ANNUAL FINANCIAL STATEMENTS 2014

EDF's financial statements and Statutory Auditors' Report on the financial statements

Financial statements

Income statements

(in millions of Euros)	Notes	2014		2013	
SALES (1)	**4**		**41,717**		**43,423**
Change in inventories and capitalised production			820		814
Operating subsidies	5		5,912		5,117
Reversals of provisions and depreciation	6		2,752		3,073
Other operating income and transfers of charges	7		715		847
I TOTAL OPERATING INCOME			**51,916**		**53,274**
Purchases and other external expenses	8		31,930		34,089
Fuel purchases used		3,173		4,298	
Energy purchases		9,792		10,311	
Services and other purchases used		18,965		19,480	
Taxes other than Income taxes	9		2,615		2,518
Personnel expenses	10		6,604		6,457
Depreciation, amortisation and provisions			5,989		4,857
Depreciation and amortisation	11	3,149		2,723	
Provisions, impairment and write-down	12	2,840		2,134	
Other operating expenses			905		944
II TOTAL OPERATING EXPENSES			**48,043**		**48,865**
OPERATING PROFIT (I-II)			**3,873**		**4,409**
III JOINT OPERATIONS			**7**		**3**
IV FINANCIAL RESULT	**13**		**(3,096)**		**(890)**
PROFIT OR LOSS BEFORE INCOME TAXES AND EXCEPTIONAL ITEMS (I-II+III+IV)			**784**		**3,522**
V EXCEPTIONAL RESULT	**14**		**1,442**		**164**
VI INCOME TAXES	**15**		**577**		**748**
PROFIT OR LOSS (I-II+III+IV+V-VI)			**1,649**		**2,938**

(1) Production of goods for export in 2014: €4,682 million; production of services for export in 2014: €431 million.

Balance sheets

ASSETS

(in millions of Euros)	Notes	31/12/2014 Gross values	31/12/2014 Depreciation or impairment	31/12/2014 Net values	31/12/2013 Net values
Intangible assets	16-17	1,387	610	777	713
Property, plant and equipment owned by EDF	16-17	74,870	49,799	25,071	24,323
Property, plant and equipment operated under concession	16-17	13,385	7,959	5,426	5,326
Tangible and intangible assets in progress	16-17	14,535	100	14,435	12,703
Investments and related receivables		56,627	171	56,456	59,541
Investment securities		12,799	55	12,744	12,461
Loans and other financial assets		8,229	–	8,229	7,665
Financial assets	18	77,655	226	77,429	79,667
TOTAL I FIXED ASSETS		**181,832**	**58,694**	**123,138**	**122,732**
Inventories and work-in-progress	19	9,953	200	9,753	9,660
Advances on orders	20	1,136	2	1,134	1,055
Trade and other receivables	20	19,402	397	19,005	17,528
Marketable securities	21	8,819	4	8,815	10,312
Cash instruments	20	3,913	–	3,913	1,627
Cash and cash equivalents	22	6,583	–	6,583	5,066
Prepaid expenses	20	1,294	–	1,294	1,295
TOTAL II CURRENT ASSETS		**51,100**	**603**	**50,497**	**46,543**
Deferred charges (III)		286	–	286	258
Bond redemption premiums (IV)		640	132	508	456
Unrealised foreign exchange losses (V)	23	1,146	–	1,146	261
TOTAL ASSETS (I+II+III+IV+V)		**235,004**	**59,429**	**175,575**	**170,250**

EQUITY AND LIABILITIES

(in millions of Euros)	Notes	31/12/2014	31/12/2013
Capital		930	930
Capital-related premiums		7,205	7,205
Revaluation surplus		669	670
Reserves			
Legal reserves		93	92
Other reserves		3,000	3,000
Retained earnings		5,598	4,988
Profit or loss for the financial year		1,649	2,938
Interim dividend		(1,059)	(1,059)
Investment subsidies		174	178
Tax-regulated provisions		6,324	6,401
EQUITY	**24**	**24,583**	**25,343**
Additional equity	25	10,688	6,120
Special concession accounts	26	2,045	2,016
TOTAL I EQUITY AND CONCESSION ACCOUNTS		**37,316**	**33,479**
Provisions for risks	27	1,933	536
Provisions related to nuclear generation – Back-end of the nuclear cycle, plant decommissioning and last cores	28	34,060	32,658
Provisions for decommissioning of non-nuclear facilities	29	589	572
Provisions for employee benefits	30	10,795	10,691
Provisions for other expenses	31	982	924
Provisions for expenses		46,426	44,845
TOTAL II PROVISIONS		**48,359**	**45,381**
Financial liabilities	33	47,053	45,280
Advances and progress payments received	32	6,433	6,279
Operating, investment and other liabilities	32	28,821	33,375
Cash instruments	32	3,337	1,973
Deferred income	32	4,065	4,273
TOTAL III LIABILITIES	**32**	**89,709**	**91,180**
Unrealised foreign exchange gains (IV)	34	191	210
TOTAL EQUITY AND LIABILITIES (I+II+III+IV)		**175,575**	**170,250**

Cash flow statements

(in millions of Euros)	Notes	2014	2013
Operating activities			
Profit/(loss) before income tax		2,226	3,686
Amortisation, depreciation and provisions		5,897	3,107
Capital (gains)/losses		(1,092)	213
Financial income and expenses		102	(623)
Changes in working capital		(1,127)	(528)
Net cash flow from operations		6,006	5,855
Net financial expenses, including dividends received		(187)	1,074
Income taxes paid		(2,219)	(1,727)
(A) Net cash flow from operating activities		3,600	5,202
Investing activities			
Investments in property, plant and equipment and intangible assets		(5,832)	(5,656)
Proceeds from sale of property, plant and equipment and intangible assets		13	15
Changes in financial assets		5,249	(203)
(B) Net cash flow used in investing activities		(570)	(5,844)
Financing activities			
Issuance of borrowings and underwriting agreements		7,109	3,288
Repayment of borrowings and underwriting agreements		(7,247)	(6,296)
Dividends paid		(2,327)	(2,145)
Issuance of perpetual subordinated bonds	25	3,973	6,135
Funding contributions received for assets operated under concessions		7	12
Investment subsidies		5	1
(C) Net cash flow from financing activities		1,520	995
(A)+(B)+(C) Net increase/(Decrease) in cash and cash equivalents		4,550	353
CASH AND CASH EQUIVALENTS – OPENING BALANCE*	**22**	**(3,310)**	**(3,699)**
Effect of currency fluctuations		(57)	5
Financial income on cash and cash equivalents		43	31
CASH AND CASH EQUIVALENTS – CLOSING BALANCE*	**22**	**1,226**	**(3,310)**

* *"Cash and cash equivalents – opening balance" and "Cash and cash equivalents – closing balance" do not include investment funds, nor negotiable debt instruments maturing in more than three months. Details of the variation in cash and cash equivalents are presented in note 22.*

Sommaire

Notes to the financial statements

Notes to the financial statements

Électricité de France SA (EDF), the parent company of the EDF group, is a French *société anonyme* operating in electricity generation and electricity and gas supply. EDF also covers all the business activities of Island Energy Systems (IES, located in Corsica and France's overseas departments).

↗ Note 1 Accounting principles and methods

1.1 Accounting standards

EDF's financial statements are prepared in accordance with the accounting principles and methods defined by the French national chart of accounts, as presented by Regulation 2014-03 concerning the chart of accounts issued by the *Autorité des Normes Comptables* (ANC), the France's Accounting Standards Authority, on 5 June 2014, which repealed CRC (French accounting committee) Regulation 99-03 of 29 April 1999 on annual financial statements.

ANC Recommendation 2013-02 of 7 November 2013 on the rules for measuring and recognising pension obligations applies for financial years beginning on or after 1 January 2014. No change has been applied in EDF's financial statements as a result of this recommendation.

The accounting and valuation methods applied are therefore identical to those used in the financial statements for the year ended 31 December 2013.

1.2 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 EDF's future financial statements could differ significantly from current estimates due to changes in these assumptions or economic conditions.

In the specific case of useful life, EDF's industrial strategy is to continue operation of the French nuclear power plants beyond their current accounting depreciation period of 40 years, in optimum conditions as regards safety and efficiency.

EDF has been making preparations for extending the useful life of its power plants for several years, and is now making the necessary investments under the industrial programme called *"Grand carénage"*. Adjustment of the useful life of the nuclear power plants to bring it into line with this industrial strategy will be reflected in EDF's financial statements as soon as all the required technical, economic and governance conditions are in place.

The other 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 EDF's assets.

1.2.1 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 EDF. 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 28.5.

1.2.2 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, inflation rates, and wage increase rates.

The principal actuarial assumptions used to calculate these post-employment and long-term benefits at 31 December 2014 are presented in note 30.4. These assumptions are updated annually. EDF considers the actuarial assumptions used at 31 December 2014 appropriate and well-founded, but future changes in these assumptions could have a significant effect on the amount of the obligations and EDF's net income.

1.2.3 Energy supplied but not yet measured and billed

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 Sales

Sales essentially comprise income from energy sales (to final customers and as part of trading activities), and services sales. Services for delivery through the energy distribution network purchased from the subsidiary ERDF and reinvoiced to end-customers contribute to EDF's energy sales.

EDF 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.

The quantities of energy delivered to EDF customers but not yet measured and billed at the end of the period are calculated based on the quantities used by the sites of the EDF balance responsible entities less the quantities billed, after losses measured by a statistical method presented to the *Commission de Régulation de l'Énergie* (CRE), the French Energy Regulation Commission. These quantities are valued using an average price determined by reference to energy invoiced in the previous month.

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.

Sales of energy to EDF Trading, the Group's trading company, are recorded at their contractually stipulated amount.

1.4 Intangible assets

1.4.1 Research and development expenses

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

Project development expenses are capitalised as an intangible asset when EDF 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; and
- 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 their foreseeable useful life.

1.4.2 Other intangible assets

Other intangible assets mainly consist of software, leasehold rights, and storage capacity reservation costs.

They are amortised on a straight-line basis over their useful life regardless of whether they are generated in-house or purchased.

1.5 Property, plant and equipment

EDF's property, plant and equipment is reported under two balance sheet headings, as appropriate to the business and contractual circumstances of their use:

- property, plant and equipment owned by EDF, essentially nuclear generation facilities;
- property, plant and equipment operated under concession.

1.5.1 Initial measurement

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

The initial value in the assets is the acquisition or production cost (including external costs as well as costs incurred directly by EDF).

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

EDF 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 1.15). They are depreciated in the same way and over the same useful life as the relevant facility. The asset ceases to be recognised when the associated facility has been totally depreciated.

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 value of property, plant and equipment therefore includes the following:

- 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 production 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, and pre-operating expenses, are recognised as expenses.

1.5.2 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 company expects to draw future economic benefits from their use.

The expected useful lives for the main facilities are as follows:

- hydroelectric dams: 75 years
- electromechanical equipment used in hydropower plants: 50 years
- thermal power plants: 25 to 45 years
- nuclear generation facilities: 40 years
- transmission and distribution installations (lines, substations): 20 to 45 years

1.5.3 Concession agreements

In France, EDF is the operator for two types of public service concessions:

- public electricity distribution concessions in which the grantors are local authorities (municipalities or syndicated municipalities);
- hydropower concessions with the French State as grantor.

1.5.3.1 Public electricity distribution concessions

EDF is the concession operator for the island networks located in Corsica and France's overseas departments, generally under concession agreements using standard concession rules deriving from the 1992 Framework Contract (updated in 2007) negotiated with the National Federation of Licensing Authorities (*Fédération Nationale des Collectivités Concédantes et Régies* – FNCCR) and approved by the public authorities.

