last cores	3,413	167	-	-	-	(29)	3,551
Provisions for decommissioning and last cores	**19,843**	**1,429**	**(234)**	-	-	**(59)**	**20,979**
PROVISIONS RELATED TO NUCLEAR GENERATION	**38,673**	**2,277**	**(1,031)**	**(21)**	-	**606**	**40,504**

Other changes in provisions related to nuclear generation principally reflect the following effects:

- €(289) million corresponding to the change in amounts reimbursable by the NLF (Nuclear Liabilities Fund) and the British government for coverage of EDF Energy's long-term nuclear obligations (see note 36.4) of which €(616) million result from the 5-year and 7-year extensions to certain nuclear plants' operating lifetimes in 2012;
- €665 million in provisions for spent fuel management relating to future services, with a corresponding entry in prepaid expenses (net income for the period is unaffected).

The breakdown of provisions by company is shown below:

(in millions of Euros)	EDF Note 29.1	EDF Energy Note 29.2	CENG Note 29.3	Other entities Note 29.4	Total
Provisions for spent fuel management	9,498	2,319	-	-	11,817
Provisions for long-term radioactive waste management	7,113	594	-	1	7,708
PROVISIONS FOR BACK-END NUCLEAR CYCLE AT 31/12/2012	**16,611**	**2,913**	**-**	**1**	**19,525**
Provisions for back-end nuclear cycle at 31/12/2011	15,865	2,962	-	3	18,830
Provisions for nuclear plant decommissioning	12,578	4,180	498	172	17,428
Provisions for last cores	2,193	1,309	49	-	3,551
PROVISIONS FOR DECOMMISSIONING AND LAST CORES AT 31/12/2012	**14,771**	**5,489**	**547**	**172**	**20,979**
Provisions for decommissioning and last cores at 31/12/2011	13,378	5,791	519	155	19,843

The decline in EDF Energy's provisions for decommissioning and last cores over 2012 results from the 5-year and 7-year extensions to certain nuclear plants' operating lifetime (€(616) million for decommissioning and €(185) million for last cores).

29.1 Nuclear provisions in France

In France, EDF's provisions are calculated in accordance with the instructions of the law of 28 June 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 for secure financing of long-term obligations (see note 48).

The relevant expenses are estimated based on the economic conditions of the year-end, then spread over a forecast disbursement schedule and adjusted to Euros of the year of payment through application of a forecast long-term inflation rate. To determine the provisions, these amounts are discounted to present value using a nominal discount rate.

29.1.1 Provisions for spent fuel management

These provisions cover services in connection with the following:

- removal of spent fuel from EDF's generation centres, as well as reception and interim storage;
- processing, including conditioning and storage of recyclable matter and waste resulting from this processing.

Processing expenses exclusively concern 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.

At 31 December 2012, the provision for spent fuel management includes the favourable effects of revision of certain costs for interim storage of spent fuel.

29.1.2 Provisions for long-term radioactive waste management

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 packages 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 centres:
  - existing centres, for very low-level waste, and low and medium-level waste;
  - new centres 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 existing packages of 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 31 December irradiated 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)*.

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 28 June 2006 on the sustainable management of radioactive materials and waste has confirmed the assumption of geological storage used by EDF in calculating these provisions.

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.

In 2011 ANDRA and waste producers set up a partnership aiming to facilitate completion of the geological storage project by levering on all the skills of the French nuclear industry. This partnership encompasses joint studies on targeted issues and an interface between the ANDRA project team and nuclear operators to help them make well-informed, relevant contributions to governance of the project. ANDRA has drawn up specifications for early conceptional studies, taking into consideration many of the design options proposed by the waste producers, either as the benchmark or as variations. It should be able to propose an estimate of storage costs by the late 2013 at the earliest, after including the recommendations of the French Nuclear Safety Authority (*Autorité de Sûreté Nucléaire* or ASN), the National Evaluation Commission (*Commission Nationale d'Évaluation* or CNE) and the public debate. After consulting waste producers and the ASN, France's minister for Energy is due to decide on the value of these costs and make a public announcement.

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. ANDRA is due to submit a report to the French government with various proposals for management of this type of waste, and the conditions for resuming the search for a site. Despite significant delays and the financial risks involved, the calculation method for the provision for storage of long-life low-level waste remains unchanged and should cover most of the alternative scenarios that are currently being examined jointly by EDF and ANDRA.

29.1.3 Decommissioning provisions for nuclear power plants

These provisions concern the decommissioning of pressurised 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 industry.

- 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 a further study carried out by EDF in 1999 focusing on a specific site, and a subsequent 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 ASN;
  - a review of the schedule for decommissioning operations over time;
  - determination of the rules for extrapolation of costs for the entire fleet of PWR plants in operation.

International intercomparison studies carried out with a non-Group specialist firm support the results of this study.

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

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

The provision is based on contractor quotes for decommissioning, newly updated in 2012. The costs and schedule have been revised to reflect industrial experience, contingencies and changes in regulations. This update has led to a €610 million increase in the provision for decommissioning of nuclear power plants, which is included in expenses for 2012 under "Other income and expenses".

The new valuation is based on the following key assumptions:

  - that decommissioning will take place as soon as possible (this is unchanged from the previous quote);
  - that long-life medium-level waste will be stored in a packaging and interim storage installation for radioactive waste (ICEDA) due to open in 2015 (rather than 2013 as previously estimated), until it can be placed in deep underground storage for which the assumptions are unchanged;
  - that the facility for storing graphite waste will be available from 2025 (instead of 2019 as previously estimated);
  - that the decree for full decommissioning of Brennilis will be obtained by the end of 2018.

29.1.4 Provision for last cores

This provision covers the future expenses resulting from scrapping fuel that will only be partially used when the reactor is shut down. It is measured based on:

- the cost of the loss on fuel in the reactor that is not totally spent at the time of final reactor shutdown and cannot be reused due to technical and regulatory constraints;
- the cost of fuel processing, disposal and waste storage operations. These costs are valued in a similar way to provisions for spent fuel management and long-term radioactive waste management.

These unavoidable costs are components of the cost of nuclear reactor shutdown and decommissioning. As such, they are fully covered by provision from the commissioning date and an asset associated with the provision is recognised.

29.1.5 Discounting of provisions related to nuclear generation and sensitivity analyses

29.1.5.1 Discount rate

Since 31 December 2012, EDF has applied a nominal discount rate of 4.8% to calculate its provisions, together with assumed inflation of 1.9% (previously, the nominal discount rate applied was 5.0% with assumed inflation of 2.0%).

- 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 these 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 10-year average 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 is determined in line with the forecasts provided by consensus and expected inflation based on the returns on inflation-linked bonds. In response to changes in these criteria, the Group adjusted its assumed inflation to 1.9% at 31 December 2012.

- Revision of the discount rate and regulatory limit

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 must also comply with the two limits laid down by the decree of 23 February 2007 and the decision of 21 March 2007. This means it must be lower than:

- 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 (dedicated assets).

In order to respect the regulatory limit, the discount rate was reduced to 4.8% at 31 December 2012.

29.1.5.2 Analyses of sensitivity to macro-economic assumptions

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 year-end economic conditions with the present value of the amount.

	31/12/2012		31/12/2011	
(in millions of Euros)	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	15,250	9,498	14,844	9,143
Long-term radioactive waste management	24,562	7,113	23,801	6,722
BACK-END NUCLEAR CYCLE	**39,812**	**16,611**	**38,645**	**15,865**
Decommissioning provisions for nuclear power plants	22,174	12,578	21,108	11,366
Provisions for last cores	3,887	2,193	3,888	2,012
PROVISION FOR DECOMMISSIONING AND LAST CORES	**26,061**	**14,771**	**24,996**	**13,378**

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

In application of article 11 of the decree of 23 February 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			
			2012		2011	
(in millions of Euros)	**2012**	2011	+0.20%	-0.20%	+0.25%	-0.25%
Back-end nuclear cycle:						
- spent fuel management	9,498	9,143	(165)	174	(200)	213
- long-term radioactive waste management	7,113	6,722	(361)	403	(412)	471
Decommissioning and last cores:						
- decommissioning of nuclear power plants	12,578	11,366	(458)	479	(544)	576
- last cores	2,193	2,012	(66)	70	(81)	87
TOTAL	**31,382**	**29,243**	**(1,050)**	**1,126**	**(1,237)**	**1,347**

29.2 EDF energy's nuclear provisions

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

- the obligations are reported in liabilities in the form of provisions amounting to €8,402 million at 31 December 2012;
- 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 historical liabilities).

These receivables are discounted at the same real rate as the obligations they are intended to finance. They are included in "Financial assets" in the consolidated balance sheet (see note 36.3) at the amount of €6,920 million at 31 December 2012 (€7,209 million at 31 December 2011).

29.2.1 Regulatory and contractual framework

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 14 January 2005 as part of the restructuring led by the UK Government from 2005 in order to stabilise British Energy's financial position. British Energy Generation Limited changed its name to EDF Energy Nuclear Generation Limited on 1 July 2011 and replaced British Energy in these agreements and amendments.

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 EDF 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 EDF 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 EDF Energy's spent fuel (including liabilities for management of spent fuel from plants other than Sizewell B loaded in reactors prior to 15 January 2005);
- EDF Energy is responsible for funding certain excluded or disqualified liabilities (e.g. those defined as EDF Energy liabilities), and additional liabilities which could be created as a result of failure by EDF Energy to meet minimum performance standards under applicable law. The obligations of EDF Energy to the NLF and the Secretary of State are guaranteed by the assets of the principal members of EDF Energy.

EDF Energy has also undertaken commitments to pay:

- annual decommissioning contributions for a period limited to the useful lives of the plants as at the date of the "Restructuring Agreements"; the corresponding provision amounts to €186 million at 31 December 2012;
- £150,000 (indexed to inflation) per tonne of uranium loaded in the Sizewell B reactor after the date of the "Restructuring Agreements".

Furthermore, EDF Energy has entered into a separate contract with the Nuclear Decommissioning Authority (NDA) for management of AGR spent fuel and associated radioactive waste resulting from operation of power plants other than Sizewell B after 15 January 2005, and bears no responsibility for this fuel and 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 - plus a rebate / surcharge dependent on market electricity price and electricity generated in the year - are included in inventories (see note 1.3.17.1).

29.2.2 Provisions for the back-end nuclear cycle

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.

EDF Energy'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.

	31/12/2012		31/12/2011	
(in millions of Euros)	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	3,820	2,319	3,860	2,385
Long-term radioactive waste management	4,188	594	3,969	577
BACK-END NUCLEAR CYCLE	**8,008**	**2,913**	**7,829**	**2,962**

29.2.3 Decommissioning provisions

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 current costs are based on Baseline Decommissioning Plans produced in 2008 and assume that plants will be decommissioned and the land will ultimately be reused.

	31/12/2012		31/12/2011	
(in millions of Euros)	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
PLANT DECOMMISSIONING	**12,887**	**3,994**	**12,213**	**4,239**

The table above only concerns decommissioning obligations excluding the present value of decommissioning contributions payable to the NLF (€186 million, see note 29.2.1).

29.3 CENG'S nuclear provisions

In the U.S., the obligations concerning spent fuel management, waste disposal and plant decommissioning are governed primarily by the U.S. Nuclear Regulatory Commission (NRC) and the U.S. Department of Energy (DOE). Additionally, certain waste transport obligations are governed by the U.S. Department of Transportation.

29.3.1 Provisions for back-end nuclear cycle

In accordance with current regulations, spent fuel is not reprocessed but instead is placed in temporary storage until the DOE takes charge of its final transportation and permanent storage in a national repository. For this service, CENG pays a quarterly fee to the DOE of approximately $1/MWh of electricity generated.

29.3.2 Decommissioning provisions

CENG is obligated to decommission its three nuclear power plants (five nuclear generation units) when they cease operations, in accordance with NRC regulations and relevant state regulations for site restoration (greenfielding requirements). In the U.S., all decommissioning activities are required by the NRC to be completed within 60 years following cessation of plant operations.

Decommissioning provisions mainly comprise decontamination, dismantlement, disposal and site restoration activities. These activities encompass costs such as internal and external personnel expenses, materials and equipment, energy, insurance, property taxes, temporary on-site storage of spent nuclear fuel, transportation, and waste disposal.

Estimated decommissioning costs are calculated individually for each site based on technical studies that are regularly updated.

29.3.3 Funding of nuclear obligations

NRC-approved funding options provide for the establishment of external investment trust funds reserved for each unit, to cover its decommissioning obligations. These trust funds are currently invested in debt and equity instruments. They are treated as available-for-sale assets, and carried at fair value.

CENG's Investment Committee determines the general investment strategy, including the allocation of investments among asset types. CENG periodically undertakes a comprehensive asset-liability management study to adjust and optimise the asset allocation, given strategic objectives, liability duration, long-term capital market conditions, and the magnitude of such projected obligations. None of the funds are permitted to be invested directly in companies that own nuclear power plants.

The NRC sets minimum funding assurance guidelines to provide for radiological decommissioning activities and requires all plant owners to submit a report biennially in odd-numbered years that demonstrates adequate funding assurance for each unit. If a shortfall is observed, the NRC may require additional financial assurance measures in the form of cash, letters of credit or parent company guarantees. In March 2012, in connection with the merger between Exelon and Constellation Energy, CENG submitted an off-cycle assurance financial report. That report did not indicate any shortfall, and no additional funding assurance was required by the NRC. The next biennal report is required to be submitted by March 2013.

29.4 Other subsidiaries' nuclear provisions

Other subsidiaries' provisions for the back-end of the nuclear cycle and decommissioning mostly concern nuclear plants in Belgium.

↗ Note 30 Provisions for decommissioning of non-nuclear facilities

The breakdown by company is as follows:

(in millions of Euros)	EDF	EDF Energy	Edison	Other entities	Total
PROVISIONS FOR DECOMMISSIONING OF NON-NUCLEAR FACILITIES AT 31/12/2012	**522**	**71**	**416**	**126**	**1,135**
Provisions for decommissioning of non-nuclear facilities at 31/12/2011	477	50	189	134	850

Provisions for decommissioning of non-nuclear facilities principally concern fossil-fired power plants.

The costs of decommissioning 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 31 December 2012 reflects the most recent known contractor quotes and commissioning of new generation assets.

↗ Note 31 Provisions for employee benefits

31.1 EDF GROUP

(in millions of Euros)	**31/12/2012**	31/12/2011
Provisions for employee benefits – current portion	912	940
Provisions for employee benefits – non-current portion	19,540	14,611
PROVISIONS FOR EMPLOYEE BENEFITS	**20,452**	**15,551**

31.1.1 Breakdown of the change in the provisions

(in millions of Euros)	Obligations	Fund assets	Obligations net of fund assets	Unrecognised past service cost	Provision in the balance sheet
Balances at 31/12/2011	**28,267**	**(12,594)**	**15,673**	**(122)**	**15,551**
Net expense for 2012	2,353	(635)	1,718	13	1,731
Change in actuarial gains and losses	5,476	(866)	4,610	-	4,610
Employer's contributions to funds	-	(706)	(706)	-	(706)
Employees' contributions to funds	24	(24)	-	-	-
Benefits paid	(1,353)	555	(798)	-	(798)
Unvested past service cost	74	-	74	(74)	-
Translation adjustment	142	(111)	31	-	31
Changes in scope of consolidation	36	-	36	-	36
Other movements	23	(27)	(4)	1	(3)
BALANCES AT 31/12/2012	**35,042**	**(14,408)**	**20,634**	**(182)**	**20,452**

31.1.2 Post-employment and long-term employee benefit expenses

(in millions of Euros)	**31/12/2012**	31/12/2011
Current service cost	(743)	(686)
Interest expense (discount effect)	(1,392)	(1,337)
Expected return on fund assets	635	597
Past service cost	36	(25)
Change in actuarial gains and losses – long-term benefits	(271)	(100)
Effect of plan curtailment or settlement	4	(2)
POST-EMPLOYMENT AND OTHER LONG-TERM EMPLOYEE BENEFIT EXPENSES	**(1,731)**	**(1,553)**
including:		
Operating expense	(974)	(813)
Financial expense	(757)	(740)

31.1.3 Provisions for employee benefits by operating segment

(in millions of Euros)	France	United Kingdom	Italy	Other international	Other activities	Total
Obligations at 31/12/2011	21,454	6,027	37	462	287	28,267
Net expense for 2012	1,789	500	5	44	15	2,353
Change in actuarial gains and losses	5,685	(333)	-	42	82	5,476
Employees' contributions to funds	-	23	-	-	1	24
Benefits paid	(1,123)	(196)	(2)	(25)	(7)	(1,353)
Unvested past service cost	74	-	-	-	-	74
Translation adjustment	-	142	-	(2)	2	142
Changes in scope of consolidation	-	-	19	6	11	36
Other movements	-	3	(9)	2	27	23
OBLIGATIONS AT 31/12/2012	**27,879**	**6,166**	**50**	**529**	**418**	**35,042**
Fair value of fund assets	(8,280)	(5,755)	-	(207)	(166)	(14,408)
Unrecognised past service cost	(178)	-	-	(3)	(1)	(182)
PROVISIONS FOR EMPLOYEE BENEFITS AT 31/12/2012	**19,421**	**411**	**50**	**319**	**251**	**20,452**

(in millions of Euros)	France	United Kingdom	Italy	Other international	Other activities	Total
Obligations at 31/12/2011	21,454	6,027	37	462	287	28,267
Fair value of fund assets	(7,306)	(4,978)	-	(181)	(129)	(12,594)
Unrecognised past service cost	(117)	-	-	(3)	(2)	(122)
PROVISIONS FOR EMPLOYEE BENEFITS AT 31/12/2011	**14,031**	**1,049**	**37**	**278**	**156**	**15,551**

31.2 France

The "France" segment mainly comprises EDF SA and ERDF. Almost all of the employees of these companies benefit from IEG status including the special pension system and other IEG benefits, described in note 1.3.22.

31.2.1 Details of changes in the provision

(in millions of Euros)	Obligations	Fund assets	Obligations net of fund assets	Unrecognised past service cost	Provision in the balance sheet
Balances at 31/12/2011	**21,454**	**(7,306)**	**14,148**	**(117)**	**14,031**
Net expense for 2012	1,789	(353)	1,436	13	1,449
Change in actuarial gains and losses	5,685	(617)	5,068	-	5,068
Employer's contributions to funds	-	(345)	(345)	-	(345)
Employees' contributions to funds	-	-	-	-	-
Benefits paid	(1,123)	341	(782)	-	(782)
Unvested past service cost	74	-	74	(74)	-
Other movements	-	-	-	-	-
BALANCES AT 31/12/2012	**27,879**	**(8,280)**	**19,599**	**(178)**	**19,421**

The change in actuarial gains and losses mainly relates to the lower discount rate for long-term obligations to employees, which was reduced to 3.5% at 31 December 2012 (5.0% at 31 December 2011).

31.2.2 Post-employment and long-term employee benefit expenses

(in millions of Euros)	**31/12/2012**	31/12/2011
Current service cost	(507)	(501)
Interest expense (discount effect)	(1,070)	(1,030)
Expected return on fund assets	353	330
Past service cost	40	(13)
Change in actuarial gains and losses – long-term benefits	(266)	(98)
Effect of plan curtailment or settlement	1	-
POST-EMPLOYMENT AND OTHER LONG-TERM EMPLOYEE BENEFIT EXPENSES	**(1,449)**	**(1,312)**
including:		
Operating expense	(732)	(612)
Financial expense	(717)	(700)

31.2.3 Provisions for employee benefits by nature

At 31 December 2012:

(in millions of Euros)	Obligations	Fund assets	Unrecognised past service cost	Provision in the balance sheet
Provisions for post-employment benefits at 31/12/2012	**26,591**	**(8,280)**	**(178)**	**18,133**
Comprising:				
Pensions	20,859	(7,668)	-	13,191
Benefits in kind (electricity/gas)	3,923	-	-	3,923
Retirement gratuities	861	(598)	(102)	161
Other	948	(14)	(76)	858
Provisions for long-term employee benefits at 31/12/2012	**1,288**	-	-	**1,288**
Comprising:				
Annuities following work-related accident and illness, and invalidity	1,096	-	-	1,096
Long service awards	155	-	-	155
Other	37	-	-	37
PROVISIONS FOR EMPLOYEE BENEFITS AT 31/12/2012	**27,879**	**(8,280)**	**(178)**	**19,421**

At 31 December 2011:

(in millions of Euros)	Obligations	Fund assets	Unrecognised past service cost	Provision in the balance sheet
Provisions for post-employment benefits at 31/12/2011	**20,362**	**(7,306)**	**(117)**	**12,939**
Comprising:				
Pensions	16,138	(6,762)	-	9,376
Benefits in kind (electricity/gas)	2,912	-	-	2,912
Retirement gratuities	744	(531)	(114)	99
Other	568	(13)	(3)	552
Provisions for long-term employee benefits at 31/12/2011	**1,092**	-	-	**1,092**
Comprising:				
Annuities following work-related accident and illness, and invalidity	917	-	-	917
Long service awards	141	-	-	141
Other	34	-	-	34
PROVISIONS FOR EMPLOYEE BENEFITS AT 31/12/2011	**21,454**	**(7,306)**	**(117)**	**14,031**

31.2.4 Fund assets

For France, these assets amount to €8,280 million at 31 December 2012 (€7,306 million at 31 December 2011) and concern retirement gratuities (with target coverage of 100%) and the specific benefits of the special pension system. They consist of insurance contracts.

Investments under these contracts break down as follows:

(in millions of Euros)	**31/12/2012**	31/12/2011
FUND ASSETS	**8,280**	**7,306**
Assets funding special pension benefits	*7,668*	*6,762*
(%)		
Equities	29%	26%
Bonds and monetary instruments	71%	74%
Assets funding retirement gratuities	*598*	*531*
(%)		
Equities	31%	39%
Bonds and monetary instruments	69%	61%
Other fund assets	*14*	*13*

31.2.5 Actuarial assumptions

(in %)	**31/12/2012**	31/12/2011
Discount rate	3.50%	5.00%
Expected return on fund assets	3.80%	4.70%
Wage increase rate	2.00%	2.00%

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 2035 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, also over a comparable duration.

In view of changes in the economic and market parameters used, the Group revised the discount rate to 3.50% for 2012.

31.2.6 Sensitivity analysis

(in %)	**31/12/2012**	31/12/2011
Impact of a 25bp increase or decrease in the discount rate:		
■ On the amount of the obligation	-4.0%/ +4.3%	-3.4%/ +3.6%
■ On the service cost for Y+1	-6.4%/ +7.1%	-5.3%/ +5.7%

31.3 United kingdom

EDF Energy sponsors three defined benefit pension schemes:

- the EDF Energy Pension Scheme ("EEPS") which was established in March 2004 and includes a number of legacy pension schemes from London Electricity and Seeboard. Membership of EEPS is open to all employees;
- the British Energy Generation Group ("BEGG") of the Electricity Supply Pension Scheme ("ESPS"), of which the majority of members are employees in Nuclear Generation. BEGG was closed to new members in August 2012; and
- the EDF Energy Generation and Supply Group ("EEGS") of the ESPS which was established in December 2010 for the employees remaining with EDF Energy following the transfer of the former Group to UK Power Networks as part of the sale of Networks. EEGS is closed to new members.

Each pension scheme is financially independent from the others. With the exception of EEPS all of the above schemes are part of the industry wide ESPS.

31.3.1 Details of the change in the provision

(in millions of Euros)	Obligations	Fund assets	Obligations net of fund assets	Unrecognised past service cost	Provision in the balance sheet
Balances at 31/12/2011	6,027	(4,978)	1,049	-	1,049
Net expense for 2012	500	(261)	239	-	239
Change in actuarial gains and losses	(333)	(238)	(571)	-	(571)
Employer's contributions to funds	-	(337)	(337)	-	(337)
Employees' contributions to funds	23	(23)	-	-	-
Benefits paid	(196)	196	-	-	-
Unvested past service cost	-	-	-	-	-
Translation adjustment	142	(114)	28	-	28
Changes in scope of consolidation	-	-	-	-	-
Other movements	3	-	3	-	3
BALANCES AT 31/12/2012	**6,166**	**(5,755)**	**411**	**-**	**411**

31.3.2 Post-employment and long-term employee benefit expenses

(in millions of Euros)	**31/12/2012**	31/12/2011
Current service cost	(209)	(160)
Interest expense (discount effect)	(289)	(281)
Expected return on fund assets	261	255
Effect of plan curtailment or settlement	(2)	(3)
POST-EMPLOYMENT AND OTHER LONG-TERM EMPLOYEE BENEFIT EXPENSES	**(239)**	**(189)**
including:		
Operating expense	(211)	(163)
Financial expense	(28)	(26)

31.3.3 Fund assets

Pension obligations in the United Kingdom are partly covered by external funds with a present value of €5,755 million at 31 December 2012 (€4,978 million at 31 December 2011). These funds break down as follows:

(in millions of Euros)	**31/12/2012**	31/12/2011
FUND ASSETS	**5,755**	**4,978**
Comprising (%):		
Real estate assets	7%	6%
Equities	33%	34%
Bonds and monetary instruments	49%	52%
Other	11%	8%

31.3.4 Actuarial assumptions

(in %)	**31/12/2012**	31/12/2011
Discount rate	4.50%	4.70%
Expected return on fund assets	4.70%	5.10%
Wage increase rate	3.10%	4.70%

31.3.5 Sensitivity analyses

(in %)	**31/12/2012**	31/12/2011
Impact of a 25bp increase or decrease in the discount rate:		
■ On the amount of the obligations	-4.7%/+4.9%	-4.8%/+5.0%
■ On the past service cost for Y+1	-6.0%/+6.6%	-7.3%/+7.3%

↗ Note 32 Other provisions

Details of changes in other provisions are as follows:

(in millions of Euros)	31/12/2011	Increases	Decreases		Changes in scope	Other changes	**31/12/2012**
			Utilisations	Reversals			
Provisions for contingencies related to investments	194	70	(54)	(18)	-	-	192
Provisions for tax liabilities	266	38	(3)	(38)	148	3	414
Provisions for litigation [(1)]	563	98	(42)	(75)	71	(11)	604
Provisions for onerous contracts	808	104	(204)	-	-	(5)	703
Provisions related to environmental schemes [(2)]	466	703	(612)	-	16	8	581
Other provisions	647	545	(288)	(74)	170	(3)	997
TOTAL	**2,944**	**1,558**	**(1,203)**	**(205)**	**405**	**(8)**	**3,491**

(1) Provisions for litigation include a provision relating to a dispute with social security bodies.
(2) Provisions related to environmental schemes include provisions for greenhouse gas emission rights and renewable energy certificates (see note 50).