The accounting treatment of concessions is based on the 1975 accounting guide for concession operator firms, as there are no specific instructions in the national chart of accounts *(plan comptable général)*.

Assets used under concessions are reported in the balance sheet assets as property, plant and equipment operated under concession, regardless of their initial financing, at acquisition cost or their estimated value at the transfer date when supplied by the grantor. An offsetting liability is recognised for any assets supplied for nil consideration by concession grantors.

1.5.3.2 Hydropower concessions

Hydropower concessions 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 concession", at acquisition cost. Depreciation is calculated over their useful life, which is generally identical to the term of the concession.

Additional depreciation is booked in complement to industrial depreciation for assets operated under concession that are to be returned for nil consideration at the end of the concession but whose useful life extends beyond the concession term.

1.6 Long-term asset impairment

At each reporting date, EDF assesses whether there is an indication that an asset could have significantly lost value. If so, an impairment test is carried out as follows:

- EDF measures any long-term asset impairment by comparing the carrying value of these assets, grouped into cash-generating units where necessary, and their recoverable amount, usually determined using the discounted future net cash flow method. When this recoverable value is lower than the value in the balance sheet, an amount equivalent to the difference is written off under "Depreciation and impairment";
- the discount rates used for these purposes are based on the weighted average cost of capital (WACC) for each asset or group of assets concerned;
- future cash flows are based on medium-term plan projections over three years, and assumptions validated by the management.

1.7 Financial assets

1.7.1 Investments

Investments are carried at acquisition cost.

Gains and losses on sales of investments are valued using the FIFO (first in first out) method.

In accordance with the CNC (French accounting council) Emergency Committee opinion 2007-C of 15 June 2007, transfer duties, fees and commissions and legal fees related to acquisitions of investments are included in the cost of acquisition of the asset. Expenses of this type relating to other shares are charged to expenses. Tax-regulated amortisation of acquisition costs is recorded in an excess depreciation account.

When the book value of investments is higher than their value in use, an impairment is recorded equivalent to the difference.

The value in use of listed securities in non-consolidated entities is based on stock market price.

For unlisted and listed securities in companies included in the EDF group consolidation, the value in use is determined by reference to equity or net adjusted consolidated assets, taking into account expert valuation information and information that has become known since the previous year-end when necessary.

1.7.2 Investment securities

EDF has set up two investment portfolios:

- the first comprises dedicated financial assets intended to finance the end of nuclear fuel cycle operations, for which provisions have been accrued. These assets are managed separately from other financial assets and investments in view of their specific objective, and comprise bonds, equities, collective investment funds and reserved funds built up by EDF solely for its own use;
- the second comprises securities acquired to generate a satisfactory return on investment in the medium to long term, without participating in the management of the companies concerned.

Investment securities also include treasury shares that cover obligations relating to debt instruments providing access to the company's capital, acquired under a liquidity contract with an investment services company or through an external operation or capital reduction.

Shares are recorded at acquisition cost. In compliance with Article 213-8 of ANC Regulation 2014-03 on the national chart of accounts, transfer duties, professional fees, commissions, legal expenses and purchasing costs are all charged to expenses, under the option used for other investments.

Investment securities (shares and bonds) are recorded at acquisition cost. If the carrying amount of a security is lower than the book value, the unrealised capital loss is fully written off without being netted against potential gains on other securities. The carrying amount of listed securities is assessed individually, taking the stock market price into account. For unlisted securities, the carrying amount is also assessed individually, mainly in consideration of the growth prospects of the companies concerned and their share prices.

1.7.3 Other financial assets

As part of Group activities, EDF grants short-term loans in foreign currencies to its subsidiaries. In order to reduce exposure to foreign exchange risks, the Group mainly finances these loans by short-term commercial paper issues in foreign currencies and in Euros, together with the use of currency hedging derivatives.

1.8 Inventories and work-in-progress

The initial cost of inventories includes all direct material costs (including the effect of hedging), labour costs and a share of indirect production costs. Inventory consumption is valued under the weighted average unit cost method, except for greenhouse gas emission rights, for which the FIFO (first in first out) method is used.

Inventories are carried at the lower of historical cost or net realisable value.

1.8.1 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 the notion of "loaded fuel" as defined in the decision of 21 March 2007, the cost of inventories for fuel in reactors but not yet irradiated includes expenses for spent fuel management and long-term radioactive waste management. The corresponding amounts are taken into account in the relevant provisions.

Nuclear fuel consumption is determined by component (natural uranium, fluoration, enrichment, fuel assembly production) 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, applied to each component. Inventories are periodically corrected in view of forecast spent quantities based on neutronic measurements and physical inventories.

1.8.2 Other operating inventories

These inventories include:

- fossil fuels required for operation of thermal power plants;
- operating materials and equipment such as spare parts supplied under a maintenance programme (excluding capitalised strategic safety spare parts);
- greenhouse gas emission rights acquired for the generation cycle (see note 1.19.1);
- gas stocks, valued at weighted average cost, including direct and indirect purchase costs, especially transport costs.

Impairment of spare parts depends on the turnover of these parts.

1.9 Accounts receivable and marketable securities

1.9.1 Trade receivables

Trade receivables are initially stated at nominal value. They also include the value of unbilled receivables for energy already supplied.

A write-down is recorded when, based on the probability of recovery assessed according to the type of receivable, the carrying amount of receivables 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, bearing in mind that EDF does not bear the risks of non-payment for the delivery portion of these receivables, which is borne by ERDF.

1.9.2 Marketable securities

Marketable securities are initially recorded as assets at acquisition cost, and restated at the lower of historical cost or present value at year-end.

For listed securities, the present value is equal to the year-end stock market price. For unlisted securities, the value in use is the probable trading value taking the company's growth prospects into consideration.

An impairment is recorded to fully cover any unrealised losses, without netting against unrecorded unrealised gains.

Gains and losses on sales of marketable securities are valued using the FIFO (first in first out) method.

1.10 Bond issuance expenses and redemption premiums

Bond redemption premiums are amortised on a straight-line basis over the term of the related bond (or each tranche of the bond to maturity in the case of serial bonds).

Commissions and external costs paid by EDF upon issuance of borrowings and included in "deferred charges" are spread on a straight-line basis over the term of the related instruments.

1.11 Unrealised foreign exchange gains and losses

Foreign currency receivables and payables are translated into Euros at the year-end exchange rates. The resulting translation differences are recorded in the balance sheet under "Unrealised foreign exchange gains" and "Unrealised foreign exchange losses". Provisions are recorded to cover all unrealised exchange losses on foreign currency borrowings not hedged for exchange risks. Unrealised gains are not recognised in the income statement.

Translation differences with respect to swaps hedging foreign currency borrowings are recorded under "Unrealised foreign exchange gains" and "Unrealised foreign exchange losses" as an offsetting entry to "Cash Instruments".

1.12 Tax-regulated provisions

This item mainly includes excess depreciation recorded for tax purposes and relates to:

- depreciation of generation and distribution facilities;
- exceptional depreciation of desulphurisation systems implemented on thermal plants, and software developed in-house by the company.

1.13 Additional equity

Perpetual subordinated bonds issued by EDF in Euros and other currencies are recorded in compliance with the French Chartered accountants' body *Ordre des experts comptables* opinion 28 of July 1994, taking their specific characteristics into consideration.

As a result, they are classified as "Additional equity", since redemption is exclusively controlled by EDF.

Issuance expenses and premiums are amortised through the income statement.

Interest paid on these bonds is recorded in financial result.

1.14 Special concession accounts

These liabilities relate mostly to public electricity distribution concessions for the Island Energy Systems (IES), and hydropower concessions.

1.14.1 Special public distribution concession liabilities – IES

These liabilities represent the contractual obligations specific to the concession rules for public electricity distribution concessions, 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. This provision is included in provisions for expenses.

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.

1.14.2 Special hydropower concession liabilities

These liabilities comprise:

- the value of assets remitted for nil consideration and contributions received;
- differences arising from revaluations in accordance with French legislation for fixed assets commissioned before 1 January 1959 and before 1 January 1977;
- and since 1 January 2009 (when implementation of the decree 2008-1009 of 26 September 2008 came into force) additional depreciation booked for facilities that are to be returned for nil consideration at the end of the concession but whose useful life extends beyond the concession term. This additional depreciation is based on the share of the assets' net book value at the end of the concession financed by the concession operator.

Following the changes made to the accounting treatment of hydropower concessions at 1 January 2009, the 1959 revaluation reserve is transferred to equity when the assets concerned are retired.

The net revaluation reserve generated by the 1976 revaluation is taken to income over the residual useful life of the assets concerned.

The value of assets remitted for nil consideration and contributions received are transferred to the income statement over their useful lives.

1.15 Provisions other than employee benefit provisions

A provision is booked if the following three conditions are met:

- EDF 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 EDF's estimate of the expected cost necessary to settle the obligation. Estimates are based on management data from the information system, assumptions adopted by EDF, 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.

The relevant expenses are estimated based on year-end economic conditions, 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.

Provisions to cover back-end nuclear cycle expenses, expenses related to the decommissioning of power plants and last cores, and loss-making contracts 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 France, considering the long operating cycle of assets and the maturities of commitments. The discount effect generated at each closing to reflect the passage of time is recorded in financial expenses. 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 EDF is virtually certain of receiving it.

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

Changes in provisions resulting from a change in discount rates, a change in the disbursement schedule or a change in contractor quote are recorded:

- as an increase or decrease in the corresponding assets, up to the net book value, if the provision was initially covered by balance sheet assets (decommissioning of plants still in operation, long-term management of the radioactive waste resulting from such decommissioning, and last cores), as required by CRC Emergency Committee opinion 2005-H of 6 December 2005 on recognition of decommissioning, removal and site rehabilitation costs in individual financial statements, incorporated into Article 213-8 of ANC Regulation 2014-03 on the national chart of accounts;
- in the income statement in all other cases.

1.15.1 Provisions related to nuclear generation

These provisions mainly cover the following:

- back-end nuclear cycle expenses: provisions for spent fuel management and long-term radioactive waste management are established for all fuels. This provision concerns all fuel in reactors, regardless of the extent of irradiation; it also covers management expenses for radioactive waste resulting from decommissioning of nuclear plants;

- costs for decommissioning power plants and losses relating to fuel in the reactor when the reactor is shut down (provision for last cores).

1.15.2 Other provisions

These provisions mainly concern:

- 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;
- unrealised foreign exchange losses;
- costs of decommissioning of thermal and hydropower plants;
- costs of renewal of facilities operated under distribution concessions.

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 company.

1.16 Employee benefits

In accordance with the statutory regulations for companies in the electricity and gas sector (IEG), EDF's employees are entitled to post-employment benefits (pensions plans, retirement indemnities, etc) and other long-term benefits (e.g. long-service awards).

1.16.1 Calculation and recognition of employee benefits

In application of the CNC Emergency Committee opinion 2000-A issued on 6 July 2000, incorporated into Article 324-1 of ANC Regulation 2014-03 on the national chart of accounts, EDF opted for recognition of post-employment benefits granted to personnel as of 1 January 2005.

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

Post-employment benefit obligations are valued mainly using the following methods and assumptions, in compliance with Article 324-1 of ANC regulation 2014-03:

- retirement age, determined on the basis of the applicable rules, and the requirements to qualify for a full pension;
- 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;
- forecast numbers of pensioners, determined based on employee turnover rates and mortality data;
- reversion pensions where relevant, taking into account both the life expectancy of the employee and his/her spouse and the marriage rate for IEG sector employees;
- a discount rate that depends on the duration of the obligations, determined at the year-end date by reference to the market yield on high quality corporate bonds or the rate on government bonds whose duration is coherent with EDF's commitments to employees.