Provisions for onerous contracts include the fair value of:

- British Energy sales contracts, amounting to €27 million at 31 December 2012 (€130 million at 31 December 2011);
- CENG long-term sales contracts (2011-2012), amounting to €461 million at 31 December 2012 (€491 million at 31 December 2011). Reversals from provisions relating to these contracts result from the difference over the year between contractualised income and income valued on the basis of market prices at the acquisition date.

Note 33 Special French public electricity distribution concession liabilities

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

(in millions of Euros)	**31/12/2012**	31/12/2011
Value in kind of assets	41,702	40,307
Unamortised financing by the operator	(20,182)	(19,383)
Rights in existing assets – net value	**21,520**	**20,924**
Amortisation of financing by the grantor	10,453	9,923
Provisions for renewal	10,578	10,922
Rights in assets to be replaced	**21,031**	**20,845**
SPECIAL FRENCH PUBLIC ELECTRICITY DISTRIBUTION CONCESSION LIABILITIES	**42,551**	**41,769**

Note 34 Trade payables

(in millions of Euros)	**31/12/2012**	31/12/2011
Trade payables – excluding EDF Trading	11,027	9,358
Trade payables – EDF Trading	3,616	4,323
TRADE PAYABLES	**14,643**	**13,681**

Note 35 Other liabilities

Details of other liabilities are as follows:

(in millions of Euros)	**31/12/2012**	31/12/2011
Advances and progress payments received	6,491	6,696
Liabilities related to property, plant and equipment	2,699	2,404
Tax liabilities	4,922	4,213
Social charges	3,166	2,889
Deferred income related to long-term contracts	4,004	4,825
Other deferred income	996	1,110
Other	2,977	2,752
OTHER LIABILITIES	**25,255**	**24,889**
Non-current portion	4,218	4,989
Current portion	21,037	19,900

35.1 Advances and progress payments received

At 31 December 2012 advances and progress payments received include monthly standing order payments by EDF's residential and business customers amounting to €5,558 million (€5,145 million at 31 December 2011). The increase over 2012 is mainly explained by the growing number of customers that opt to pay their bills this way.

35.2 Tax liabilities

At 31 December 2012 tax liabilities mainly include an amount of €747 million for the CSPE income to be collected by EDF on energy supplied but not yet billed (€579 million at 31 December 2011).

35.3 Deferred income related to long-term contracts

EDF's deferred income related to long-term contracts at 31 December 2012 comprises €2,183 million (€2,818 million at 31 December 2011) of partner advances made under the nuclear plant financing plans.

The change over the year includes the reimbursement by the EDF group in December 2012 of the advance paid by ENEL (€613 million) following termination of the two Groups' industrial partnership for the Flamanville EPR (see note 3.3.2). This advance was recorded at the value of €513 million at 31 December 2011.

Deferred income on long-term contracts also include an advance paid to EDF in 2010 under the agreement with the Exeltium consortium.

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:

(in millions of Euros)	31/12/2012 Current	31/12/2012 Non-current	31/12/2012 Total	31/12/2011 Current	31/12/2011 Non-current	31/12/2011 Total
Financial assets carried at fair value with changes in fair value included in income	3,167	12	**3,179**	4,482	12	**4,494**
Available-for-sale financial assets	11,208	16,045	**27,253**	10,413	13,915	**24,328**
Held-to-maturity investments	9	14	**23**	3	16	**19**
Positive fair value of hedging derivatives	825	1,596	**2,421**	914	1,862	**2,776**
Loans and financial receivables	1,224	12,804	**14,028**	1,168	8,455	**9,623**
CURRENT AND NON-CURRENT FINANCIAL ASSETS [1]	**16,433**	**30,471**	**46,904**	**16,980**	**24,260**	**41,240**

(1) Including impairment of €(1,111) million at 31 December 2012 (€(1,141 million) at 31 December 2011).

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)	31/12/2012	31/12/2011
Derivatives - positive fair value	3,162	4,478
Fair value of derivatives held for trading	5	4
Financial assets carried at fair value under IAS 39 option	12	12
FINANCIAL ASSETS CARRIED AT FAIR VALUE WITH CHANGES IN FAIR VALUE INCLUDED IN INCOME	**3,179**	**4,494**

Financial assets carried at fair value with changes in fair value included in income mainly concern EDF Trading.

36.2.2 Available-for-sale financial assets

(in millions of Euros)	31/12/2012 Equities [1]	31/12/2012 Debt securities	31/12/2012 Total	31/12/2011 Equities [1]	31/12/2011 Debt securities	31/12/2011 Total
EDF dedicated assets	7,328	7,890	**15,218**	5,801	7,510	**13,311**
Liquid assets	3,715	6,574	**10,289**	2,782	6,242	**9,024**
Other securities	1,676	70	**1,746**	1,918	75	**1,993**
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**12,719**	**14,534**	**27,253**	**10,501**	**13,827**	**24,328**

(1) Equities or investment funds.

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

(in millions of Euros)	**2012** Gross changes in fair value recorded in equity (1)	**2012** Gross changes in fair value transferred to income (2)	2011 Gross changes in fair value recorded in equity (1)	2011 Gross changes in fair value transferred to income (2)
EDF dedicated assets	1,237	236	(448)	(77)
Liquid assets	48	28	27	35
Other securities	(76)	8	(319)	(38)
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**1,209**	**272**	**(740)**	**(80)**

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

Gross changes in fair value included in equity in 2012 (EDF's share) principally concern EDF (€1,247 million, including €1,237 million for dedicated assets).

No significant impairment was recorded in 2012.

Gross changes in fair value over 2011 mainly concern EDF (€(843) million), including:

- €(448) million for dedicated assets;
- €(272) million for Veolia Environnement shares and €(149) million for AREVA shares included in "Other securities".

In 2011 the fair value of the Veolia Environnement shares, based on the year-end stock market price, fell to below 50% of their historical value, and impairment of €(340) million was recorded in the financial result.

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 €3,249 million at 31 December 2012 (€2,187 million at 31 December 2011).

36.2.2.2 Other securities

At 31 December 2012, other securities mainly include:

- At CENG, €607 million of available-for-sale financial assets related to decommissioning trust funds (reserved for financing of nuclear plant decommissioning);
- At EDF, shares in Areva (€110 million) and Veolia Environnement (€202 million).

In 2012, the Group sold all its shares in Exelon for the sum of €361 million. A gain on sale of €32 million was booked in the financial result for 2012, resulting partly from conversion of CEG shares to Exelon shares as part of finalisation of the merger between the two companies on 12 March 2012, and partly from the sale of Exelon shares during the year.

36.3 Fair value of financial assets recorded at amortised cost

(in millions of Euros)	**31/12/2012** Fair value	**31/12/2012** Net book value	31/12/2011 Fair value	31/12/2011 Net book value
Held-to-maturity investments	23	23	19	19
Loans and financial receivables – amounts receivable from the NLF	6,920	6,920	7,209	7,209
Loans and financial receivables – CSPE	4,879	4,879	-	-
Loans and financial receivables – other	2,368	2,229	2,567	2,414
FINANCIAL ASSETS RECORDED AT AMORTISED COST	**14,190**	**14,051**	**9,795**	**9,642**

Loans and financial receivables include amounts representing reimbursements receivable from the NLF and the British government for coverage of long-term nuclear obligations, totalling €6,920 million at 31 December 2012 (€7,209 million at 31 December 2011), discounted at the same rate as the provisions they finance.

Following the agreement reached with the French authorities, the receivable corresponding to the CSPE shortfall at 31 December 2012 has been transferred from "other receivables" to "loans and financial receivables" (€4,250 million, see note 4.1). The €629 million financial income corresponding to the costs borne by the Group for the CSPE system is also recorded under the same heading.

Other loans and financial receivables include EDF's loans to RTE, amounting to €1,174 million at 31 December 2012 (€1,400 million at 31 December 2011).

36.4 Change in financial assets other than derivatives

The variation in financial assets is as follows:

36.4.1 At 31 December 2012

(in millions of Euros)	31/12/2011	Net Increases	Changes in fair value	Changes in scope	Other	31/12/2012
Available-for-sale financial assets	**24,328**	1,887	937	114	(13)	**27,253**
Held-to-maturity investments	**19**	10	-	(6)	-	**23**
Loans and financial receivables	**9,623**	330	-	60	4,015	**14,028**

Other changes in loans and financial receivables reflect the transfer of the receivable corresponding to the CSPE shortfall (€4,250 million), and the change in the receivable representing reimbursements due from the NLF and the British government for coverage of long-term nuclear obligations, totalling €(289) million.

36.4.2 At 31 December 2011

(in millions of Euros)	31/12/2010	Net Increases	Changes in fair value	Changes in scope	Other	31/12/2011
Available-for-sale financial assets	**25,035**	(320)	(517)	75	55	**24,328**
Held-to-maturity investments	**25**	(3)	-	-	(3)	**19**
Loans and financial receivables	**9,348**	(380)	-	49	606	**9,623**

Other changes in loans and financial receivables reflect the change in the receivable representing reimbursements due from the NLF and the British government for coverage of long-term nuclear obligations, totalling €596 million.

↗ 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)	31/12/2012	31/12/2011
Cash	3,090	2,018
Cash equivalents [1]	2,584	3,502
Financial current accounts	200	223
CASH AND CASH EQUIVALENTS	**5,874**	**5,743**

(1) Items stated at fair value amount to €2,507 million at 31 December 2012.

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:

(in millions of Euros)	**31/12/2012** Non-current	Current	**Total**	31/12/2011 Non-current	Current	**Total**
Loans and other financial liabilities	45,891	14,041	**59,932**	41,989	8,045	**50,034**
Negative fair value of derivatives held for trading	-	2,290	**2,290**	-	3,433	**3,433**
Negative fair value of hedging derivatives	1,089	1,190	**2,279**	699	1,311	**2,010**
FINANCIAL LIABILITIES	**46,980**	**17,521**	**64,501**	**42,688**	**12,789**	**55,477**

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 Interest	**Total**
Balances at 31/12/2010	**35,499**	**5,404**	**5,486**	**373**	**1,015**	**47,777**
Increases	1,810	3,275	663	-	81	5,829
Decreases	(1,023)	(3,228)	(302)	(16)	(7)	(4,576)
Translation adjustments	366	34	145	-	1	546
Changes in scope of consolidation	(11)	(29)	(334)	(4)	-	(378)
Other changes	883	25	(91)	18	1	836
Balances at 31/12/2011	**37,524**	**5,481**	**5,567**	**371**	**1,091**	**50,034**
Increases	6,000	1,984	4,400	-	256	12,640
Decreases	(802)	(3,944)	(382)	(17)	(18)	(5,163)
Translation adjustments	126	(5)	(19)	-	-	102
Changes in scope of consolidation	894	1,444	(25)	43	(5)	2 351
Other changes	127	(52)	(153)	30	16	(32)
BALANCES AT 31/12/2012	**43,869**	**4,908**	**9,388**	**427**	**1,340**	**59,932**

Other changes in loans and other financial liabilities reflect changes in fair value amounting to €86 million at 31 December 2012 (€826 million at 31 December 2011).

EDF received funds from the following bond issues:

– €2 billion from a 10-year bond with annual coupon of 3.875%, on 18 January 2012;
– €1 billion from a 15-year bond with annual coupon of 4.125%, and £500 million from a 25-year bond with annual coupon of 5.5%, on 27 March 2012;
– €2 billion from a 10.5-year bond with annual coupon of 2.75%, on 10 September 2012.

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

(in millions of Euros)	**31/12/2012**	31/12/2011
EDF and other affiliated subsidiaries (1)	42,384	35,407
EDF Energy (2)	6,786	5,965
EDF Énergies Nouvelles	3,700	4,572
Edison (3)	3,474	1,861
Other	3,588	2,229
LOANS AND OTHER FINANCIAL LIABILITIES	**59,932**	**50,034**

(1) ERDF, PEI, EDF International, EDF Investissements Groupe.
(2) Including holding companies.
(3) Edison excluding TdE.

At 31 December 2012, none of these entities was in default on any borrowing.

The Group's principal borrowings at 31 December 2012 are as follows:

Type of borrowing *(in millions of currencies)*	Entity	Issue (1)	Maturity	Issue amount	Currency	Rate
Euro MTN	EDF	11/2008	01/2013	2,000	EUR	5.60%
Bond	EDF	12/2008	12/2013	1,350	CHF	3.38%
Bond	EDF	01/2009	01/2014	1,250	USD	5.50%
Euro MTN	EDF	07/2009	07/2014	3,269	EUR	4.50%
Euro MTN	EDF	01/2009	01/2015	2,000	EUR	5.10%
Euro MTN	EDF	10/2001	10/2016	1,100	EUR	5.50%
Euro MTN	EDF	02/2008	02/2018	1,500	EUR	5.00%
Bond	EDF	01/2009	01/2019	2,000	USD	6.50%
Bond	EDF	01/2010	01/2020	1,400	USD	4.60%
Euro MTN	EDF	05/2008	05/2020	1,200	EUR	5.40%
Euro MTN	EDF	01/2009	01/2021	2,000	EUR	6.30%
Euro MTN	EDF	01/2012	01/2022	2,000	EUR	3.88%
Euro MTN	EDF	09/2012	03/2023	2,000	EUR	2.75%
Euro MTN	EDF	09/2009	09/2024	2,500	EUR	4.60%
Euro MTN	EDF	11/2010	11/2025	750	EUR	4.00%
Euro MTN	EDF	03/2012	03/2027	1,000	EUR	4.13%
Euro MTN	EDF	04/2010	04/2030	1,500	EUR	4.60%
Euro MTN	EDF	07/2001	07/2031	650	GBP	5.88%
Euro MTN	EDF	02/2003	02/2033	850	EUR	5.60%
Euro MTN	EDF	06/2009	06/2034	1,500	GBP	6.10%
Bond	EDF	01/2009	01/2039	1,750	USD	7.00%
Euro MTN	EDF	11/2010	11/2040	750	EUR	4.50%
Euro MTN	EDF	10/2011	10/2041	1,250	GBP	5.50%
Euro MTN	EDF	09/2010	09/2050	1,000	GBP	5.10%

(1) Date funds were received.

38.2.2 Maturity of loans and other financial liabilities

At 31 December 2012:

(in millions of Euros)	Bonds	Loans from financial institutions	Other financial liabilities	Loans related to finance-leased assets	Accrued interest	**Total**
Less than one year	3,848	1,940	6,998	37	1,218	**14,041**
From one to five years	10,590	791	1,627	126	61	**13,195**
More than five years	29,431	2,177	763	264	61	**32,696**
LOANS AND OTHER FINANCIAL LIABILITIES AT 31 DECEMBER 2012	**43,869**	**4,908**	**9,388**	**427**	**1,340**	**59,932**

At 31 December 2011:

(in millions of Euros)	Bonds	Loans from financial institutions	Other financial liabilities	Loans related to finance-leased assets	Accrued interest	**Total**
Less than one year	790	1,207	4,920	37	1,091	**8,045**
From one to five years	12,760	1,964	520	101	-	**15,345**
More than five years	23,974	2,310	127	233	-	**26,644**
LOANS AND OTHER FINANCIAL LIABILITIES AT 31 DECEMBER 2011	**37,524**	**5,481**	**5,567**	**371**	**1,091**	**50,034**

38.2.3 Breakdown of loans and other financial liabilities by currency

	31/12/2012			31/12/2011		
(in millions of Euros)	Initial debt structure	Impact of hedging instruments (1)	Debt structure after hedging	Initial debt structure	Impact of hedging instruments (1)	Debt structure after hedging
Euro (EUR)	35,709	1,485	37,194	29,479	(3,129)	26,350
American dollar (USD)	11,621	(6,240)	5,381	8,890	(2,401)	6,489
Pound sterling (GBP)	7,927	5,773	13,700	6,822	7,559	14,381
Other	4,675	(1,018)	3,657	4,843	(2,029)	2,814
LOANS AND OTHER FINANCIAL LIABILITIES	**59,932**	**-**	**59,932**	**50,034**	**-**	**50,034**

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

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

	31/12/2012			31/12/2011		
(in millions of Euros)	Initial debt structure	Impact of derivatives	Final debt structure	Initial debt structure	Impact of derivatives	Final debt structure
Fixed rates	52,306	(4,844)	47,462	42,614	(2,630)	39,984
Floating rates	7,626	4,844	12,470	7,420	2,630	10,050
LOANS AND OTHER FINANCIAL LIABILITIES	**59,932**	**-**	**59,932**	**50,034**	**-**	**50,034**

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

38.2.5 CREDIT LINES

At 31 December 2012, the Group has unused credit lines with various banks totalling €8,598 million (€10,179 million at 31 December 2011).

(in millions of Euros)	**31/12/2012** Total	< 1 year	1 to 5 years	> 5 years	31/12/2011 Total
CONFIRMED CREDIT LINES	**8,598**	**637**	**7,961**	**-**	**10,179**

The decrease in credit lines observed in 2012 mainly relates to EDF's credit lines with maturities shorter than one year.

38.2.6 Early repayment clauses

Project financing loans to EDF Énergies Nouvelles from non-Group parties generally include early repayment clauses, mainly applicable when the borrower fails to maintain a minimum Debt Service Coverage Ratio (DSCR). In general, early repayment clauses are activated when this ratio falls below 1.

No early repayment took place in 2012 as a result of any Group entity's failure to comply with contractual clauses concerning loans.

38.2.7 Fair value of loans and other financial liabilities

	31/12/2012		31/12/2011	
(in millions of Euros)	Fair value	Net book value	Fair value	Net book value
LOANS AND OTHER FINANCIAL LIABILITIES	**71,671**	**59,932**	**53,196**	**50,034**

38.3 Net indebtedness

Net indebtedness is not defined in the accounting standards and is not directly presented 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.

Net indebtedness includes loans by the Group to RTE, which has been accounted for under the equity method since 31 December 2010, and loans to joint ventures for which contra entries are recognised in loans and other financial liabilities.

38.3.1 Net indebtedness

(in millions of Euros)	Notes	**31/12/2012**	31/12/2011
Loans and other financial liabilities	38.2.1	59,932	50,034
Derivatives used to hedge liabilities		(797)	(834)
Cash and cash equivalents	37	(5,874)	(5,743)
Liquid assets (1)	36.2	(10,289)	(9,024)
Loan to RTE and joint ventures (2)		(1,397)	(1,400)
Net indebtedness of assets held for sale		-	252
NET INDEBTEDNESS		**41,575**	**33,285**

(1) Available-for-sale financial assets: €10,289 million at 31 December 2012 (€9,024 million at 31 December 2011).
(2) Including €1,174 million of loans to RTE at 31 December 2012.

The investments in Edison and TdE in 2012, resulting in full consolidation of those companies in the EDF group's consolidated financial statements, led to a €3,259 million increase in net financial indebtedness at 31 December 2012 (see note 3.1.6).

Note 39 Fair value of financial instruments

The following tables show the breakdown of financial assets and liabilities carried at fair value in the balance sheet, by level.

39.1 At 31 December 2012

(in millions of Euros)	**Closing value**	Level 1 Quoted prices	Level 2 Observable Data	Level 3 Internal Models
Financial assets carried at fair value with changes in fair value included in income [1]	**3,179**	16	2,942	221
Available-for-sale financial assets	**27,253**	4,363	22,275	615
Positive fair value of hedging derivatives	**2,421**	-	2,421	-
Cash equivalents carried at fair value	**2,507**	-	2,507	-
Financial assets carried at fair value in the balance sheet	**35,360**	**4,379**	**30,145**	**836**
Negative fair value of hedging derivatives	**2,279**	9	2,269	1
Negative fair value of trading derivatives	**2,290**	11	2,093	186
Financial liabilities carried at fair value in the balance sheet	**4,569**	**20**	**4,362**	**187**

(1) Including €3,162 million for the positive fair value of trading derivatives.

Level 3 available-for-sale financial assets are principally unconsolidated investments carried at historical value.

Cash equivalents, which principally take the form of negotiable debt instruments and short-term investments, are generally valued using rate curves, and therefore observable market data.

39.2 At 31 December 2011

(in millions of Euros)	Closing value	Level 1 Quoted prices	Level 2 Observable data	Level 3 Internal Models
Financial assets carried at fair value with changes in fair value included in income [1]	4,494	24	4,180	290
Available-for-sale financial assets	24,328	5,171	18,628	529
Positive fair value of hedging derivatives	2,776	-	2,776	-
Cash equivalents carried at fair value	3,246	40	3,206	-
Financial assets carried at fair value in the balance sheet	**34,844**	**5,235**	**28,790**	**819**
Negative fair value of hedging derivatives	2,010	-	2,009	1
Negative fair value of trading derivatives	3,433	17	3,177	239
Financial liabilities carried at fair value in the balance sheet	**5,443**	**17**	**5,186**	**240**

(1) Including €4,478 million for the positive fair value of trading derivatives.

↗ Note 40 Management of financial risks

As an operator in the energy sector worldwide, the EDF group is exposed to financial market risks, energy market risks and counterparty risks. All these risks are potential sources of volatility for the financial statements.

- Financial market risks

The main financial market risks to which the Group is exposed are the liquidity risk, the foreign exchange risk, the interest rate risk and the equity risk.

The objective of the Group's liquidity risk management is to seek resources at optimum cost and ensure their constant accessibility.

The foreign exchange risk relates to the diversification of the Group's businesses and geographical locations, and results from exposure to the risk of exchange rate fluctuations. These fluctuations can affect the Group's translation differences, balance sheet items, financial expenses, equity and net income.

The interest rate risk results from exposure to the risk of rate fluctuations in interest rates that can affect the value of assets invested by the Group, or its financial expenses.

The Group is exposed to equity risks, particularly through its dedicated asset portfolio held for secure financing of long-term nuclear commitments, through external pension funds, and to a lesser extent through its cash assets and directly-held investments.

A more detailed description of these risks can be found in chapter 9.5.1 of the operating and financial review.

- Energy market risks

With the opening of the end customer market, development of the wholesale markets and international business expansion, the EDF group is exposed to price variations on the energy market which can have a significant impact on its financial statements.

A more detailed description of these risks can be found in chapter 9.5.2 of the operating and financial review.

- Counterparty risks

Counterparty risk is defined as the total loss that the EDF group would sustain on its business and market transactions if a counterparty defaulted and failed to perform its contractual obligations.

A more detailed description of these risks can be found in sections 9.5.1.7 of the operating and financial review.

Regarding the risk of customer default, which is another component of the counterparty risk, a statement of receivables not yet due and overdue is shown in note 25.

The sensitivity analyses required by IFRS 7 are presented in the operating and financial review:

- Foreign exchange risks: section 9.5.1.3;
- Interest rate risks on financing issued and financial assets: section 9.5.1.4;
- Equity risk on financial assets: sections 9.5.1.5 and 9.5.1.6.

The principal information on financial assets and liabilities is described by theme in the following notes and sections:

- Liquidity risks:
  - maturity of loans and other financial liabilities: note 38.2.2 to notes to the consolidated financial statements,
  - credit lines: note 38.2.5 to notes to the consolidated financial statements,
  - early repayment clauses for borrowings: note 38.2.6 to notes to the consolidated financial statements,
  - off balance sheet commitments: note 44 to notes to the consolidated financial statements.
- Foreign exchange risks:
  - Breakdown of loans by currency and interest rate: notes 38.2.3 and 38.2.4 to notes to the consolidated financial statements.
- Equity risks (in the operating and financial review – sections 9.5.1.5 and 9.5.1.6):
  - coverage of nuclear obligations: notes 44.1.1 and 29.1.5 to notes to the consolidated financial statements,
  - coverage of social obligations: notes 31.2.4 and 31.3.3 to notes to the consolidated financial statements,
  - long-term cash management,
  - direct investments.
- Interest rate risks:
  - discount rate for nuclear provisions: calculation method and sensitivity: note 29.1.5.1 to notes to the consolidated financial statements,
  - discount rate used for employee benefits: notes 31.2.5 and 31.3.4 to notes to the consolidated financial statements,
  - breakdown of loans by currency and interest rate: notes 38.2.3 and 38.2.4 to notes to the consolidated financial statements.
- Balance sheet treatment of financial and market risks:
  - derivatives and hedge accounting: note 41 to notes to the consolidated financial statements, and the statement of changes in equity,
  - derivatives not classified as hedges: note 42 to notes to the consolidated financial statements.

Note 41 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	**31/12/2012**	31/12/2011
Positive fair value of hedging derivatives	36.1	2,421	2,776
Negative fair value of hedging derivatives	38.1	(2,279)	(2,010)
FAIR VALUE OF HEDGING DERIVATIVES		**142**	**766**
Interest rate hedging derivatives	41.4.1	675	337
Exchange rate hedges	41.4.2	(80)	679
Commodity-related cash flow hedges	41.4.3	(431)	(231)
Commodity-related fair value hedges	41.5	(22)	(19)

41.1 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.

In 2012, the ineffective portion of fair value hedges represents a gain of €41 million (gain of €4 million in 2011), included in the financial result.

41.2 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.

In 2012, the ineffective portion of cash flow hedges represents a loss of €1 million (loss of €9 million in 2011).

41.3 Hedges of net investments 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.

41.4 Impact of hedging derivatives on equity

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

(in millions of Euros)	2012			2011		
	Gross changes in fair value recorded in equity [(1)]	Gross changes in fair value transferred to income – Recycling [(2)]	Gross changes in fair value transferred to income – Ineffectiveness	Gross changes in fair value recorded in equity [(1)]	Gross changes in fair value transferred to income – Recycling [(2)]	Gross changes in fair value transferred to income – Ineffectiveness
Interest rate hedging	(42)	4	-	(156)	(1)	(9)
Exchange rate hedging	(608)	(264)	7	254	317	6
Net foreign investment hedging	(420)	-	-	(508)	-	-
Commodity hedging	(538)	(566)	-	(1,270)	(693)	-
HEDGING DERIVATIVES	**(1,608)**	**(826)**	**7**	**(1,680)**	**(377)**	**(3)**

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

41.4.1 Interest rate hedging derivatives

Interest rate hedging derivatives break down as follows:

(in millions of Euros)	**Notional at 31/12/2012**				Notional at 31/12/2011	Fair value	
	< 1 year	1 to 5 years	> 5 years	Total	Total	**31/12/2012**	31/12/2011
Purchases of CAP contracts	50	20	-	70	98	-	-
Purchases of options	45	25	-	70	120	(1)	(1)
Interest rate transactions	**95**	**45**	-	**140**	**218**	**(1)**	**(1)**
Fixed rate payer/floating rate receiver	539	1,151	1,273	2,963	3,833	(342)	(304)
Floating rate payer/fixed rate receiver	613	1,865	5,539	8,017	5,991	1,172	705
Variable/variable	1,177	272	38	1,487	1,520	-	16
Fixed/Fixed	1,320	3,323	4,514	9,157	10,141	(154)	(79)
Interest rate swaps	**3,649**	**6,611**	**11,364**	**21,624**	**21,485**	**676**	**338**
INTEREST RATE HEDGING DERIVATIVES	**3,744**	**6,656**	**11,364**	**21,764**	**21,703**	**675**	**337**

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 (41.4.2).