The amount of the provision takes into account the present value of the assets that cover these benefits, which is deducted from the value of the benefit obligation.

Any actuarial gain or loss on post-employment benefit obligations in excess of 10% (the "corridor") of the obligations or fund assets, whichever is the highest, are recognised in the income statement progressively over the average residual working life of the company's employees.

For other long-term benefits, actuarial gains and losses and the full past service cost are directly included in the provision, without application of the *corridor* rule.

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

- the current service cost, corresponding to additional benefit entitlements earned during the year;
- the net interest expense, corresponding to interest on obligations net of the return on fund assets;
- the income or expense corresponding to the actuarial gains and losses on long-term benefits and amortisation of actuarial gains or losses on post-employment benefits;
- the past service cost, including the income or expense related to amendments or settlements of benefit plans or introduction of new plans.

1.16.2 Post-employment benefit obligations

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, EDF establishes 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.

As a result of this funding mechanism, any change (whether favourable or unfavourable to employees) in the standard French pension system that is not passed on to the IEG pension system is likely to cause a variation in the amount of the provisions recorded by EDF to cover its obligations.

The obligations concerned by the pensions and for which a provision is recorded thus include:

- specific benefits of employees in the deregulated or competitive activities;
- specific benefits earned by employees from 1 January 2005 for the regulated activities (distribution) (benefits earned before that date are financed by the CTA levy).

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 (energy): 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 preferential prices. The obligation for supplies of energy to employees of EDF and GDF Suez corresponds to the probable present value of KWh to be supplied to beneficiaries or their dependants during their retirement, valued on the basis of the unit cost. It also includes the payment made 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 help with the cost of studies, time banking for pre-retirement leave, and pensions for personnel sent on secondment to companies not covered by the IEG system.

1.16.3 Other long-term benefit obligations

These benefits concern employees currently in service, and 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.

1.17 Derivatives

EDF uses derivatives in order to minimise the impact of foreign exchange risks and interest rate risks.

These short-term and long-term derivatives comprise interest rate and currency derivatives.

Hedging derivatives correct the foreign exchange result and interest income or expense of the corresponding asset or liability. If the foreign exchange risk is fully hedged, no provision is recorded. If it is only partly hedged, a provision is recorded for the entire unhedged portion of the unrealised foreign exchange loss.

For derivatives traded over the counter, when there is no hedging relationship, a provision is recorded for unrealised losses and unrealised gains are not recognised.

Instruments in the portfolio at the year-end are included in off balance sheet commitments at the nominal value of the contracts.

1.18 Commodity contracts

Forward financial instruments on commodities are traded for hedging purposes. Gains and losses on these operations are included in sales or in the cost of energy purchases, depending on the nature of the hedged item.

Instruments in the portfolio at the year-end are included in off balance sheet commitments at the quantities to be delivered or to be received under the contracts.

1.19 Environment

1.19.1 Greenhouse gas emission rights

The third phase of the Kyoto protocol began on 1 January 2013, introducing changes to the methods for allocation of greenhouse gas emission rights which in France put an end to free allocation of emission rights for electricity generating companies.

EDF applies the accounting methods for greenhouse gas emission rights in accordance with France's Accounting Standards Authority (ANC) Regulation 2012-04 of 4 October 2012, incorporated into Articles 615-1 to 615-22 of ANC Regulation 2014-03.

The accounting treatment of emission rights depends on the holding intention. There are two economic models, both of which coexist at EDF.

Emission rights held under the "Trading" model are included in inventories at acquisition cost. A write-down is recorded when the present value of emission rights is lower than the book value.

Emission rights held to comply with regulatory requirements on greenhouse gas emissions (the "Generation" model) are included in inventories at acquisition cost, and the FIFO (first in first out) method is applied. A write-down is recorded when the generation cost of the electricity that includes the cost of the rights is higher than the present value of that electricity. At year-end, a "net presentation" principle is applied as follows:

- an asset is recognised (in inventories) if the quantities of greenhouse gas emissions are lower than the number of emission rights held in the portfolio. This corresponds to the rights available to cover future greenhouse gas emissions;
- a liability is recorded (in debts) in the opposite situation equivalent to the rights still needed to cover emissions already produced, valued at contractualised acquisition price for forward purchases deliverable before surrender, and at market value for the balance.

The net reporting principle assumes that the emission rights held in the portfolio will be the rights used to offset emissions produced. However, there is a limit to the fungibility of rights at EDF, as there are no transfers of rights between the island and mainland activities. This can lead to concurrent recognition of an asset and a liability.

1.19.2 Energy savings certificates

In application of French Law 2005-781 of 13 July 2005 defining the major lines of the national energy policy, which introduced a system of energy savings certificates for legal entities selling electricity, gas, heat or cold to end-users, and CNC Emergency Committee opinion 2006-D of 4 October 2006 defining the relevant accounting treatment under French GAAP, EDF's financial statements reflect the management of energy savings certificates.

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

- tangible assets, if the action taken by the company 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.

Under the general framework of an energy savings certificate system:

- certificates obtained from the State after the action taken are not recognised in the accounts;
- purchases of energy savings certificates are included in:
  - expenses, if the purchases are made to meet the obligation,
  - intangible assets, if the certificates are purchased for resale (as there is no active market).

Certificates purchased, obtained or receivable from the State are recorded in specific commodities off-balance sheet accounts.

↗ Note 2 Significant events and transactions

The main events and transactions in 2014 with a definite or potential significant impact on the financial statements are as follows:

2.1 Dalkia

On 25 March 2014 EDF and Veolia Environnement (VE) announced that they had finalised the discussions begun in October 2013 and signed an agreement regarding their joint subsidiary Dalkia. Under the terms of this agreement, the EDF group was to take over all the Dalkia group's activities in France (including Citelum), while Dalkia International's activities were taken over by VE.

Following European Commission approval and fulfilment of the other conditions, EDF finalised the operation with VE on 25 July 2014, on the terms laid down in the agreement of 25 March 2014.

EDF sold all the shares of Dalkia Holding and Dalkia International to VE for a total amount of €1,776 million. A gain on sale of €454 million was recorded in exceptional result.

As the acquisition of exclusive control over Dalkia in France took place at the same time, EDF acquired all the shares in Dalkia for the sum of €967 million.

2.2 Transalpina di Energia SpA and Wagram 4

As part of the reorganisation of the EDF group's Italian subsidiaries in the first half-year of 2014, EDF's fully-owned subsidiary Wagram 4 merged with the fully-owned subsidiary TdE SRL, which holds the shares of Edison. Following this merger in which TdE was absorbed by Wagram 4, the new entity's name is Transalpina di Energia SpA (TdE SpA). On 1 July 2014 EDF sold the shares of TdE SpA to EDF International at their net book value of €4,273 million.

2.3 Issuance of perpetual subordinated bonds

On 15 January 2014 EDF launched several tranches of a perpetual subordinated bond in Euros, US dollars and sterling (a "hybrid" bond):

- US$1,500 million at 5.625% coupon with a 10-year first call date;
- €1,000 million at 4.125% coupon with an 8-year first call date;
- €1,000 million at 5% coupon with a 12-year first call date;
- £750 million at 5.875% coupon with a 15-year first call date.

Given its characteristics (see note 1.13), this issue is recorded in "Additional equity" from reception of funds at the amount of €3,973 million (net of redemption premium).

This bond is the second issue in the financing programme launched in January 2013 with the aim of building up an amount of subordinated instruments coherent with the portfolio of industrial assets in development.

2.4 Agreement between EDF and Exeltium

On 27 October 2014 the Exeltium consortium and EDF signed an agreement to adjust Exeltium's electricity supply contract and restore competitivity to the electro-intensive companies concerned, following the significant unexpected drop in market prices.

Under this agreement, the price paid for electricity supplies will be decreased initially, before a subsequent adjustment based on changes in the market price for electricity. The whole mechanism thus makes the contract more flexible while retaining its overall economic balance.

The other contractual parameters (delivery volumes, opt-out options and industrial risk sharing) are unchanged. The contract's philosophy, approved at the outset by the European Commission, remains the same: offering long-term visibility to the companies belonging to the consortium and ensuring competitive prices over the whole period, while allowing EDF to share part of its generation costs in the long run.

↗ Note 3 Regulatory events in 2014 with an impact on the financial statements

3.1 Regulated tariffs

3.1.1 Cancellation of regulated sales tariffs by the Council of State

In a decision of 11 April 2014, France's Council of State partly cancelled the regulated electricity sales tariffs for the period 23 July 2012 to 31 July 2013, following a petition for cancellation brought by the ANODE (French association of energy retail operators). It had decided that the rises in the "yellow" and "blue" tariffs for the period, which were limited to 2% by the ministerial decision of 20 July 2012, were insufficient to cover EDF's electricity generation costs, and also too low in view of the legislator's aim to bring tariffs into line with supply costs for electricity distributed at market prices by 31 December 2015. The corrected 2012 sales tariffs were published in the official journal on 31 July 2014.

Based on those corrections, an additional €908 million of sales revenues was recorded in 2014. After inclusion of various costs associated with this retroactive tariff adjustment, the impact on the operating profit for 2014 amounts to €731 million.

3.1.2 Regulated electricity sales tariffs in France

The tariff decision of 26 July 2013 provided for an average 5% rise in the "blue" regulated sales tariffs from 1 August 2014. On 4 July 2014, the French government announced that this rise was to be cancelled, and a decision to this end was published.

The government also decided to amend decree 2009-975 of 12 August 2009 in order to introduce before 31 December 2015 a method for constructing regulated sales tariffs by "stacking" or adding up the price of regulated access to nuclear energy, the cost of the electricity supply complement which includes the capacity guarantee, electricity delivery costs and selling costs, and a normal level of return. The new decree was published on 28 October 2014. On this basis, an official decision set the new tariff scales as of 1 November 2014. The tariff rises were lower than the 5% announced in 2013, at an average 2.5% for the "blue" tariff for residential customers, 3.7% for the "green" tariff, and 2.5% for the "yellow" tariff. The "blue" tariff for non-residential customers was reduced by an average 0.7%.

3.2 The NOME Law and the ARENH system

Supplies of electricity to EDF's competitors under the ARENH scheme for regulated access to nuclear power supplies concerned a volume of 71.3TWh for 2014 (36.8TWh of which were for the first half-year). The annual volume sold under this scheme cannot exceed 100TWh, plus a progressive increase from 1 January 2014 by the amounts sold to network operators to compensate for their power losses, according to a timetable set by government decision. Applications by suppliers in November 2014 to benefit from the ARENH tariff for the first half of 2015 (15.8TWh) were down substantially compared to first-half 2014, principally because wholesale market prices had fallen and became a more attractive source of energy supplies.

The ARENH price was set at €42/MWh from 1 January 2012, and is subsequently intended to reflect the economic conditions of generation by the existing nuclear fleet. The draft decree stipulating the valuation method for costs making up the ARENH price was examined by France's Higher Energy Board (CSE) on 19 June 2014, and has also been examined by France's Competition Authority and the CRE. It is currently under examination by the European Commission, which must approve the price formula. The French government has announced that this formula will apply from 1 July 2015. On 15 October 2014 the CRE stated in its report on regulated electricity sales tariffs that based on the information in its possession at that date, application of that formula would result in a rise of approximately €2/MWh in 2015.

3.3 Energy transition bill

On 14 October 2014, the French National Assembly adopted the bill of law on the energy transition for green growth, on its first reading. This bill sets medium and long-term objectives.

The main objectives are to reduce greenhouse gas emissions from their 1990 levels by 40% by 2030 and 75% by 2050, and to halve final energy consumption by 2050, with an intermediate target of a 20% reduction by 2030.

The bill also aims to bring about changes in the French energy mix, reducing the share of nuclear electricity production from its current 75% to 50% by 2025, cutting primary consumption of fossil-based energy by 30% between 2012 and 2030, and increasing the share of renewable energies in final consumption to 32% by 2030.

Regarding nuclear power, the bill proposes to limit total nuclear generation capacity to 63.2GW, which is equivalent to the production capacity of the nuclear power plants currently in operation.

The bill also introduces a new governance structure for climate and energy policies. EDF would be required to prepare a strategic corporate plan compatible with the multi-year energy programme, giving the government commissioner the power to oppose investment decisions that are not compatible with the strategic plan.

The other key points of the bill include a reform of the support system for renewable energies and a reform to the governance of the CSPE (Contribution to the Public Electricity Service) system.

The legislative process is now continuing with the Senate's review of the bill in early 2015.

3.4 Pension reforms – Law of 20 january 2014

The French Law 2014-40 of 20 January 2014 amended the regulations governing pensions in France. The two principal measures introduced by the law apply to the special pension system for companies in the electricity and gas sector (IEG). The contribution period required to qualify for a full pension will be progressively extended to 43 years starting with employees born in 1973. This applies to France's standard national pension system and public sector pension system, and was transposed to the IEG pension system by Decree 2014-698 of 25 June 2014. Also, the date for the annual review of pension values is deferred from 1 April to 1 October as of the 2014 financial year.

Since the bill for this law was adopted by Parliament on 18 December 2013, its impact has been taken into account in valuing EDF's pension obligations from 31 December 2013.

Income statements

↗ Note 4 Sales

Sales are comprised of:

(in millions of Euros)	**2014**	2013
Sales of energy [1]	39,616	41,234
Sales of goods and services	2,101	2,189
SALES	**41,717**	**43,423**

(1) Including a share of delivery costs for sales of electricity and gas.

The change in sales observed in 2014 was principally due to the lower volumes sold as a result of unfavourable weather effects, which was partly offset by tariff increases of 3.6% in August 2013 and 2.3% in November 2014. Energy sales in 2014 include the €908 million effects of the retroactive tariff adjustment (see note 3.2).

↗ Note 5 Operating subsidies

(in millions of Euros)	**2014**	2013
OPERATING SUBSIDIES	**5,912**	**5,117**

Operating subsidies mainly comprise the subsidy received or receivable by EDF in respect of the Contribution to the Public Electricity Service (CSPE). In the financial statements, this compensation results in recognition of income of €5,888 million for 2014 (€5,103 million for 2013). The increase is mainly explained by lower market prices for electricity and the rise in purchase volumes for photovoltaic energy, which lead to an increase in the subsidy receivable for purchase obligations in mainland France, and higher fuel purchases in non-interconnected zones.

↗ Note 6 Reversals of provisions and depreciation

(in millions of Euros)	**2014**	2013
Reversals of provisions for risks	100	227
Pensions and similar obligations [1]	1,127	1,407
Spent fuel management	648	637
Long-term radioactive waste management	240	137
Decommisioning of nuclear power plants	164	171
Decommissioning of thermal and hydropower plants	36	37
Other provisions for expenses	170	188
Reversals of provisions for expenses	2,385	2,577
Reversals of depreciation	267	269
TOTAL REVERSALS OF PROVISIONS AND DEPRECIATION	**2,752**	**3,073**

(1) In 2013, this includes the €393 million impact of the pension reform (see note 3.4).

Note 7 Other operating income and transfers of charges

(in millions of Euros)	**2014**	2013
Other operating income	585	719
Transfers of charges	130	128
TOTAL	**715**	**847**

Note 8 Purchases and other external expenses

(in millions of Euros)	**2014**	2013
Fuel purchases used [1]	3,173	4,298
Energy purchases [2]	9,792	10,311
Services and other purchases used [3]	18,965	19,480
PURCHASES AND OTHER EXTERNAL EXPENSES	**31,930**	**34,089**

(1) Fuel purchases used include costs relating to raw materials for energy generation (nuclear fuels, fissile materials, coal, oil, and gas), and purchases of services related to the nuclear fuel cycle. This item also includes greenhouse gas emission rights consumed (see note 1.19.1).

(2) These purchases include electricity purchase obligations.

(3) Service purchases include distribution network access fees invoiced by the subsidiary ERDF.

Note 9 Taxes other than income taxes

Details of taxes other than income taxes are as follows:

(in millions of Euros)	**2014**	2013
Taxes on salaries and wages	162	157
Energy-related taxes	1,231	1,124
Local Economic Contribution	516	530
Property taxes	382	374
Other taxes	324	333
TOTAL TAXES OTHER THAN INCOME TAXES	**2,615**	**2,518**

Note 10 Personnel expenses

(in millions of Euros)	**2014**	2013
Salaries and wages	3,905	3,843
Social contributions	2,699	2,614
PERSONNEL EXPENSES	**6,604**	**6,457**

The increase in personnel expenses results primarily from changes in the workforce and the Basic National Salary.

	2014			2013
	Executives	Non Executives	**Total**	Total
IEG Status	29,340	36,360	65,700	64,374
Other	257	4,196	4,453	4,269
AVERAGE WORKFORCE	**29,597**	**40,556**	**70,153**	**68,643**

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

In 2014, the scope of the workforce was broadened (mainly to include apprentices). The figures published for 2013 are the annual average workforce numbers, and have been adjusted accordingly.

↗ Note 11 Depreciation and amortisation

(in millions of Euros)	**2014**	2013
Amortisation of intangible assets	153	123
Depreciation on property, plant and equipment:		
■ owned by EDF	2,747	2,358
■ operated under concessions [(1)]	218	207
Total depreciation and amortisation on fixed assets	3,118	2,688
Other depreciation and amortisation and deferred income	31	35
TOTAL DEPRECIATION AND AMORTISATION	**3,149**	**2,723**

(1) This depreciation concerns the Island Energy System's public distribution concessions and hydropower concessions.

↗ Note 12 Provisions and impairment

(in millions of Euros)	**2014**	2013
Provisions for risks [(1)]	608	137
Pensions and similar obligations	733	810
Management of spent nuclear fuel	457	417
Long-term management of radioactive waste [(2)]	29	228
Decommissioning of nuclear power plants and last cores [(3)]	423	–
Decommissioning of thermal and hydropower plants	–	1
Other provisions for expenses	166	222
Provisions for expenses	1,808	1,678
Impairment	424	319
TOTAL PROVISIONS AND IMPAIRMENT	**2,840**	**2,134**

(1) Most of the increase concerns supply contracts.
(2) Including €208 million in 2013 to reflect the ANDRA's new financing requirements for studies concerning the geological storage plan.
(3) An increase of €388 million for decommissioning of permanently shut-down nuclear power plants was recorded in 2014 (see note 28.3).

↗ Note 13 Financial result

(in millions of Euros)	**2014**		2013	
Income from investments [1]		1,295		2,116
Income from other securities and receivables related to fixed assets [2]		370		377
Interest and similar income and expenses [3]		(1,639)		(2,007)
Reversal of provisions and impairment and transfers of charges [4]		415		1,187
Foreign exchange result		**(129)**		**137**
■ Gains	2,160		1,835	
■ Losses	(2,289)		(1,698)	
Result on sales of marketable securities		**51**		**(26)**
■ Net income	51		7	
■ Net charges			(33)	
Financial amortisation, provisions and impairment [5]		(3,459)		(2,674)
FINANCIAL RESULT		**(3,096)**		**(890)**

(1) The change in dividends received principally concerns:
- *ERDF (€427 million in 2014 and €535 million in 2013);*
- *EDF International (€202 million in 2014 and €394 million in 2013);*
- *C3, the holding company which carries EDF Investissements Groupe (€129 million in 2014 and €514 million in 2013);*
- *EDEV (€58 million in 2014 and €146 million in 2013).*

(2) In 2014, this item includes income of €87 million (€83 million in 2013) for the cost of bearing the CSPE financial receivables.

(3) The change essentially results from changes in the unrealised foreign exchange gain or loss on currency instruments and the interest expense on perpetual subordinated bonds.

(4) Reversals of impairment were recorded in 2013 in respect of dedicated assets (€176 million) and shares in Veolia Environnement (€327 million) following sale of all those shares.

(5) These charges chiefly includes the discount expenses on provisions for the back-end of the nuclear cycle, decommissioning and last cores and provisions for long-term and post-employment benefits. They also reflect the unfavourable foreign exchange effect on unhedged borrowings in foreign currencies and perpetual subordinated bonds.

↗ Note 14 Exceptional result

At 31 December 2014, exceptional items resulted in net income of €1,442 million, the main items of which are the following:

- net gains of €934 million on sales of investment securities included in dedicated assets;
- a net gain of €454 million following the sales of Dalkia International and Dalkia Holding.

At 31 December 2013, exceptional items resulted in net income of €164 million, the main items of which are the following:

- gains of €622 million on sales of investment securities included in dedicated assets, especially sales undertaken after the CSPE receivable was allocated to those assets;
- a loss of €266 million on sale of the shares in Veolia Environnement, offset by a €327 million reversal from impairment included in the financial result;
- excess tax depreciation amounting to €222 million relating to a new information system commissioned in the nuclear activities in 2013.

Note 15 Income taxes

15.1 Tax group

Since 1 January 1988, EDF and certain subsidiaries have formed a group subject to the tax consolidation system existing under French tax legislation (Articles 223A to 223U of the French Tax Code). The tax consolidation group comprises 83 subsidiaries in 2014, including RTE Réseau de Transport d'Électricité, ERDF, EDF International and the EDF Énergies Nouvelles subgroup.

15.2 Income tax payable

Under Article 223A of the French Tax Code, EDF, as the head of the tax consolidated group, is the sole entity responsible for payment of income taxes and additional related contributions (social contributions, exceptional contribution equal to 10.7% of income taxes, and 3% contribution on dividend distributions).

The tax consolidation agreement between the members of the tax group stipulates that the arrangement must be neutral in effect. In application of this principle, each subsidiary pays the consolidating company a contribution to group income tax equivalent to the tax it would have paid if it had been taxed separately.

The tax consolidation agreement between EDF and the subsidiaries included in the tax group requires EDF to reimburse loss-making subsidiaries for the tax saving generated by their losses, as and when the entities concerned make taxable profits, in compliance with the standard rules for use of taxable losses.

The company at the head of the tax group, EDF, recorded an income tax expense of €577 million for 2014. The breakdown is as follows:

- €217 million for the taxable profit for 2014;
- €376 million for the net exceptional result;
- €(16) million for adjustments resulting from the tax consolidation.

15.3 Tax credit for competitivity and employment (CICE)

The amounts received in 2014 under the French CICE tax credit scheme for 2013 were to fund the company's investment and recruitment efforts.

15.4 Deferred taxes

Deferred taxes are not recognised in EDF's individual financial statements. Deferred taxes result from differences between the accounting bases and tax bases of items. They generally arise as a result of timing differences in the recognition of income and expenses:

- deferred tax assets reflect expenses which will be tax deductible in future years or losses carried forward which will reduce taxable income in the future;
- deferred tax liabilities reflect either advance tax deduction of future accounting expenses or accounting revenues that will be taxable in future years and will increase the tax basis.