41.4.2 Exchange rate hedging derivatives

Exchange rate hedging derivatives break down as follows:

At 31 December 2012

	Notional amount to be received				Notional amount to be given				Fair value
(in millions of Euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total	31/12/2012
Forward exchange transactions	3,415	1,341	-	**4,756**	3,428	1,356	-	**4,784**	(22)
Swaps	14,617	5,875	4,690	**25,182**	14,603	5,694	4,956	**25,253**	(58)
Options	-	-	-	-	-	-	-	-	-
EXCHANGE RATE HEDGING DERIVATIVES	**18,032**	**7,216**	**4,690**	**29,938**	**18,031**	**7,050**	**4,956**	**30,037**	**(80)**

At 31 December 2011

	Notional amount to be received				Notional amount to be given				Fair value
(in millions of Euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 ans	Total	31/12/2011
Forward exchange transactions	4,704	1,755	-	**6,459**	4,656	1,744	-	**6,400**	75
Swaps	7,253	7,861	5,254	**20,368**	7,232	7,326	5,223	**19,781**	600
Options	90	-	-	**90**	93	-	-	**93**	4
EXCHANGE RATE HEDGING DERIVATIVES	**12,047**	**9,616**	**5,254**	**26,917**	**11,981**	**9,070**	**5,223**	**26,274**	**679**

The notional value of cross-currency swaps shown in this note is also included in the note on interest rate hedging derivatives (note 41.4.1).

41.4.3 Commodity-related cash flow hedges

For commodities, changes in fair value are mainly explained by:

(in millions of Euros)	**31/12/2012**	31/12/2011
Electricity hedging contracts	(142)	(489)
Gas hedging contracts	(73)	(62)
Coal hedging contracts	(371)	(591)
Oil product hedging contracts	104	42
CO_2 emission rights hedging contracts	(56)	(170)
CHANGES IN FAIR VALUE BEFORE TAXES	**(538)**	**(1,270)**

The main components of the amount transferred to income in respect of commodity hedges terminated during the year are:

(in millions of Euros)	**31/12/2012**	31/12/2011
Electricity hedging contracts	(296)	(530)
Gas hedging contracts	12	90
Coal hedging contracts	(280)	(348)
Oil product hedging contracts	35	106
CO_2 emission rights hedging contracts	(37)	(11)
CHANGES IN FAIR VALUE BEFORE TAXES	**(566)**	**(693)**

Details of commodity-related cash flow hedges are as follows:

(in millions of Euros)	Units of measure	31/12/2012 Net notional < 1 year	1 to 5 years	> 5 years	Total	31/12/2012 Fair value	31/12/2011 Net notional Total	31/12/2011 Fair value
Swaps		-	-	-	-	-	1	2
Forwards/futures		3	(3)	-	-	(5)	14	(195)
Electricity	**TWh**	**3**	**(3)**	**-**	**-**	**(5)**	**15**	**(193)**
Swaps		(296)	8	-	(288)	1	92	(9)
Forwards/futures		685	1,282	-	1,967	(39)	1,487	(72)
Gas	**Millions of therms**	**389**	**1,290**	**-**	**1,679**	**(38)**	**1,579**	**(81)**
Swaps		21,801	5,907	-	27,708	45	7,046	130
Oil products	**Thousands of barrels**	**21,801**	**5,907**	**-**	**27,708**	**45**	**7,046**	**130**
Swaps		10	4	-	14	(168)	12	39
Coal	**Millions of tonnes**	**10**	**4**	**-**	**14**	**(168)**	**12**	**39**
Forwards/futures		29,356	7,365	-	36,721	(265)	16,391	(127)
CO_2	**Thousands of tonnes**	**29,356**	**7,365**	**-**	**36,721**	**(265)**	**16,391**	**(127)**
Other commodities						**-**		**1**
COMMODITY-RELATED CASH FLOW HEDGES						**(431)**		**(231)**

41.5 Commodity-related fair value hedges

Details of commodity-related fair value hedges are as follows:

(in millions of Euros)	Units of measure	31/12/2012 Net notional	31/12/2012 Fair value	31/12/2011 Net notional	31/12/2011 Fair value
Gas (swaps)	Millions of therms	49	-	52	1
Coal and freight	Millions of tonnes	(32)	(22)	(15)	(20)
COMMODITY-RELATED FAIR VALUE HEDGES			**(22)**		**(19)**

Note 42 Derivatives not classified as hedges

Details of the fair value of trading derivatives reported in the balance sheet are as follows:

(in millions of Euros)	Notes	**31/12/2012**	31/12/2011
Positive fair value of trading derivatives	**36.2**	3,162	4,478
Negative fair value of trading derivatives	**38.1**	(2,290)	(3,433)
FAIR VALUE OF TRADING DERIVATIVES		**872**	**1,045**
Interest rate derivatives held for trading	**42.1**	(92)	(42)
Currency derivatives held for trading	**42.2**	(21)	(35)
Non-hedging commodity derivatives	**42.3**	985	1,122

42.1 Interest rate derivatives held for trading

Interest rate derivatives held for trading break down as follows:

	Notional at 31/12/2012				Notional at 31/12/2011	Fair value	
(in millions of Euros)	< 1 year	1 to 5 years	> 5 years	Total	Total	**31/12/2012**	31/12/2011
Fixed rate payer/floating rate receiver	2,369	904	573	3,846	4,562	(248)	(279)
Floating rate payer/fixed rate receiver	2,738	823	351	3,912	3,957	182	242
Variable/variable	200	725	-	925	355	(26)	(5)
INTEREST RATE DERIVATIVES HELD FOR TRADING	**5,307**	**2,452**	**924**	**8,683**	**8,874**	**(92)**	**(42)**

42.2 Currency derivatives held for trading

Currency derivatives held for trading break down as follows:

- **At 31 December 2012**

	Notional amount to be received				**Notional amount to be given**				**Fair value**
(in millions of Euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total	31/12/2012
Forward transactions	4,060	425	49	4,534	4,085	433	52	4,570	(32)
Swaps	6,446	131	-	6,577	6,435	133	-	6,568	11
Options	-	-	-	-	-	-	-	-	-
CURRENCY DERIVATIVES HELD FOR TRADING	**10,506**	**556**	**49**	**11,111**	**10,520**	**566**	**52**	**11,138**	**(21)**

- **At 31 December 2011**

(in millions of Euros)	Notional amount to be received < 1 year	1 to 5 years	> 5 years	Total	Notional amount to be given < 1 year	1 to 5 years	> 5 years	Total	Fair value 31/12/2012
Forward transactions	3,177	461	26	**3,664**	3,165	475	32	**3,672**	(10)
Swaps	2,171	144	11	**2,326**	2,175	144	12	**2,331**	(25)
Options	33	-	-	**33**	37	-	-	**37**	-
CURRENCY DERIVATIVES HELD FOR TRADING	**5,381**	**605**	**37**	**6,023**	**5,377**	**619**	**44**	**6,040**	**(35)**

42.3 Non-hedging commodity derivatives

Details of commodity derivatives not classified as hedges are as follows:

(in millions of Euros)	Units of measure	31/12/2012 Net notional	31/12/2012 Fair value	31/12/2011 Net notional	31/12/2011 Fair value
Swaps		3	715	(5)	485
Options		76	53	36	31
Forwards/futures		(42)	250	(14)	663
Electricity	TWh	**37**	**1,018**	**17**	**1,179**
Swaps		4,023	(10)	6	12
Options		25,118	-	16,022	81
Forwards/futures		(2,002)	(363)	591	(263)
Gas	Millions of therms	**27,139**	**(373)**	**16,619**	**(170)**
Swaps		64	10	133	17
Options		(187)	(1)	1	-
Forwards/futures		(218)	(1)	(81)	-
Oil products	Millions of barrels	**(341)**	**8**	**53**	**17**
Swaps		(45)	(170)	(48)	(632)
Forwards/futures		123	110	87	607
Freight		31	157	15	46
Coal and freight	Millions of tonnes	**109**	**97**	**54**	**21**
Swaps		(386)	27	(561)	-
Options		(546)	(2)	3,370	(2)
Forwards/futures		49,117	212	9,007	115
CO_2	Thousands of tonnes	**48,185**	**237**	**11,816**	**113**
Swaps			(6)		(40)
Other			**(6)**		**(40)**
Embedded commodity derivatives			**4**		**2**
NON-HEDGING COMMODITY DERIVATIVES			**985**		**1,122**

These mainly include contracts included in EDF Trading's portfolio.

CASH FLOWS AND OTHER INFORMATION

Note 43 Cash flows

43.1 Change in working capital

(in millions of Euros)	**2012**	2011
Change in inventories	(508)	(1,031)
Change in the CSPE receivable	(1,426)	(1,009)
Change in trade receivables	(510)	(567)
Change in trade payables	(27)	(5)
Change in other receivables and payable (excluding CSPE)	81	827
CHANGE IN WORKING CAPITAL	**(2,390)**	**(1,785)**

43.2 Investments in intangible assets and property, plant and equipment

(in millions of Euros)	**2012**	2011
Acquisitions of intangible assets	(817)	(544)
Acquisitions of tangible assets	(12,798)	(10,790)
Change in payables to suppliers of fixed assets	229	200
INVESTMENTS IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**(13,386)**	**(11,134)**

Note 44 Off-balance sheet commitments

This note presents off balance sheet commitments given and received by the Group at 31 December 2012. The changes observed in 2012 include the effect of full consolidation of Edison since 24 May 2012. The amounts of commitments correspond to non-discounted contractual values.

44.1 Commitments given

The table below shows off-balance sheet commitments given by the Group that have been valued at 31 December 2012. Other commitments are described separately in the detailed notes.

(in millions of Euros)	Notes	**31/12/2012**	31/12/2011
Fuel and energy purchase commitments	44.1.1	30,931	29,718
Operating contract performance commitments	44.1.2	20,529	19,791
Operating lease commitments as lessee	44.1.3	4,165	2,525
Investment commitments given	44.1.4	367	629
Financing commitments given	44.1.5	5,449	3,906
TOTAL COMMITMENTS GIVEN		**61,441**	**56,569**

44.1.1 Fuel and energy purchase commitments

In the course of its ordinary 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 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 31 December 2012, fuel and energy purchase commitments mature as follows:

	31/12/2012					31/12/2011
	Total	Maturity				Total
(in millions of Euros)		< 1 year	1 to 5 years	5 to 10 years	> 10 years	
Electricity purchases and related services	7,676	2,060	2,482	1,119	2,015	9,467
Other energy and commodity purchases (1)	1,458	683	761	14	-	1,553
Nuclear fuel purchases	21,797	2,675	6,991	6,760	5,371	18,698
FUEL AND ENERGY PURCHASE COMMITMENTS	**30,931**	**5,418**	**10,234**	**7,893**	**7,386**	**29,718**

(1) Excluding gas purchases.

Most of the changes result from the increase in commitments to purchase nuclear fuel, partially offset by the lower level of electricity purchase contracts, especially at EDF.

44.1.1.1 Electricity purchases and related services

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, ERDF and EDF Energy.

In addition to the obligations reported above and under article 10 of the Law of 10 February 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, photovoltaic power, 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). These purchase obligations total 36 TWh for 2012 (33 TWh for 2011), including 10 TWh for co-generation (12 TWh for 2011),14 TWh for wind power (12 TWh for 2011), 4 TWh for photovoltaic power (2 TWh for 2011) and 3 TWh for hydropower (3 TWh for 2011).

44.1.1.2 Other energy and commodity purchases

Purchase commitments for other energies and commodities mainly concern coal and oil used to operate the fossil-fired plants.

44.1.1.3 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 uranium and fluoration, enrichment and fuel assembly production services.

The increase in these commitments mainly results from the signature of new contracts or amendments in 2012, amounting to €4.8 billion.

44.1.1.4 Gas purchases and related services

Gas purchase commitments are principally undertaken by Edison.

Edison has entered into agreements to import natural gas from Russia, Libya, Algeria and Qatar, for total supplies of 14.4 billion m³ per year. These contracts contain "take-or-pay" clauses committing the buyer to pay for a minimum volume of gas every year, whether or not it actually takes delivery of that volume. At 31 December 2012, off-balance sheet commitments under Edison's take-or-pay clauses amount to €414 million, corresponding to the value of the volumes of gas not withdrawn at that date, for which delivery is deferred to a subsequent period.

Under the contract with Terminale GNL Adriatico, a gas liquefaction unit in operation since October 2009 in which Edison has a 7.3% holding, Edison also benefits from approximately 80% of the terminal's regasification capacities until 2034, for an annual premium of approximately €100 million.

Gas purchase commitments have also been given by EDF, in connection with its expanding gas supply business, and by subsidiaries for which these commitments are generally covered by electricity sale agreements which include "pass-through" clauses allowing almost all fluctuations in supply source costs to be passed on to the customer.