Changes in deferred taxes are as follows:

(in millions of Euros)	**31/12/2014**	31/12/2013	Change
1. Timing differences generating a deferred tax asset			
■ Non-deductible provisions [(1)]	(12,403)	(10,316)	(2,087)
■ Financial instruments and unrealised exchange gains	(5,151)	(3,780)	(1,371)
■ Other	(324)	(337)	13
Total deferred tax assets subject to the standard rate	**(17,878)**	**(14,433)**	**(3,445)**
2. Timing differences generating a deferred tax liability			
■ Financial instruments and unrealised exchange losses	4,657	2,883	1,774
■ Other	1,014	727	287
Total deferred tax liabilities subject to the standard rate	**5,671**	**3,610**	**2,061**
■ Capital gains not yet taxed, net of capital losses	79	79	–
Total deferred tax liabilities subject to reduced rate	**79**	**79**	**–**
BASIS FOR DEFERRED TAXES	**(12,128)**	**(10,744)**	**(1,384)**
Net future tax asset at standard rate	(4,203)	(3,726)	(477)
Net future tax liability at reduced rate	3	1	2

(1) Mainly concerning post-employment benefits for personnel.

Balance sheets

Note 16 Gross values of intangible and tangible fixed assets

(in millions of Euros)	Gross value at 31/12/2013	Increases	Decreases	**Gross value at 31/12/2014**
Software	942	210	16	1,136
Other	243	9	1	251
Intangible assets	**1,185**	**219**	**17**	**1,387**
Land	117	8	3	122
Buildings	9,374	358	61	9,671
Nuclear power plants	49,522	2,665	948	51,239
Machinery and plant other than networks	11,286	509	241	11,554
EDF-owned networks	886	34	1	919
Other	1,313	138	86	1,365
Property, plant and equipment owned by EDF	**72,498**	**3,712**	**1,340**	**74,870**
Land	39	–	–	39
Buildings	9,359	154	5	9,508
Machinery and plant other than networks	1,379	40	9	1,410
Concession networks	2,292	138	12	2,418
Other	11	–	1	10
Property, plant and equipment operated under concessions (1)	**13,080**	**332**	**27**	**13,385**
Tangible assets (2)	9,220	5,163	3,912	10,471
Intangible assets	1,199	335	222	1,312
Advances and progress payments on orders	2,355	397	–	2,752
Assets in progress	**12,774**	**5,895**	**4,134**	**14,535**
TOTAL OF INTANGIBLE AND TANGIBLE FIXED ASSETS	**99,537**	**10,158**	**5,518**	**104,177**

(1) Assets operated under concession concern the Island Energy Systems and hydropower concessions.
(2) Investments during 2014 mainly concern equipment for existing power plants and construction of the EPR plant at Flamanville.

↗ Note 17 Depreciation and amortisation on intangible and tangible fixed assets

(in millions of Euros)	Gross value at 31/12/2013	Increases	Decreases	**Gross value at 31/12/2014**
Software	395	126	15	506
Other	77	27	–	104
Intangible assets	**472**	**153**	**15**	**610**
Buildings and land developments	6,265	277	58	6,484
Nuclear power plants	33,427	2,073	883	34,617
Machinery and plant other than networks	7,338	396	236	7,498
EDF-owned networks	364	27	–	391
Other	781	110	82	809
Property, plant and equipment owned by EDF	**48,175**	**2,883**	**1,259**	**49,799**
Buildings and land developments	5,855	135	5	5,985
Machinery and plant other than networks	980	24	7	997
Concession networks	909	66	8	967
Other	10	–	–	10
Property, plant and equipment operated under concessions	**7,754**	**225**	**20**	**7,959**
Tangible assets in progress	**71**	**31**	**2**	**100**
TOTAL DEPRECIATION AND AMORTISATION	**56,472**	**3,292**	**1,296**	**58,468**

↗ Note 18 Financial assets

18.1 Change in financial assets

(in millions of Euros)	Gross value at 31/12/2013	**Gross value at 31/12/2014**
Investments [(1)]	59,848	56,577
Receivables related to investments	50	50
Investment securities [(2)]	12,150	12,591
Other investments	349	208
CSPE receivable [(3)]	5,053	5,140
Loans to subsidiaries and other financial assets [(4)]	2,615	3,089
Total financial assets, gross	**80,065**	**77,655**
Impairment of investments and related receivables [(1)]	(357)	(171)
Impairment of investment securities	(41)	(55)
Total impairment	**(398)**	**(226)**
TOTAL FINANCIAL ASSETS, NET	**79,667**	**77,429**

(1) *The change in investments essentially corresponds to:*
- *acquisition of the shares of Dalkia for €967 million (see note 2.1);*
- *sale of Dalkia Holding and Dalkia International for a net value of €1,322 million (see note 2.1);*
- *subscription to the capital increase of C3 (the holding company carrying EDF Investissements Groupe) for €1,300 million;*
- *sale of TdE SpA to EDF International, with a reversal of €220 million of the provision for impairment (see note 2.2).*

(2) *Changes in investment securities correspond to acquisitions and sales of dedicated assets over the period, generating net capital gains for 2014 (see note 14). The allocation to dedicated assets for 2014 was zero, as the realisable value of the assets now exceeds the value of the provisions they are intended to cover (see note 38.2.4).*

(3) *This receivable consists of the CSPE shortfall at 31 December 2012 and the associated financing costs borne by EDF. The CSPE* (Contribution au Service Public de l'Électricité) *is a contribution set by the French 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 development of renewable energies, social tariffs and tariff equalisation. Under the agreement reached with the French authorities 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 EDF (€0.6 billion). Following conclusion of this agreement, EDF transferred the CSPE receivable from "Other receivables" to "Financial loans and receivables". This receivable carries interests at market rates (1.72%) over the whole period.*

(4) *Loans to subsidiaries at 31 December 2014 total €3,002 million, including €1,175 million for EDF Energies Nouvelles, €670 million for RTE, €661 million for Dalkia and €450 million for EDF International.*

18.2 Subsidiaries and investments of at least 50% of capital

(in millions of Euros)	Gross book value of shares owned	**Impairment recorded at 31/12/2014**	% capital owned	Equity at 31/12/2013	Net income 2013	**Dividends received 2014**	Sales 2013
I. Subsidiaries							
Holding companies							
EDEV	6,891	–	100	6,354	62	58	1,199
EDF International	25,930	–	100	23,959	213	202	–
EDF Production Électrique Insulaire SAS	711	–	100	664	10	–	174
EDF Holding SAS	1,950	–	100	2,260	231	219	–
Société C3	11,196	–	100	10,071	136	129	–
EDF Immo	1,361	–	100	1,383	46	–	–
Other companies	394	2	100	–	–	–	–
Industrial and commercial companies							
France							
Centrale Électrique Rhénane de Gambsheim	3	–	50	10	nm	–	7
Dalkia Investissement	200	62	100	263	38	–	nm
Dalkia	967	–	100	1,317	3	–	–
RTE Réseau de Transport d'Électricité [(1)]	4,030	–	100	5,861	417	250	4,652
Électricité Réseau Distribution France (ERDF)	2,700	–	100	4,324	781	427	13,811
Other countries							
Emosson	14	14	50	114	nm	–	31
Rheinkraftwerk Iffezheim (RKI)	3	–	50	117	3	–	17
Forces Motrices du Chatelôt	nm	–	50	7	nm	nm	4
Other entities (GIE EIFER)	**94**	**93**	–	–	–	–	–
TOTAL I	56,444	171				1,285	

nm: not material (less than €500,000)
(1) 50% of shares are allocated to dedicated assets

18.3 Subsidiaries and investments under 50% of capital

(in millions of Euros)	Gross book value of shares owned	**Impairment recorded at 31/12/2014**	% capital owned	Equity at 31/12/2013	Net income 2013	**Dividends received 2014**
I. Subsidiaries						
Total I Carried forward	56,444	171				1,285
II Investments						
II.1 Companies in which EDF has an interest of between 10% and 50%						
Industrial and commercial companies						
France						
Trimet France	130	–	35	243	nm	–
Total II.1	130	–				–
II.2 Companies in which EDF has an interest of less than 10%						
Other companies	1	–	–	–	–	–
Other countries						
Forces Motrices de Mauvoisin	1	–	10	97	4	nm
Total II.2	2	–				–
TOTAL II	**133**	**–**				**–**
TOTAL INVESTMENTS, GROSS	**56,577**	**171**				**1,285**
TOTAL INVESTMENTS, NET	**56,406**					

nm: not material (less than €500,000).

18.4 Investment securities portfolio

	At start of year			At year-end		
(in millions of Euros)	Gross book value	Net book value	Fair value	Gross book value	Net book value	Fair value
VALUE OF INVESTMENT SECURITIES	**12,150**	**12,118**	**14,005**	**12,591**	**12,536**	**14,769**

At 31 December 2014, the investment securities portfolio gross value comprises dedicated assets (€12,468 million) and €123 millions of shares in AREVA, against which impairment of €45 million was booked.

18.5 Variation in 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.

A liquidity contract exists for this program, as required by the market regulator AMF.

(in millions of Euros)	Gross value at 31/12/2013	Increases	Decreases	**Gross value at 31/12/2014**
TREASURY SHARES	**44**	**443**	**(449)**	**38**

At 31 December 2014, treasury shares included in the investment securities portfolio represent 1,631,587 shares with total value of €38 million.

18.6 Financial loans and receivables related to investments

(in millions of Euros)	Liquidity < 1 year	Liquidity 1-5 years	Liquidity > 5 years	**Gross value at 31/12/2014**	Gross value at 31/12/2013
Receivables related to investments	2	–	48	50	50
CSPE receivable	638	4,502	–	5,140	5,053
Loans and other financial assets	792	717	1,580	3,089	2,615
FINANCIAL LOANS AND RECEIVABLES RELATED TO INVESTMENTS	**1,432**	**5,219**	**1,628**	**8,279**	**7,718**

Note 19 Inventories and work-in-progress

	31/12/2014			31/12/2013		
(in millions of Euros)	Gross value	Provisions	Net value	Gross value	Provisions	Net value
Nuclear fuel	8,457	(14)	8,443	8,327	(14)	8,313
Other raw materials	334	–	334	487	–	487
Other supplies	1,144	(186)	958	1,038	(197)	841
Work-in-progress and other inventories	18	–	18	19	–	19
TOTAL INVENTORIES	**9,953**	**(200)**	**9,753**	**9,871**	**(211)**	**9,660**

Note 20 Other current assets

(in millions of Euros)	Liquidity < 1 year	Liquidity 1-5 years	Liquidity > 5 years	**Gross value at 31/12/2014**	Gross value at 31/12/2013
Advances on orders	**590**	**187**	**359**	**1,136**	**1,056**
■ Trade receivables					
– Amounts billed	2,039	–	–	2,039	2,519
– Unbilled receivables (1)	12,060	243	–	12,303	11,102
■ Other operating receivables (2)	4,923	56	81	5,060	4,170
Operating receivables	**19,022**	**299**	**81**	**19,402**	**17,791**
Cash instruments (3)	**1,618**	**1,041**	**1,254**	**3,913**	**1,627**
Prepaid expenses	**481**	**169**	**644**	**1,294**	**1,295**
TOTAL CURRENT ASSETS	**21,711**	**1,696**	**2,338**	**25,745**	**21,769**

(1) Mainly receivables for energy supplied and not billed, including the amount recognised in 2014 for the retrospective tariff adjustment (see note 3.1).
(2) Including €2,460 of receivables on the State related to taxes other than income taxes, and €2,056 million for the Contribution to the Public Electricity Service (CSPE) (€1,357 million in 2013). The rest of the CSPE receivable is recorded under "Financial assets" (see note 18.1).
(3) Unrealised gains on foreign exchange instruments.