44.1.2 Operating contract performance commitments given

	31/12/2012				31/12/2011
	Total	Maturity			Total
(in millions of Euros)		< 1 year	1 to 5 years	> 5 years	
Satisfactory performance, completion and bid guarantees	486	157	186	143	566
Commitments related to orders for operating items [1]	4,379	2,620	1,253	506	4,354
Commitments related to orders for fixed assets	11,657	5,962	5,080	615	12,083
Other operating commitments	4,007	2,138	1,131	738	2,788
OPERATING CONTRACT PERFORMANCE COMMITMENTS GIVEN	**20,529**	**10,877**	**7,650**	**2,002**	**19,791**

(1) Excluding fuel and energy.

In the course of its business, the Group provides contract performance guarantees, generally through the intermediary of banks.

Satisfactory performance, completion and bid guarantees at 31 December 2012 mainly consist of guarantees given by EDF Énergies Nouvelles in connection with its development projects and Dalkia International.

At 31 December 2012, commitments related to orders for operating items and fixed assets break down as follows:

	31/12/2012			31/12/2011		
(in millions of Euros)	Commitments related to orders for operating items	Commitments related to orders for fixed assets	Total	Commitments related to orders for operating items	Commitments related to orders for fixed assets	Total
EDF SA	2,420	7,908	10,328	2,410	6,882	9,292
ERDF	426	930	1,356	427	800	1,227
EDF Énergies Nouvelles	611	600	1,211	670	1,538	2,208
EDF Energy	622	603	1,225	509	758	1,267
PEI [1]	-	414	414	-	844	844
Dunkerque LNG [2]	-	656	656	-	783	783
Other entities	300	546	846	338	478	816
COMMITMENTS RELATED TO ORDERS	**4,379**	**11,657**	**16,036**	**4,354**	**12,083**	**16,437**

(1) Principally commitments related to construction of fossil-fired plants.
(2) Principally commitments related to construction of the methane terminal at Dunkirk.

The decrease in orders for fixed assets by EDF Énergies Nouvelles essentially concerns orders for turbines, particularly in the USA and Canada, and solar panels in France.

Other operating commitments mainly concern EDF SA (€1,017 million compared to €728 million in 2011) and Edison (€1,292 million, compared to €683 million in 2011). At Edison, the change in consolidation method explains €713 million of the rise in commitments at 31 December 2012.

44.1.3 Operating lease commitments as lessee

At 31 December 2012, operating lease commitments as lessee break down as follows:

	31/12/2012				31/12/2011
	Total	Maturity			Total
(in millions of Euros)		< 1 year	1 to 5 years	> 5 years	
OPERATING LEASE COMMITMENTS AS LESSEE	**4,165**	**514**	**1,784**	**1,867**	**2,525**

The Group is bound as lessee by irrevocable operating lease contracts, principally for premises, equipment and vehicles used in the course of its business and maritime freight contracts for trading activities. The corresponding rents are subject to renegotiation at intervals defined in the contracts. Operating leases mainly concern EDF, EDF Énergies Nouvelles and EDF Trading.

The change in the year essentially relates to new contracts for real estate commitments undertaken by EDF.

44.1.4 Investment commitments given

At 31 December 2012, commitments related to investments are as follows:

	31/12/2012				31/12/2011
	Total	Maturity			Total
(in millions of Euros)		< 1 year	1 to 5 years	> 5 years	
Investment commitments	333	281	13	39	427
Other commitments related to investments	34	28	4	2	202
INVESTMENT COMMITMENTS GIVEN	**367**	**309**	**17**	**41**	**629**

44.1.4.1 Investment commitments

Investment commitments at 31 December 2011 included the commitment to purchase EnBW's holdings in Polish entities for €301 million. The Group undertook these purchases on 16 February 2012.

At 31 December 2012, these commitments include the share purchase commitments related to EDF Énergies Nouvelles' takeover of Iberdrola's French onshore wind farms, and shares in the Electranova Capital fund.

The residual commitments principally concern the following operations:

- 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 a 20% investment in the project company in charge of constructing four EPRs in the United Kingdom. EDF Energy holds the other 80%.
  At 31 December 2012, Centrica had a put option to sell this investment to EDF, to be triggered by criteria related to the pre-development budget, or exercised just before the final investment decision for the first EPR. On 4 February 2013, Centrica announced its decision to exercise this put option (see note 51.2), which due to its value does not constitute 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 net asset value of EDF Investisssements Groupe until 2030. At 31 December 2012, C3's option to sell its total investment to NBI expired.

44.1.4.2 Other commitments related to investments

At 31 December 2011, these commitments essentially comprised Dalkia International's obligation to invest in the Warsaw network (as part of the acquisition of Spec).

44.1.5 Financing commitments given

Financing commitments given by the Group at 31 December 2012 comprise the following:

	31/12/2012				31/12/2011
	Total	Maturity			Total
(in millions of Euros)		< 1 year	1 to 5 years	> 5 years	
Security interests in real property	4,906	193	1,389	3,324	3,449
Guarantees related to borrowings	218	11	40	167	158
Other financing commitments	325	170	83	72	299
FINANCING COMMITMENTS GIVEN	**5,449**	**374**	**1,512**	**3,563**	**3,906**

Security interests and assets provided as guarantees mainly concern pledges or mortgages of tangible assets 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 €4,906 million at 31 December 2012 (€3,449 million in 2011), up by €1,457 million.

Most financing commitments were given by EDF Énergies Nouvelles. The increase in these commitments over 2012 primarily reflects the financing of new fleets in the US and UK.

44.2 Commitments received

The table below shows off-balance sheet commitments received by the Group that have been valued at 31 December 2012. Other commitments are described separately in the detailed notes.

		31/12/2012				31/12/2011
	Notes	Total	Maturity			Total
(en millions d'euros)			< 1 year	1 to 5 years	> 5 years	
Operating commitments	44.2.1	1,557	1,096	358	103	1,871
Operating lease commitments as lessor	44.2.3	1,379	289	748	342	1,268
Investment commitments received	44.2.4	17	-	17	-	18
Financing commitments received	44.2.5	129	25	9	95	239
TOTAL COMMITMENTS RECEIVED (1)		**3,082**	**1,410**	**1,132**	**540**	**3,396**

(1) Excluding electricity supply commitments detailed in note 44.2.2 and credit lines presented in note 38.2.5.

44.2.1 Operating commitments received

Operating commitments received essentially concern EDF at 31 December 2012.

44.2.2 Electricity supply commitments

In the course of its business, the EDF group has signed long-term contracts to supply electricity as follows:

- Long-term contracts with a number of European electricity operators, for a specific plant or for a defined group of plants in the French nuclear generation fleet, corresponding to installed power capacity of 3.5 GW. 26.2 TWh were supplied under these contracts in 2012.
- In execution of France's NOME law on organisation of the French electricity market, EDF has a commitment to sell some of the energy generated by its "traditional" nuclear power plants to other suppliers. This covers volumes of up to 100 TWh each year until 31 December 2025 (66.4 TWh for 2012).
- In the United Kingdom, EDF made a commitment in 2009 to supply an additional 18 TWh of electricity to Centrica at market prices for a 5-year period starting in 2011. This relates to an obligation to put certain volumes of electricity on the market between 2012 and 2015, required by the European Commission on 22 December 2008 as a condition for the EDF group's acquisition of British Energy. The residual commitment at 31 December 2012 concerns a volume of 12.8 TWh.
- EDF is still committed to supplying the residual volumes of 12 TWh by March 2015, in application of the rights acquired at VPP or Virtual Power Plant capacity auctions, which ended in 2011.

In France, a ruling by the French competition authorities (*Conseil de la concurrence*) on 10 December 2007 required EDF to tender a significant capacity of electricity (1,500 MW, i.e. approximately 10 TWh per year for 15 years) to alternative energy suppliers at prices enabling them to compete effectively with EDF's offers on the deregulated mass market. All of these contracts have been terminated by the subscribing counterparties, and EDF no longer has any related electricity supply commitments at 31 December 2012.

44.2.3 Operating lease commitments as lessor

The Group has commitments as lessor in operating leases amounting to €1,379 million.

Most of these commitments derive from contracts classified as operating leases under IFRIC 4, "Determining whether an arrangement contains a lease". They mainly concern the Asian Independant Power Projects (IPPs).

44.2.4 Investment commitments received

No significant investment commitment received exists at 31 December 2012.

44.2.5 Financing commitments received

No significant financing commitment received exists at 31 December 2012.

↗ Note 45 Contingent liabilities

45.1 Proceedings by the Baden-Württemberg region/EnBW

In February 2012, EDF International received a request for arbitration filed with the International Chamber of Commerce by the German company Neckarpri GmbH, the vehicle for the Baden-Württemberg region's acquisition of the EDF group's stake in EnBW, which was agreed on 6 December 2010 and completed on 17 February 2011.

Neckarpri claims that the price paid for the EDF group's investment in EnBW was excessive and therefore constitutes illegal State aid. On those grounds, it is claiming reimbursement of the allegedly excess portion of the price. This was initially estimated at €2 billion in the request for arbitration, but was re-estimated at €834 million in July 2012 in an independent report on the valuation of EnBW commissioned by Baden-Württemberg. As an alternative Neckarpri is seeking cancellation of the sale of the EDF group's stake in EnBW.

The arbitration procedure is currently in process. EDF considers this claim unfounded and a misuse of law, and intends to sue for damages for all the kinds of prejudices caused by this action.

45.2 General network – rejection of the European Commission's appeal

On 15 December 2009, the European Union Court cancelled the European Commission's decision of 16 December 2003 that had classified the tax treatment of provisions created for the renewal of the General Network at the time of EDF's capital increase in 1997 as state aid, and ordered repayment to the French State of the updated value, i.e. €1,224 million (paid by EDF in February 2004). The State therefore reimbursed this amount to EDF on 30 December 2009, then in February 2010 the European Commission filed an appeal before the Court of Justice of the European Union.

On 5 June 2012, the Court of Justice of the European Union issued a decision rejecting the European Commission's appeal and upheld the European Union Court's decision of 15 December 2009.

45.3 Tax inspections

EDF

In 2008 and 2009 EDF underwent a tax inspection covering the tax years 2004, 2005 and 2006.

One of the grounds for reassessment concerns the tax-deductibility of the provision for annuities following work-related accidents and illness; as this is an issue that relates to the special gas and electricity (IEG) statutes, it also concerns RTE, ERDF and Électricité de Strasbourg. The Group is contesting the tax authorities' position on the deductibility of this provision. In late 2011 the National Commission of direct taxes and sales taxes issued an opinion supporting EDF's position on the principal grounds for reassessment arising from the inspection of the years 2004 to 2006, notably confirming the deductibility of the provision for annuities following work-related accidents and illness. If the outcome of this dispute is unfavourable, the financial risk for the Group (payment of back income taxes) could amount to some €250 million. The reassessment demand was sent to the Company in late 2011. A complaint applying for suspension of this demand was sent to the tax administration in 2012 to initiate the formal dispute procedure, but no answer had been received by the end of the year.

During 2010, a further inspection was begun of the years 2007 and 2008, and in late 2011 EDF was notified of a proposed rectification for 2008. EDF is contesting most of the tax reassessments, amounting to approximately €900 million, concerning deductibility of certain long-term liabilities. The administration confirmed these reassessments in 2012. The Company considers it is likely to win this dispute, and no provision has been established for the principal grounds for tax reassessment.

The tax administration has also proposed a reassessment following inspections of 2008 and 2009, concerning an interest-free advance made by EDF to its indirect subsidiary Lake Acquisitions Ltd in connection with the acquisition of British Energy. EDF is contesting this reassessment.

Finally, another inspection has started in 2012 related to years 2009 and 2010. Late in the year the Company received a proposed rectification, of a non-significant amount, for 2009. EDF is contesting this proposed rectification.

EDF International

The tax inspection of EDF International for the years 2008 and 2009 led to a proposed rectification received in late 2011. Two main reassessments amounting to some €135 million concerned the amount of the loss on the contribution of CEG shares to the American subsidiary EDF Inc. which arose in late 2009 and was deducted from EDF International's income, and the valuation of the bond convertible into shares issued to refinance the acquisition of British Energy. In 2012 EDF International contested these reassessments, and considers it has good chances of winning the dispute. In late 2012 EDF International began amicable proceedings, involving France and the USA and based on the US-France tax treaty concerning the valuation of CEG shares at the time of the contribution.

45.4 Labour litigation

EDF is party to a number of labour lawsuits with employees and employment inspectors, primarily regarding calculation and implementation of legislation regarding working hours. 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 concern a large number of EDF's employees in France, any increase in such litigations could present a risk with a potentially significant, negative impact on the Group's financial results. The number of these litigation cases is nonetheless small at the time of preparing this report.

45.5 ERDF – appeal against the TURPE 3 tariff decisions

On 28 November 2012, the Council of State announced the cancellation of the decisions of 5 May and 5 June 2009 setting the TURPE 3 distribution network access tariff.

The grounds for cancellation concerned the method used to calculate weighted average cost of capital (WACC): the Council of State judged this method "an error in law" because it does not take account of "the special concession accounts, which correspond to the grantor's rights to recover concession assets for no consideration at the end of the contract (…) and the provisions for renewal of assets".

This cancellation will be effective from 1 June 2013. In the meantime, the CRE (French market regulator) must propose new distribution tariffs for approval by the Ministers of the Economy and Energy, taking into account the decision of the Council of State, and these tariffs will replace the cancelled tariffs retroactively. The new tariff decision is currently in preparation.

EDF does not expect this decision to have any significant consequences for the Group's results.