↗ Note 21 Marketable securities

(in millions of Euros)	**31/12/2014**	31/12/2013	Change
Treasury shares	3	3	–
Investment funds	1,637	2,844	(1,207)
Negotiable debt instruments (Euros or other currencies) maturing within 3 months	–	10	(10)
Negotiable debt instruments (Euros or other currencies) maturing after 3 months	1,914	2,599	(685)
Bonds	5,211	4,847	364
Accrued interest and other marketable securities	54	13	41
Total gross value	**8,819**	**10,316**	**(1,497)**
Provisions	**(4)**	**(4)**	**–**
TOTAL NET VALUE	**8,815**	**10,312**	**(1,497)**

The disposal of dedicated assets totalling €2.4 billion in 2013 after the CSPE receivable was allocated to dedicated assets explains why marketable securities have a higher value at 31 December 2013 than 31 December 2014.

↗ Note 22 Variation in cash and cash equivalents reported in the cash flow statement

(in millions of Euros)	**31/12/2014**	31/12/2013	Change
Marketable securities	8,819	10,316	(1,497)
Cash and cash equivalents	6,583	5,066	1,517
Sub-total in balance sheet assets	**15,402**	**15,382**	**20**
Euro investment funds	(1,637)	(2,844)	1,207
Negotiable debt instruments (Euro) maturing after 3 months	(1,914)	(1,595)	(319)
Negotiable debt instruments (non Euro) maturing after 3 months	–	(1,004)	1,004
Bonds	(5,211)	(4,847)	(364)
Treasury shares	(3)	(3)	–
Accrued interest and other marketable securities	(54)	(13)	(41)
Marketable securities included in financial assets in the cash flow statement	**(8,819)**	**(10,306)**	**1,487**
Cash advances to subsidiaries (cash pooling agreements) included in "other operating receivables" in the balance sheet	**12**	**4**	**8**
Cash advances from subsidiaries (cash pooling agreements) included in "other operating liabilities" in the balance sheet	**(5,369)**	**(8,390)**	**3,021**
CASH AND CASH EQUIVALENTS, CLOSING BALANCE IN THE CASH FLOW STATEMENT *	**1,226**	**(3,310)**	**4,536**
Elimination of the effect of currency fluctuations			**(57)**
Elimination of net financial income on cash and cash equivalents			**43**
NET VARIATION IN CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT *			**4,550**

* *See the Cash flow statement.*

Note 23 Unrealised foreign exchange losses

The net unrealised exchange loss amounts to €1,146 million at 31 December 2014, reflecting the unfavourable effects related to the pound sterling and the US dollar.

Note 24 Changes in equity

(in millions of Euros)	Capital	Reserves and premiums	Retained earnings and interim dividends	Profit or loss for the financial year	Investment subsidies	Tax–regulated provisions	Total equity
At 31 December 2012	**924**	**10,802**	**2,660**	**3,566**	**190**	**6,323**	**24,465**
Allocation of 2012 net income	–	–	2,309	(2,309)	–	–	–
Dividend distribution	–	–	1	(1,257)	–	–	(1,256)
Capital increase on 29 July 2013	6	165	–	–	–	–	171
2013 profit	–	–	–	2,938	–	–	2,938
Interim dividend	–	–	(1,059)	–	–	–	(1,059)
Other changes	–	–	18	–	(12)	78	84
At 31 December 2013	**930**	**10,967**	**3,929**	**2,938**	**178**	**6,401**	**25,343**
Allocation of 2013 net income	–	1	1,667	(1,668)	–	–	–
2014 profit	–	–	–	1,649	–	–	1,649
Dividend distribution	–	–	2	(1,270)	–	–	(1,268)
Interim dividend	–	–	(1,059)	–	–	–	(1,059)
Other changes	–	(1)	–	–	(4)	(77)	(82)
AT 31 DECEMBER 2014	**930**	**10,967**	**4,539**	**1,649**	**174**	**6,324**	**24,583**

24.1 Share capital

EDF's share capital amounted to €930,004,234 at 31 December 2014, comprising 1,860,008,468 fully subscribed and paid-up shares with nominal value of €0.50 each, owned 84.5% by the French State, 13.7% by the public (institutional and private investors), 1.7% by current and retired Group employees, and 0.1% held by EDF as treasury shares.

In 2013, payment of part of the 2012 dividends in the form of shares resulted in a €6 million increase in the capital, corresponding to issuance of 11,141,806 shares.

Under Article L. 111-67 of the French Energy Code, the French State must hold more than 70% of the capital of EDF at all times.

24.2 Dividends

The General Shareholders' Meeting of 15 May 2014 decided to distribute a dividend of €1.25 per share in respect of 2013.

In application of the amendment to the Company's articles of association proposed at the General Shareholders' Meeting of 24 May 2011, shareholders who had held their shares continuously for at least 2 years at the year-end and still held them at the dividend distribution date benefit from a 10% bonus on their dividends. The number of shares carrying an entitlement to the bonus dividend cannot exceed 0.5% of the company's capital. The bonus dividend amounts to €1.375 per share.

As interim dividends of €0.57 per share had been paid out on 17 December 2013, the balance payable for 2013 amounted to €0.68 per share benefiting from the ordinary dividend and €0.805 per share benefiting from the bonus dividend. The balance of the dividend was paid out on 6 June 2014, amounting to a total €1,268 million.

On 10 December 2014, EDF's Board of Directors decided to distribute an interim dividend of €0.57 per share in circulation in respect of 2014. This interim dividend was paid out in cash on 17 December 2014, amounting to a total of €1,059 million.

Note 25 Additional equity

Additional equity consists of the perpetual subordinated bonds issued by EDF in January 2013 and January 2014 at the value of €6,135 million and €3,973 million respectively (net of redemption premiums).

After adjustment for foreign exchange variations and amortisation of the redemption premium over the year, additional equity amounts to €10,688 million at 31 December 2014.

Note 26 Special concession accounts

(in millions of Euros)	**31/12/2014**	31/12/2013
Value in kind of assets	103	103
Revaluation difference	945	971
Additional depreciation	108	88
Rights in hydropower assets	1,156	1,162
Value in kind of assets	1,517	1,441
Unamortised financing by the operator	(915)	(860)
Amortisation of grantor financing	279	264
Contributions received for concessionary plant assets under construction	8	9
Rights in public distribution concession assets [1]	889	854
TOTAL SPECIAL CONCESSION ACCOUNTS	**2,045**	**2,016**

(1) Rights in public distribution concession assets concern the Island Energy Systems (IES).

Note 27 Provisions for risks

	31/12/2013	Increases		Decreases			**31/12/2014**
(in millions of Euros)		Operating [1]	Financial	Utilisations	Reversals	Financial	
Provisions for unrealised exchange losses	262	–	922	–	–	(37)	1,147
Provisions for losses on contracts	97	444	4	(56)	–	–	489
Provisions for other risks	177	164	–	(37)	(7)	–	297
PROVISIONS FOR RISKS	**536**	**608**	**926**	**(93)**	**(7)**	**(37)**	**1,933**

(1) Mainly concerning supply contracts.

↗ Note 28 Provisions related to nuclear generation – back-end of the nuclear cycle, plant decommissioning and last cores

The provisions established by EDF for the nuclear generation fleet result from the Law of 28 June 2006 on long-term management of radioactive materials and waste, and the associated implementing provisions concerning secure financing of nuclear expenses.

In compliance with the accounting principles described in note 1.15:

- EDF books provisions to cover all obligations related to the nuclear facilities it operates;
- EDF holds dedicated assets for secure financing of long-term obligations (see note 38).

The calculation of provisions incorporates a level of risks and unknowns as appropriate to the operations concerned. The valuation of costs also carries uncertainty factors such as:

- changes in the regulations on safety, security and environmental protection;
- changes in the regulatory decommissioning process and the time necessary for issuance of administrative authorisations;
- future methods for storing long-lived radioactive waste and provision of storage facilities by the French agency for radioactive waste management ANDRA *(Agence nationale pour la gestion des déchets radioactifs);*
- changes in certain financial parameters such as discount and inflation rates, and changes in the contractual terms of spent fuel management.

Details of changes in provisions for the back-end of the nuclear cycle, decommissioning and last cores are as follows:

(in millions of Euros)	31/12/2013	Increases		Decreases	Other changes [2]	**31/12/2014**
		Operating	Financial [1]	Utilisation		
Provisions for spent fuel management	9,779	457	462	(648)	55	10,105
Provisions for long-term radioactive waste management	7,542	29	346	(240)	(1)	7,676
Provisions for the back-end of the nuclear cycle	**17,321**	**486**	**808**	**(888)**	**54**	**17,781**
Provisions for nuclear plant decommissioning	13,024	423	625	(164)	(42)	13,866
Provisions for last cores	2,313	–	111	–	(11)	2,413
Provisions for decommissioning and last cores	**15,337**	**423**	**736**	**(164)**	**(53)**	**16,279**
TOTAL PROVISIONS RELATED TO NUCLEAR GENERATION	**32,658**	**909**	**1,544**	**(1,052)**	**1**	**34,060**

(1) Financial discounting expenses.
(2) A corresponding amount is recognised in the balance sheet assets: for provisions for the back-end of the nuclear cycle, the changes in nuclear fuel inventories (see note 1.8.1) and for provisions for decommissioning and last cores, the change in property, plant and equipment (see note 1.15.1).

28.1 Provisions for spent fuel management

EDF's currently adopted strategy with regards to the fuel cycle, in agreement with the French State, is to process spent fuel and to recycle the separated plutonium in the form of MOX fuel (mixed oxide of plutonium and uranium).

The quantities processed – approximately 1,000 tonnes per year – are determined based on the quantity of recyclable plutonium in the reactors that are authorised to load MOX fuel.

Consequently, provisions for spent fuel cover the following services:

- 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.

The processing expenses included in the provision exclusively concern spent fuel that can be recycled in existing facilities, including the portion in reactors but not yet irradiated.

Expenses are measured based on forecast physical flows at the year-end, with reference to the contracts currently in effect with AREVA following the framework agreement of December 2008.

28.2 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 in existing installations: plutonium fuel (MOX) or uranium fuel derived from enriched processing, and fuel from Creys-Malville and Brennilis;
- EDF's share of the costs of studies, construction, shutdown and surveillance of existing and future storage centres.

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 (comprising 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.

The provision for long-term radioactive waste management breaks down as follows:

(in millions of Euros)	**31/12/2014**	31/12/2013
Very Low-Level and Low and Intermediate-Level Waste	997	967
Long-lived Low-Level Waste	521	499
Long-lived medium and high-level waste	6,158	6,076
PROVISIONS FOR LONG-TERM RADIOACTIVE WASTE MANAGEMENT	**7,676**	**7,542**

Very low-level and low and medium-level waste

Very low-level waste mainly comes from nuclear plant decommissioning, and generally takes the form of rubble (concrete, scrap metal, insulating materials and piping). This type of waste is stored at surface level at the Morvilliers storage centre managed by ANDRA.

Low and medium-level waste comes from nuclear facilities (gloves, filters, resins). This type of waste is stored at surface level at the Soulaines storage centre managed by ANDRA.

The cost of removing and storing short-lived waste (very low-level and low and medium-level) is assessed on the basis of current contracts with transporters and contracts with ANDRA for operation of the existing storage centres.