45.6 ERDF - litigation with photovoltaic producers

Photovoltaic installations benefit from an obligation incumbent on EDF (or local distribution companies) to purchase the electricity they generate on terms defined by public regulations that have so far provided an incentive for photovoltaic energy. This system encouraged early development of photovoltaic power in France, but the resulting pace of growth in the sector was considered too fast, and the French government followed up a series of decisions lowering the purchase tariffs (12 January, 16 March, and 31 August 2010) by a "moratorium decree" on 9 December 2010: this decree suspended conclusion of new contracts for a three-month period and stipulated that applications for which the technical and financial proposals had not been adopted by 2 December 2010 would have to be resubmitted after that three-month period, based on a photovoltaic power purchase tariff set in a new decision. This decision was issued on 4 March 2011 and significantly reduced the purchase price for photovoltaic electricity.

In anticipation of the coming tariff changes, there was an upsurge in the number of applications from photovoltaic operators for connection received by ERDF's units, particularly in August 2010. Despite the significant measures taken to process these applications, ERDF was not always able to issue technical and financial proposals in time for the power generators to benefit from the pre-4 March 2011 tariffs.

A Council of State decision of 16 November 2011 rejecting appeals against the moratorium decree of December 2010 generated a large volume of legal proceedings against ERDF in November and December 2011, and also, although at a slower pace, throughout 2012. Most actions were initiated by generators who found themselves forced to abandon their projects because the new electricity purchase tariffs made operating conditions less favourable; they consider ERDF responsible for this situation since it did not issue the technical and financial connection proposals in time for them to benefit from more advantageous electricity purchase terms. ERDF considers that it cannot be held liable, and has lodged appeals against the small number of first instance rulings against it issued in 2011 and 2012.

45.7 EDF Énergies Nouvelles – Silpro

Silpro (Silicium de Provence) entered court-ordered liquidation on 4 August 2009. The EDF ENR group held a 30% minority interest in Silpro alongside the principal shareholder, the German company Sol Holding. On 30 May 2011, the liquidator ordered the shareholders and managers of Silpro to jointly repay the shortfall in assets resulting from Silpro's liquidation, which amounts to €101 million. After examining the situation, the Group does not consider it necessary to recognise a provision.

45.8 Edison – appeal by Carlo Tassara

Carlo Tassara, a company that was Edison's largest minority shareholder, initiated action on 12 July 2012 before the Lazio (Rome) Regional Administrative Court, seeking an increase in the price of the mandatory tender offer for Edison shares launched by EDF's subsidiary Transalpina di Energia (TdE) after the takeover of Edison on 24 May 2012. This action was brought against the Italian financial market authority CONSOB, EDF and its Italian subsidiaries (MNTC, WGRM4 et TdE), Edison, Delmi and A2A. No date has yet been set for the court hearing, and any ruling would be open to appeal before the Italian Council of State.

In parallel, in May 2012 Carlo Tassara submitted an application to the Consob for an increase in the price of the mandatory tender offer, based on practically identical arguments to those used in the proceedings on the substance of the matter before the Administrative Court. The Consob rejected this application on 25 July 2012, and no appeal was made.

EDF considers that Carlo Tassara has not provided any evidence to challenge the offer price as confirmed by the Consob, and that these proceedings are unfounded.

↗ Note 46 Held-for-sale assets and liabilities

(in millions of Euros)	**31/12/2012**	31/12/2011
Assets classified as held for sale	**241**	**701**
Liabilities related to assets classified as held for sale	**49**	**406**

Held-for-sale assets and liabilities as stated in the balance sheet at 31 December 2011 correspond to Edison's investment in Edipower, which was sold on 24 May 2012 (see note 3.1).

↗ Note 47 Contribution of joint ventures

The joint ventures' contributions to the consolidated balance sheet and income statement are as follows:

At 31 December 2012:

(in millions of Euros)	% of ownership	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Operating profit before depreciation and amortisation
CENG	49.99%	458	4,537	104	1,789	552	155
Other		2,546	3,962	1,959	1,213	3,489	507
TOTAL		**3,004**	**8,499**	**2,063**	**3,002**	**4,041**	**662**

At 31 December 2011:

(in millions of Euros)	% of ownership	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Operating profit before depreciation and amortisation
Edison	48.96%	2,106	5,002	1,744	2,176	6,068	480
CENG	49.99%	424	4,866	106	1,781	542	194
Other		3,231	6,654	3,028	781	3,195	456
TOTAL		**5,761**	**16,522**	**4,878**	**4,738**	**9,805**	**1,130**

"Other" mainly concerns Dalkia International and EDF Investissements Groupe.

↗ Note 48 Dedicated assets

48.1 Regulations

The French law of 28 June 2006 and the implementing regulations require assets (dedicated assets) to be set aside for secure financing of 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, and 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 29 June 2011. The NOME law enacted in 2010 introduced a 5-year extension, subject to certain conditions, of the deadline for constitution of dedicated assets.

The decree of 29 December 2010 made RTE shares eligible for dedicated assets, subject to certain conditions and administrative authorisation. Since the conditions were fulfilled and authorisation was received, 50% of EDF's shares in RTE were allocated to dedicated assets on 31 December 2010.

48.2 Portfolio contents and measurement

EDF's dedicated assets consist of diversified bond and equity investments, and since 31 December 2010 after the administrative authority gave its approval, 50% of the shares in RTE. Given the applicable regulations, these dedicated assets are a highly specific category of assets.

48.2.1 Diversified bond and equity investments

Certain dedicated assets take the form of bonds held directly by EDF. The rest comprise specialised collective investment funds on leading international markets, managed by independent asset management companies. They take the form of open-end funds and "reserved" funds established solely for the use of the Group (which does not participate in the fund management).

This portfolio is structured and managed according to 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 the long-term investment policy.

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).

48.2.2 RTE shares

By allocating RTE shares to dedicated assets, the Group diversified its dedicated asset portfolio and reduced its volatility, since infrastructure assets such as RTE offer predictable returns that have low correlation with other categories of financial assets such as equities and bonds.

The value of the RTE shares allocated to dedicated assets is €2,393 million at 31 December 2012 (€2,310 million at 31 December 2011). This value is the net consolidated value of 50% of the Group's investment in RTE, presented in investments in associates in the consolidated balance sheet.

48.3 Valuation of EDF's dedicated asset portfolio and present cost of the associated long-term nuclear obligations

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

(in millions of Euros)	Balance sheet presentation	**31/12/2012**	31/12/2011
Equities		7,328	5,801
Debt instruments and cash portfolio		7,890	7,510
Dedicated assets – equities and debt instruments	Available-for-sale financial assets	*15,218*	*13,311*
Currency/equity hedging derivatives	Fair value of hedging derivatives	13	(22)
Other		2	2
Total diversified investments (bonds and equities)		**15,233**	**13,291**
RTE (50% of the Group's investment)	Investments in associates	**2,393**	**2,310**
TOTAL DEDICATED ASSETS		**17,626**	**15,601**

48.4 Changes in the dedicated asset portfolio in 2012

Cash allocations to the dedicated asset portfolio were suspended in October 2011 in view of market conditions, but resumed in January 2012. They amounted to €737 million for the year 2012 (€315 million in 2011).

In a context marked by the European sovereign debt crisis, the Group continued its prudent investment policy for these financial instruments in 2012, and as a result its exposure at year-end was carefully controlled for Italy and negligible for the most severely affected Euro-zone countries (Greece, Portugal, Ireland and Spain). The Group also adjusted its position on German government bonds that were considered to offer insufficient returns.

Withdrawals totalling €350 million were made, equivalent to payments made in respect of the long-term nuclear obligations to be covered in 2012 (€378 million in 2011).

The Group's assessment of the value of the dedicated asset portfolio did not lead to recognition of any impairment in 2012.

A total of €260 million in net gains on disposals was recorded in the financial result in 2012 (€76 million in 2011).

The difference between the fair value and acquisition cost of diversified bond and equity investments included in equity is a positive €1,221 million before taxes at 31 December 2012 (€219 million at 31 December 2011).

48.5 Present cost of long-term nuclear obligations

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)	**31/12/2012**	31/12/2011
Provisions for long-term radioactive waste management	7,113	6,722
Provisions for nuclear plant decommissioning	12,578	11,366
Provisions for last cores – portion for future long-term radioactive waste management	434	389
PRESENT COST OF LONG-TERM NUCLEAR OBLIGATIONS	**20,125**	**18,477**

Note 49 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)	**31/12/2012**	31/12/2011	**31/12/2012**	31/12/2011	**31/12/2012**	31/12/2011	**31/12/2012**	31/12/2011
Sales	2	5	3,585	3,437	917	880	4,504	4,322
Fuel and energy purchases	45	183	504	666	1,827	1,691	2,376	2,540
Other external purchases	-	-	128	134	1,093	880	1,221	1,014
Financial assets	-	41	-	-	181	262	181	303
Other assets	12	236	1,295	1,242	608	535	1,915	2,013
Financial liabilities	223	136	1,174	1,400	-	1	1,397	1,537
Other liabilities	16	224	734	794	1,212	821	1,962	1,839

The change in proportionally-consolidated companies between 2011 and 2012 principally reflects the takeover of the Edison group on 24 May 2012.

49.1 Transactions with entities included in the scope of consolidation

Transactions with RTE (classified as an associate since 31 December 2010) are presented in note 23.1.

Transactions with other joint ventures and associates concern sales and purchases of energy.

49.2 Relations with the French State and State-owned entities

49.2.1 Relations with the French State

The French State holds 84.4% of the capital of EDF at 31 December 2012, 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, the EDF group 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 27 July 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 24 October 2005. This contract is intended to form the framework for public service missions entrusted by the lawmaker to EDF for an unlimited period. The law of 9 August 2004 does not stipulate the duration of the contract.

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, establishment of sales tariffs for customers that have stayed on the regulated tariffs, transmission and distribution tariffs, and also determination of the ARENH price in accordance with the NOME law, and the level of the Contribution to the Public Electricity Service (*Contribution au Service Public de l'Électricité* or CSPE).

49.2.2 Relations with GDF SUEZ

Since the distribution network management businesses were transferred to subsidiaries – ERDF, a subsidiary of EDF, has managed electricity distribution since 1 January 2007 and GRDF, a subsidiary of GDF SUEZ, has managed gas distribution since 1 January 2008 – the agreement of 18 April 2005 (amended on 20 December 2007) defining relations between EDF and GDF in respect of the common operator was transferred to the two new companies, and has been executed by them since that date. The common network operator's activities for the distribution sector cover network construction, network operation and maintenance, and metering.

49.2.3 Relations with public sector entities

The Group's relations with public sector entities mainly concern AREVA.

Transactions with AREVA concern uranium purchases, uranium enrichment, nuclear fuel purchases, plant maintenance operations, equipment purchases, and transportation, storage, processing and recycling services for spent fuel.

On 15 December 2008, EDF and AREVA signed an agreement for uranium enrichment services to cover the period 2013-2032.

On 19 December 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 12 July 2010 entitled the "EDF-AREVA NC Processing-Recycling agreement" and the "Protocol for recovery and conditioning of EDF waste, and the final shutdown and decommissioning of the AREVA NC plant at La Hague".

EDF and AREVA have signed the following contracts for 1,300 MW nuclear power plants:

- a contract for supply of 32 steam generators and a contract for renewal of the control/command systems in 2011;
- a contract for services related to replacement operations for the first steam generators, in August 2012.

On 31 July 2012 EDF and AREVA Mines also signed two contracts for supplies of natural uranium concentrate, covering the period 2014-2035.

The Group also holds shares in AREVA, as stated in note 36.2.2.2.

49.3 Management compensation

The Company's key management and governance personnel are the Chairman of the Board of Directors, the members of the Comex (Executive Committee) throughout the year or since their date of appointment if they joined the Comex during the year, and the members of the Board of Directors appointed by the General Shareholders' Meeting.

The total compensation paid by EDF and controlled companies to the Group's key management and governance personnel amounted to €12.5 million in 2012 (€11.3 million in 2011). This amount covered short-term benefits (basic salaries, performance-related salary, profit share and benefits in kind), special IEG post-employment benefits where relevant, and the corresponding employer contributions, plus director's fees. The change observed in 2012 is chiefly explained by the fact that certain members of the Comex retired during the year, and their contractual retirement bonuses and performance-related salary were paid in 2012.

Other than the benefits reported above, key management and governance personnel benefit from no other special pension system, starting bonus or severance payment entitlement except by contractual arrangement.

↗ Note 50 Environment

50.1 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 31 December 2007 and was marked by a reduction in the volumes of rights allocated.

The second allocation period ran from 2008 to 2012.

In the EDF group, the entities subject to this Directive are EDF, EDF Energy, Edison, Fenice, Dalkia International and Dalkia Investissement, Bert, Kogeneracja, Zielona Gora, EC Krakow, ERSA, EC Wybrzeze, EDF Luminus and ESTAG.

In 2012, the Group surrendered 69 million tonnes in respect of emissions generated in 2011. In 2011, the Group surrendered 71 million tonnes in respect of emissions generated in 2010.

The Group's total emission rights allocation for 2012 recorded in the national registers is 72 million tonnes (59 million tonnes for 2011).

The volume of emissions at 31 December 2012 stood at 67 million tonnes. The provision resulting from over-quota emissions amounts to €152 million and covers the shortfall in quotas at 31 December 2012 (€149 million at 31 December 2011).

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 €192 million at 31 December 2012 (€192 million at 31 December 2011).

50.2 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 13 July 2005, for example, 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.