Long-lived low-level waste

Long-lived low-level waste belonging to EDF essentially consists of graphite waste from the ongoing decommissioning of the former UNGG (natural uranium graphite gas-cooled) reactors.

Given its lifetime, this type of waste cannot be stored in the existing surface storage centres, but since it is lower-level than long-lived medium and high-level waste, the French Law of 28 June 2006 requires specific subsurface storage for such waste.

An initial site search launched by ANDRA in 2008 was unsuccessful. ANDRA resumed this search in 2013 and is due to present the results to the authorities by the end of 2015. Other alternative management scenarios are also being examined, including sorting and processing solutions for graphite.

Long-lived medium and high-level waste

Long-lived medium and high-level waste essentially comes from processing of spent fuel, and to a lesser extent waste resulting from nuclear plant decommissioning (metallic components that have been inside the reactor).

The French Law of 28 June 2006 requires reversible storage in deep geological layers.

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 a working group formed under supervision of the State involving representatives of the administrations concerned, ANDRA and the producers of waste (EDF, AREVA, CEA). EDF has applied a reasonable approach to information from this working group, leading to a benchmark cost, for storage of waste from all producers, of €14.1 billion under the economic conditions of 2003 (€20.8 billion under 2011 economic conditions).

In the partnership set up in 2011 between ANDRA and waste producers to contribute to the success of the geological storage project (CIGEO project), ANDRA has carried out preliminary conceptional studies since 2012, and analysed the technical optimisations proposed by the producers. The cooperation between ANDRA and producers provided a forum for formal technical discussions that have optimised the waste storage design (including for example new sizing for the above-ground installations, a significant reduction in the length of underground buildings, thinner coatings, etc) and operating conditions (such as new timetables for package transfer, which substantially reduces the numbers of operating staff).

On this basis, ANDRA drew up provisional figures in a report sent to EDF on 18 July 2014. In compliance with the law of 2006, a consultation process was started by the French Department for Energy and Climate (*Direction générale de l'énergie et du climat* or DGEC) on 18 December 2014, when ANDRA's consolidated figures were submitted to the waste producers for their comments. The consultation should focus on methods for incorporating risks, opportunities and uncertainties, and on unit costs, which are still a point of significant divergence between ANDRA and the producers. EDF and the other producers have 2 months to issue their observations, which will be included in the report to be submitted to the Minister for Ecology, Sustainable Development and Energy, who will then set the new benchmark cost for storage of long-lived medium and high-level waste after consulting the French Nuclear Safety Authority (*Autorité de sûreté nucléaire* or ASN).

In view of the uncertainties over the level of costs to use and the corresponding impact for provisions, the provision recorded by EDF at 31 December 2014 continues to be based on the benchmark cost defined by the working group in 2005.

Ongoing discussions between the DGEC, ANDRA and producers concern the cost under 2011 economic conditions of storage based on a forecast inventory of all final waste from all producers.

The measurement of the provision is sensitive to the gross cost of storage, but also to key assumptions concerning disbursement schedules, cost allocations between the producers (EDF, AREVA, CEA), and the opportunities, risks, unknowns and uncertainties of the project. Using identical assumptions to those applied for the current provision, a €1 billion rise in the gross contractors' quotes under 2011 economic conditions would have an estimated impact of approximately €200 million (present value) on the provision at 31 December 2014.

If the valuation set by the minister deviates from EDF's estimates, EDF will reflect the effects in its financial statements.

28.3 Decommissioning provisions for nuclear power plants

EDF takes full technical and financial responsibility for decommissioning for the nuclear plants it operates. The decommissioning process is governed by French Law of 13 June 2006 and its implementing decree.

There are three levels of nuclear power plant decommissioning, according to a classification defined by the International Atomic Energy Agency (IAEA) in 1980:

- level 1: final shutdown of the power plant (fuel unloading, draining of circuits, etc);
- level 2: complete dismantling of nuclear buildings excluding the reactor building, dismantling of equipment and removal of waste;
- level 3: complete dismantling of the reactor building and its equipment, and removal of waste.

The decommissioning scenario adopted by EDF is for decommissioning immediately after shutdown, with no waiting period for radioactive decay, in compliance with French regulations, which require the period between final shutdown and dismantling to be as short as possible. While level 1 operations must be carried out first, certain level 2 and level 3 operations can be carried out in parallel.

The end-state is industrial use: the sites will be restored to their original condition and will be reused for industrial facilities.

EDF is currently conducting an inventory to identify any ground pollution at plants currently being dismantled and plants still in operation. At this stage, provisions only cover decontamination of the buildings; any accidental ground pollution at plants currently in operation is dealt with as soon as it arises. Feedback available to date on the facilities being decommissioned and the first soil analyses, mainly for the Brennilis site, support this approach.

Provisions for decommissioning cover the future decommissioning expenses described above (except for removal and storage of waste, which is covered by the provision for long-term waste management).

Details of changes in decommissioning provisions for nuclear power plants are as follows:

(in millions of Euros)	31/12/2013	Increases – Operating	Increases – Financial (1)	Decreases – For utilisation	Other changes (2)	**31/12/2014**
Provisions for decommissioning of nuclear power plants in operation	10,907	35	522	–	(42)	11,422
Provisions for decommissioning of permanently shut-down nuclear power plants	2,117	388	103	(164)	–	2,444
TOTAL PROVISIONS FOR DECOMMISSIONING OF NUCLEAR POWER PLANTS	**13,024**	**423**	**625**	**(164)**	**(42)**	**13,866**

(1) Financial discounting expenses.
(2) With an associated asset recognised in property, plant and equipment (see note 1.15).

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

Until 2013, provisions were estimated based on a 1991 study by the French Ministry of Trade and Industry, which set an estimated benchmark cost for decommissioning expressed in €/MW, confirming the assumptions defined in 1979 by the PEON commission.

In 2009, EDF carried out a detailed study of decommissioning costs, using Dampierre (four 900MW units) as a representative site. This study involved the following steps:

- measurement of the decommissioning cost for the Dampierre site, 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 timeline for decommissioning operations (the total duration of decommissioning for one reactor is estimated at 15 years following shutdown);
- determination of the rules for extrapolation of cost estimates for the entire fleet of PWR plants in operation.

An intercomparison with the study carried out by consultants La Guardia, based mainly on the Maine Yankee reactor in the US which is comparable in terms of technology and capacity, subsequently corroborated the results of EDF's study.

The Dampierre study did not result in any change to the amount of provisions based on the benchmark cost, and until 2013 provisions for all 58 reactors were based on a forecast amount equivalent to $€_{2013}$309 per kilowatt installed.

In 2014 the Dampierre study was reviewed by EDF to make sure that the previous calculations were still valid in view of recent developments and experience, both internationally and internally. This review reinforced the amounts of decommissioning provisions for plants in operation based on costs resulting from the Dampierre study, incorporating best estimates and feedback in and outside France.

This change of estimate has no significant impact on the level of provisions at 31 December 2014.

For permanently shut-down nuclear power plants

Unlike the PWR fleet currently in operation, the first-generation reactors now shut down used a range of different technologies: UNGG (natural uranium graphite gas-cooled) reactors at Bugey, Saint-Laurent and Chinon, a heavy water reactor at Brennilis, a PWR reactor at Chooz A, and a fast-neutron reactor at Creys-Malville. Decommissioning costs are therefore estimated individually for each site.

EDF has chosen to fully dismantle first-generation plants by 2040, in line with the future availability of solutions for the resulting waste:

- for long-lived medium-level waste, the packaging and interim storage installation for radioactive waste (ICEDA) due to open in 2017, until it can be placed in deep underground storage;
- for long-lived low-level waste, the facility for storing graphite waste, due to open by 2025.

The amount of the provision also depends on issuance of the decree for full dismantling of Brennilis by the end of 2018.

The decommissioning costs are based on contractor quotes, which in principle are fully revised every 3 years. The quotes established in 2008 were revised in 2012 to take account of accumulated industrial experience, unforeseen and regulatory developments, and the latest available figures.

Full revision of these quotes is due in 2015, but preparatory work has led to a €388 million re-estimation at 31 December 2014 to reflect delays in physical progress at the sites, and cost reassessments for certain contracts. This change has led to recognition in the income statement of an expense included in "Other external expenses".

28.4 Provisions for last cores

These provisions cover the future expenses resulting from scrapping fuel that will only be partially irradiated 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.

28.5 Discounting of provisions related to nuclear generation and sensitivity analyses

28.5.1 Discount rate

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 OAT 2055 treasury bonds, which have a similar duration to the obligations, 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.

The discount rate determined in this way is 4.6% at 31 December 2014, assuming inflation of 1.7% (4.8% for assumed inflation of 1.9% at 31 December 2013).

Revision of the discount rate and regulatory limit

The methodology used to determine the discount rate, particularly the reference to sliding 10-year averages, is able to prioritise 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).

The ceiling rate based on the TEC 30-year rate is 4.31% at 31 December 2014.

The work undertaken by nuclear operators together with the French government since 2013 on regulations governing the discount rate applicable for provisions has now been completed, and the results should be transposed into regulations during the first quarter of 2015. Under the expected new rules, the ceiling for the discount rate would have been approximately 4.8% at 31 December 2014.

Until the new regulations are issued, the Minister for Ecology, Sustainable Development and Energy, the Minister for Finance and Public Accounts, and the Minister for the Economy, Productive Recovery and Digital affairs have granted EDF an extension until 31 March 2015 to apply a discount rate that complies with the regulations in force.

Consequently, the discount rate applied at 31 December 2014 was determined under the Company's usual method, and amounts to 4.6%.

28.5.2 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.

(in millions of Euros)	**31/12/2014** Costs based on year-end economic conditions	**31/12/2014** Amounts in provisions at present value	31/12/2013 Costs based on year-end economic conditions	31/12/2013 Amounts in provisions at present value
Spent fuel management	16,463	10,105	15,868	9,779
Long-term radioactive waste management	26,159	7,676	25,578	7,542
BACK-END NUCLEAR CYCLE EXPENSES	**42,622**	**17,781**	**41,446**	**17,321**
Decommissioning provisions for nuclear power plants in operation	19,298	11,422	19,558	10,907
Decommissioning provisions for permanently shut-down nuclear power plants	3,310	2,444	2,890	2,117
Provisions for last cores	4,050	2,413	3,979	2,313
DECOMMISSIONING AND LAST CORE EXPENSES	**26,658**	**16,279**	**26,427**	**15,337**

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 of the nuclear cycle, decommissioning of nuclear plants and last cores for EDF:

	Amounts in provisions at present value	Sensitivity to discount rate					
		Balance sheet provision			Pre-tax net income		
(in millions of Euros)	**31/12/2014**	0,20%	-0,20%	-0,30%	0,20%	-0,20%	-0,30%
Back-end nuclear cycle expenses							
■ spent fuel management	10,105	(171)	180	274	141	(149)	(227)
■ long-term radioactive waste management	7,676	(381)	425	657	327	(368)	(568)
Decommissioning and last core expenses							
■ decommissioning of nuclear power plants	13,866	(431)	449	681	52	(54)	(82)
■ last cores	2,413	(64)	68	103	–	–	–
TOTAL	**34,060**	**(1,047)**	**1,122**	**1,715**	**520**	**(571)**	**(877)**

↗ Note 29 Provisions for decommissioning of non-nuclear facilities

These provisions principally concern thermal power plants.

The costs of decommissioning thermal 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.