In the second period, which began on 1 January 2011 and runs until 31 December 2013, the system was extended to new obligated actors (fuel distributors) and applies stricter requirements for obtaining energy savings certificates. EDF is well-placed to meet its obligation thanks to energy-efficient offers for each market segment: residential customers, business customers, local authorities and organizations funding social projects.

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.

50.3 Renewable energy certificates

In the United Kingdom, Poland, Belgium 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.

At 31 December 2012, a provision of €430 million was recorded, essentially to cover shortfalls in certificates in the United Kingdom and Belgium.

↗ Note 51 Subsequent events

51.1 Bond issue with unlimited maturity

On 22 January 2013, EDF launched several tranches of a bond in Euros and sterling with unlimited maturity:

- €1.25 billion at 4.25% coupon for the tranche with a 7-year first call date;
- €1.25 billion at 5.375% coupon for the tranche with a 12-year first call date;
- £1.25 billion at 6% coupon for the tranche with a 13-year first call date.

On 24 January 2013, EDF also launched a US$ 3 billion bond with unlimited maturity at 5.25% coupon and a 10-year first call date.

These instruments are subordinated to all senior debt, which explains why their coupon is higher than senior bonds. They will be included in equity in the Group's 2013 consolidated financial statements from reception of the funds (29 January 2013).

This is the first time the Group has issued this type of instrument, which it considers a tool for balance sheet optimisation in view of the useful lives of its assets and the long-term investment cycle of its industrial projects.

51.2 Decision by Centrica to withdraw from the plan to construct EPRs in the United Kingdom

On 4 February 2013, Centrica announced its decision to end its partnership with EDF for the construction of EPRs in the United Kingdom, by exercising its option to sell EDF Energy its 20% investment in Nuclear New Build Holdings (NNBH), a company formed as a vehicle for "Nuclear New Build" projects in the UK. EDF already owned 80% of NNBH via EDF Energy, and will therefore become the company's sole shareholder.

The exercise price for this option is non-significant for the Group.

EDF is continuing discussions with the British government to agree on a sale price for zero-carbon electricity. Once this price has been set, the Group is confident that the Hinkley Point EPR project will attract considerable interest from investing partners and will go ahead.

Centrica will continue to work with EDF through its 20% interest in existing nuclear facilities in the United Kingdom, and retains its commercial electricity purchase contracts with the Group.

51.3 Allocation of the CSPE receivable to dedicated assets for secure financing of long-term nuclear expenses

In application of the decree of 23 February 2007, on 8 February 2013 the French government authorised allocation of CSPE receivable held by EDF to the dedicated assets for secure financing of long-term nuclear expenses.

In view of this authorisation, the positive opinion of the Nuclear Commitments Monitoring Committee and the deliberations of the Board of Directors at its meeting of 13 February 2013, EDF has decided to allocate the total receivable, which represents the accumulated shortfall in CSPE compensation at 31 December 2012 and amounts to €4.9 billion, to dedicated assets. This allocation is concurrent with withdrawals of €2.4 billion of assets from the portfolio (diversified bonds and equity investments, see note 48), such that the net allocation to dedicated assets is €2.5 billion. The objective of reaching 100% coverage of long-term nuclear provisions in advance of the legal June 2016 deadline (set by the "NOME" law) is thus achieved.

The disposal of these financial assets will result in an equivalent reduction in the Group's net indebtedness.

Note 52 Scope of consolidation

Company	Country	Consolidation method at 31/12/2012	% of ownership at 31/12/2012	% of ownership at 31/12/2011	Business sector
FRANCE					
Électricité de France		Parent company	100.00	100.00	G,D,O
Électricité Réseau Distribution France (ERDF)		FC	100.00	100.00	D
RTE Réseau de Transport d'Électricité		EM	100.00	100.00	T
EDF Production Électrique Insulaire		FC	100.00	100.00	G
UNITED KINGDOM					
EDF Energy Plc (EDF Energy)		FC	100.00	100.00	G, O
EDF Energy (UK) Ltd		FC	100.00	100.00	O
EDF Development Company Ltd		FC	100.00	100.00	O
ITALY					
Edison SpA (Edison)		FC	97.40	48.96	G,D,O
Transalpina di Energia SRL (TdE)		FC	100.00	50.00	O
MNTC Holding SRL		FC	100.00	100.00	O
WGRM Holding 4 SpA		FC	100.00	100.00	O
Fenice Qualita' Per L'Ambiente SpA (Fenice)		FC	100.00	100.00	G,D
OTHER INTERNATIONAL					
EDF International SAS	France	FC	100.00	100.00	O
Energie Steiermark Holding AG (Estag)	Austria	PC	25.00	25.00	G,O
EDF Belgium SA	Belgium	FC	100.00	100.00	G
EDF Luminus SA	Belgium	FC	63.53	63.53	G
Usina Termeletrica Norte Fluminense SA (Ute Norte Fluminense)	Brazil	FC	90.00	90.00	G
Ute Paracambi SA	Brazil	FC	100.00	100.00	G
French Investment Guangxi Laibin Electric Power Co, Ltd	China	FC	100.00	100.00	G
Shandong Zhonghua Power Company, Ltd	China	EM	19.60	19.60	G
Datang Sanmenxia Power Generation Co., Ltd	China	EM	35.00	35.00	G
Taïshan Nuclear Power Joint Venture Company, Ltd	China	EM	30.00	30.00	G
EDF Inc.	USA	FC	100.00	100.00	O
Unistar Nuclear Energy LLC	USA	FC	100.00	100.00	G
Constellation Energy Nuclear Group LLC (CENG)	USA	PC	49.99	49.99	G
Budapesti Erömu ZRt (BERT)	Hungary	FC	95.62	95.57	G
EDF DÉMÁSZ ZRt	Hungary	FC	100.00	100.00	G, D, O
Nam Theun 2 Power Company	Laos	EM	40.00	40.00	G
SLOE Centrale Holding BV	Netherlands	PC	50.00	50.00	G
EDF Kraków S.A.	Poland	FC	94.31	94.31	G
EDF Wybrzeze S.A.	Poland	FC	99.77	99.75	G
EDF Polska Cuw	Poland	FC	100.00	75.00	O
EDF Polska Centrala Spolka Z Ograniczona Odpowiedzialnoscia	Poland	FC	100.00	100.00	O
EDF Paliwa Sp. z o.o.	Poland	FC	90.59	-	O
EDF Rybnik S.A. (ERSA)	Poland	FC	97.32	64.85	G
Zec Kogeneracja SA (Kogeneracja)	Poland	FC	48.99	33.40	G, D
Elektrocieplownia Zielona Gora SA (Zielona Gora)	Poland	FC	48.21	32.87	G, D
Stredoslovenska Energetika a.s. (SSE)	Slovakia	PC	49.00	49.00	D
EDF Alpes Investissements SARL	Switzerland	FC	100.00	100.00	O
Alpiq	Switzerland	EM	25.00	25.00	G, D, O, T
Mekong Energy Company Ltd (Meco)	Vietnam	FC	56.25	56.25	G

Consolidation methods: FC = full consolidation, PC = proportional consolidation, EM = equity method.
Business segments: G = Generation, D = Distribution, T = Transmission, O = Other

Company	Country	Consolidation method at 31/12/2012	% of ownership at 31/12/2012	% of ownership at 31/12/2011	Business sector
OTHER ACTIVITIES					
Dalkia Holding	France	EM	34.00	34.00	O
Dalkia International	France	PC	50.00	50.00	O
Dalkia Investissement	France	PC	67.00	67.00	O
EDF Développement Environnement SA	France	FC	100.00	100.00	O
Société pour le Conditionnement des Déchets et Effluents Industriels (SOCODEI)	France	FC	100.00	100.00	O
Cie Financière de Valorisation pour l'Ingénierie (COFIVA)	France	FC	100.00	100.00	O
Société Française d'Ingénierie Électronucléaire et d'Assistance (SOFINEL)	France	FC	55.00	55.00	O
Électricité de Strasbourg	France	FC	88.64	88.82	D
TIRU SA - Traitement Industriel des Résidus Urbains	France	FC	51.00	51.00	O
Dunkerque LNG	France	FC	65.00	65.00	O
EDF Énergies Nouvelles	France	FC	100.00	100.00	G,O
EDF IMMO et filiales immobilières	France	FC	100.00	100.00	O
EDF Optimal Solutions SAS	France	FC	100.00	100.00	O
Société C2	France	FC	100.00	100.00	O
Société C3	France	FC	100.00	100.00	O
EDF Holding SAS	France	FC	100.00	100.00	O
Domofinance SA	France	EM	45.00	45.00	O
CHAM SAS	France	FC	100.00	100.00	O
EDF Trading Limited	UK	FC	100.00	100.00	O
EDF Production UK Ltd	UK	FC	100.00	100.00	O
EDF DIN UK LTD	UK	FC	100.00	100.00	O
Wagram Insurance Company Ltd	Ireland	FC	100.00	100.00	O
Océane Ré	Luxembourg	FC	99.98	99.98	O
EDF Investissements Groupe SA	Belgium	PC	94.80	93.32	O
EDF Gas Deutschland GmbH	Germany	FC	100.00	100.00	O
Friedeburger Speicherbetriebsgesellschat GmbH (Crystal)	Germany	PC	50.00	50.00	O
Southstream Transport AG	Netherlands	EM	15.00	-	T

Consolidation methods: FC = full consolidation, PC = proportional consolidation, EM = equity method.
Business segments: G = Generation, D = Distribution, T = Transmission, O = Other

At 31 December 2012 the percentage of voting rights, which is decisive for assessing control, differs from the Group's percentage ownership for the following entities:

Company	% of ownership at 31/12/2012	% voting rights at 31/12/2012
Edison SpA	97.40	99.48
EDF Rybnik S.A. (ERSA)	97.32	97.36
Zec Kogeneracja SA (Kogeneracja)	48.99	50.00
Elektrocieplownia Zielona Gora SA (Zielona Gora)	48.21	98.40
EDF Paliwa Sp. z o.o.	90.59	100.00
Dalkia International	50.00	24.14
Dalkia Investissement	67.00	50.00
SOFINEL Société Française d'Ingénierie Électronucléaire et d'Assistance	55.00	54.98
EDF Investissements Groupe SA	94.80	50.00

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 31 December 2012

To the Shareholders,

Following our appointment as Statutory Auditors by your General Meeting, we hereby report to you, for the year ended 31 December 2012 on:

- the audit of the accompanying consolidated financial statements of Électricité de France S.A. ("the Group");
- 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 31 December 2012 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:

- the change in accounting principle described in note 2 on the accounting for actuarial gains and losses related to post-employment benefits;
- the valuation of long-term provisions relating to nuclear electricity production, which results from management's best estimates and assumptions as described in notes 1.3.2.1 and 29 to the consolidated financial statements. This valuation is sensitive to the assumptions made concerning technical processes, 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

The preparation of the consolidated financial statements requires the use of accounting estimates, which have been made in an uncertain environment, due to the crisis of public finances affecting certain countries of the Euro zone. This crisis is coupled with an economic and liquidity crisis as well as uncertainties related to commodities and power prices, thus resulting in difficulties to determine the economic outlook. In this context, in accordance with the requirements of article L. 823-9 of the French commercial Code, we have made our own assessments which are brought to your attention, in relation to the following matters:

Accounting policies

We have verified the appropriateness of the disclosures presented in notes 1.3.27.1 with respect to the accounting treatments of greenhouse gas emission quotas, an area which is not mandatory or specifically addressed in IFRS as adopted in the European Union as of 31 December 2012.

Management judgments and estimates

Note 1.3.2 to the consolidated financial statements describes the main sensitive accounting policies for which management makes significant estimates and assumptions and exercises judgment, based on macro-economic assumptions appropriate to the very long-term cycle of Group assets. Particularly, the Group describes in the notes the information related to:

- the obligations regarding the French public distribution of electricity and, particularly, the impact of the changes in estimate related to the useful life of certain assets (notes 1.3.24, 14 and 33);
- the allocation of the cost of the business combination to identifiable assets acquired and liabilities assumed related to Edison in accordance with IFRS 3 revised, and the methodologies and main assumptions being considered for measurement of those assets and liabilities at fair values (note 3.1);

- the methods used to account for the shortfall in the compensation for the Contribution to the Electricity Public Service Costs (*Contribution au Service Public de l'Électricité*) as at 31 December 2012, in view of the agreement reached in January 2013 (notes 4.1, 12.1, 26 and 36.3);
- the impairment charges that have been recognized during the period as well as the main assumptions and indicators of impairment used to test goodwill and long-lived assets (notes 1.3.15 and 13);
- the other provisions and contingent liabilities (notes 32 and 45).

Our procedures consisted in assessing these estimates, the data and assumptions, and as applicable, the legal opinions on which they are based, reviewing, on a test basis, the technical data and calculations performed by the Group, 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.

Verification procedures

The procedures we performed in relation to the regulatory framework related to the principle of regulated access to historical nuclear energy *(Accès Regulé à l'Énergie Nucléaire Historique* or ARENH) as established by the NOME Law in France, effective 1 July 2011, are based on the information available from the Group, or released by the Regulatory Energy Commission (*Commission de Régulation de l'Énergie*), and the findings resulting from agreed-upon procedures performed by independent third parties that had access to the underlying transactions.

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, 13 February 2013

The Statutory Auditors

KPMG Audit Department of KPMG S.A.		Deloitte & Associés	
Bernard Cattenoz	Jacques-François Lethu	Alain Pons	Patrick E. Suissa