↗ Note 30 Provisions for employee benefits

Changes in provisions for employee benefits were as follows:

(in millions of Euros)	31/12/2013	Increases		Decreases		**31/12/2014**
		Operating (1)	Financial	Operating (2)	Financial (3)	
Provisions for post-employment benefits	9,794	562	804	(1,039)	(336)	9,785
Provisions for long-term benefits	897	171	30	(88)	–	1,010
PROVISIONS FOR EMPLOYEE BENEFITS	**10,691**	**733**	**834**	**(1,127)**	**(336)**	**10,795**

(1) Including past service cost of €382 million, amortisation of actuarial losses amounting to €340 million, and unvested benefits of €11 million.
(2) Including €1,061 million for employers' contributions, €25 million for actuarial gains and €41 million for complementary pensions.
(3) For the expected return on fund assets.

Details of changes in provisions:

(in millions of Euros)	Obligations	Fund assets	Obligations net of fund assets	Unrecognised past service cost	Unrecognised actuarial gains and losses	Provision in the balance sheet
Balance at 31/12/2013	**24,020**	**(8,253)**	**15,767**	**(107)**	**(4,969)**	**10,691**
Net expense for 2014	1,174	(336)	838	(30)	357	1,165
Unrecognised actuarial gains and losses	5,538	(1,601)	3,937	42	(3,979)	–
Contributions to funds	–	(337)	(337)	–	–	(337)
Benefits paid	(1,063)	339	(724)	–	–	(724)
BALANCE AT 31/12/2014	**29,669**	**(10,188)**	**19,481**	**(95)**	**(8,591)**	**10,795**

The actuarial gains and losses on obligations in 2014 amount to €(5,538) million, comprising €(5,707) million of losses resulting from revision of assumptions (particularly the lower discount rate and changes to measurement assumptions for benefits in kind in the form of energy) and €169 million in gains from experience adjustments.

Post-employment and long-term employee benefit expenses:

(in millions of Euros)	**31/12/2014**	31/12/2013
Current service cost	382	514
Interest expenses (discount effect)	834	851
Expected return on fund assets	(336)	(314)
Amortisation of unrecognised actuarial gains and losses – post-employment benefits	151	188
Change in actuarial gains and losses – long-term benefits	164	71
Past service cost – vested benefits	–	(393)
Past service cost – unvested benefits	(30)	11
NET CHARGES RELATED TO POST-EMPLOYMENT BENEFITS AND LONG-TERM BENEFITS	**1,165**	**928**
including:		
Operating expenses (1)	667	391
Financial expenses	498	537

(1) In 2014 this amount corresponds to operating increases (€733 million) net of reversals for actuarial gains and losses (€25 million) and additional pensions (€41 million).

30.1 Provisions for post-employment benefits

Details of these provisions are shown below:

(in millions of Euros)	31/12/2013	Increases		Decreases		**31/12/2014**
		Operating	Financial	Operating	Financial	
Provisions for post-employment benefits						
Pensions	7,838	364	645	(828)	(320)	7,699
CNIEG expenses	421	7	15	(14)	–	429
Benefits in kind (energy)	1,029	131	103	(81)	–	1,182
Retirement gratuities	(5)	36	20	(50)	(15)	(14)
Other benefits	511	24	21	(66)	(1)	489
TOTAL	**9,794**	**562**	**804**	**(1,039)**	**(336)**	**9,785**

(in millions of Euros)	Obligations	Fund assets	Unrecognised past service cost	Unrecognised actuarial gains and losses	Provision in the balance sheet
Provisions for post-employment benefits at 31/12/2014					
Pensions	22,385	(9,683)	–	(5,003)	7,699
CNIEG expenses	511	–	–	(82)	429
Benefits in kind (energy)	4,355	–	–	(3,173)	1,182
Retirement gratuities	620	(491)	(50)	(93)	(14)
Other benefits	788	(14)	(45)	(240)	489
TOTAL	**28,659**	**(10,188)**	**(95)**	**(8,591)**	**9,785**

(in millions of Euros)	Obligations	Fund assets	Unrecognised past service cost	Unrecognised actuarial gains and losses	Provision in the balance sheet
Provisions for post-employment benefits at 31/12/2013					
Pensions	18,540	(7,810)	–	(2,892)	7,838
CNIEG expenses	424	–	–	(3)	421
Benefits in kind (energy)	2,929	–	–	(1,900)	1,029
Retirement gratuities	575	(429)	(57)	(94)	(5)
Other benefits	655	(14)	(50)	(80)	511
TOTAL	**23,123**	**(8,253)**	**(107)**	**(4,969)**	**9,794**

The increase in obligations between 2013 and 2014 is principally related to the change in discount rate (3.5% at 31 December 2013, and 2.2% at 31 December 2014).

30.2 Provisions for other long-term benefits for current employees

The amount of obligations for other long-term benefits awarded to current employees is identical to the corresponding balance sheet provisions. Details are as follows:

	31/12/2013	Increases		Decreases	**31/12/2014**
(in millions of Euros)		Operating	Financial	Operating	
Provisions for other long-term benefits for current employees					
Annuities following work-related accident and illness	777	152	26	(76)	879
Long service awards	95	15	3	(8)	105
Other	25	4	1	(4)	26
TOTAL	**897**	**171**	**30**	**(88)**	**1,010**

30.3 Fund assets

Fund assets amount to €10,188 million at 31 December 2014 (€8,253 million at 31 December 2013). Fund assets are principally allocated to coverage of the past specific benefits earned under the special pension system (€9,683 million) and retirement gratuities (€491 million).

Investments under these contracts break down as follows:

(in millions of Euros)	**31/12/2014**	31/12/2013
Assets funding special pension benefits	**9,683**	**7,810**
(%)		
Equities	29%	31%
Bonds and monetary instruments	71%	69%
Assets funding retirement gratuities	**491**	**429**
(%)		
Equities	31%	32%
Bonds and monetary instruments	69%	68%
Assets funding other benefits	**14**	**14**
TOTAL FUND ASSETS	**10,188**	**8,253**

30.4 Actuarial assumptions

The main actuarial assumptions used for provisions for post-employment benefits and long-term employee benefits under the IEG system are summarised below:

- the discount rate is 2.2% at 31 December 2014 (3.5% at 31 December 2013);
- the inflation rate is estimated at 1.7% at 31 December 2014 (1.9% at 31 December 2013);
- the average residual period of employment is 18 years;
- the staff turnover rate is considered non-significant;
- the *"tarif agent"* (special energy price for EDF employees) at 1 January 2014 includes changes in taxes based on that tariff;
- the expected return on fund assets covering past specific benefits under the special pension system is 2.93%;
- the expected return on fund assets covering retirement gratuities is 2.43%.

The discount rate used for employee benefit obligations is determined by applying the yield rate on high-quality corporate bonds based on their duration to maturities corresponding to the future disbursements resulting from these obligations.

The obligations are based on wage increase assumptions that are differentiated by age group and employee category, leading to an average annual rise of 1.7% excluding inflation (3.4% including inflation).

↗ Note 31 Provisions for other expenses

(in millions of Euros)	31/12/2013	Operating increases	Decreases: Utilisations	Decreases: Reversals	Other	**31/12/2014**
Provisions for:						
Personnel expenses	108	90	(85)	(4)	–	109
Renewal of facilities operated under concession	254	13	–	(1)	(5)	261
Other expenses	562	150	(78)	(22)	–	612
PROVISIONS FOR OTHER EXPENSES	**924**	**253**	**(163)**	**(27)**	**(5)**	**982**

↗ Note 32 Liabilities

(in millions of Euros)	Maturity < 1 year	1-5 years	> 5 years	**Gross value at 31/12/2014**	Gross value at 31/12/2013
Bonds	1,477	8,085	31,431	40,993	39,341
Borrowings from financial institutions	–	–	500	500	500
Other borrowings	3,054	956	4	4,014	3,738
Other financial liabilities:					
■ Advances on consumption	2	14	19	35	42
■ Other	1,509	1	1	1,511	1,659
Financial liabilities (see note 33)	**6,042**	**9,056**	**31,955**	**47,053**	**45,280**
Advances and progress payments received [(1)]	**6,433**	**–**	**–**	**6,433**	**6,279**
Trade payables and related accounts	6,368	5	1	6,374	7,306
Tax and social security liabilities [(2)]	6,760	–	–	6,760	7,235
Liabilities related to fixed assets and related accounts	2,133	–	–	2,133	2,067
Other liabilities [(3)]	13,554	–	–	13,554	16,767
Operating, investment and other liabilities	**28,815**	**5**	**1**	**28,821**	**33,375**
Cash instruments [(4)]	**2,365**	**422**	**550**	**3,337**	**1,973**
Deferred income [(5)]	**756**	**1,204**	**2,105**	**4,065**	**4,273**
TOTAL LIABILITIES	**44,411**	**10,687**	**34,611**	**89,709**	**91,180**

(1) Advances and progress payments received principally include monthly standing order payments by EDF's residential and business customers, amounting to €6,340 million (€6,129 million at 31 December 2013). The increase over 2014 is mainly explained by the growing number of customers that opted to pay their bills this way.

(2) In 2014 this item includes an amount of €1,122 million for the CSPE income to be collected by EDF on energy supplied but not yet billed (€984 million at 31 December 2013).

(3) Mainly the amount of cash pooling and cash management agreements with subsidiaries, i.e. €11.3 billion in 2014 (€14.8 billion in 2013).

(4) Essentially unrealised losses on foreign exchange instruments.

(5) Deferred income at 31 December 2014 comprises the partner advances made to EDF under nuclear plant financing plans and the associated long-term contracts, amounting to €1,989 million (€2,112 million in 2013). Deferred income on long-term contracts also includes the advance paid to EDF in 2010 under the agreement with the Exeltium consortium. The clauses of the agreement signed by the two parties on 27 October 2014 (see note 2.4) do not provide for any additional payment or reimbursement in connection with this advance.

↗ Note 33 Financial liabilities

(in millions of Euros)	Balance at 31/12/2013	New borrowings	Repayments	Translation adjustments	Other	**Balance at 31/12/2014**
Bonds in Euros	1,013	–	–	–	–	1,013
Bonds in other currencies	6,477	3,464	1,281	1,038	–	9,698
Euro-Medium Term notes (EMTN) in Euros	24,107	–	3,640	–	–	20,467
Euro-Medium Term notes (EMTN) in other currencies	7,744	1,639	178	610	–	9,815
Bonds	**39,341**	**5,103**	**5,099**	**1,648**	**–**	**40,993**
Long-term loans in Euros	500	–	–	–	–	500
Borrowings from financial institutions	**500**	**–**	**–**	**–**	**–**	**500**
Negotiable debt instruments (Euro) [1]	269	381	–	–	–	650
Negotiable debt instruments (non-Euro) [1]	3,463	–	644	538	–	3,357
Contractual financial borrowings	6	2	1	–	–	7
Other borrowings	**3,738**	**383**	**645**	**538**	**–**	**4,014**
Total borrowings	**43,579**	**5,486**	**5,744**	**2,186**	**–**	**45,507**
Advances on consumption	**42**	**–**	**7**	**–**	**–**	**35**
Miscellaneous advances	74	–	–	–	3	77
Bank overdrafts	355	–	–	–	(234)	121
Deferred bank debits	34	–	–	–	5	39
Interest payable	1,196	–	–	–	78	1,274
Total other financial liabilities	**1,659**	**–**	**–**	**–**	**(148)**	**1,511**
TOTAL FINANCIAL LIABILITIES	**45,280**	**5,486**	**5,751**	**2,186**	**(148)**	**47,053**

(1) Issues net of repayments.

On 13 January 2014 EDF issued several tranches of a senior bond in USD:

- USD750 million with 3-year maturity at floating rate;
- USD1,000 million with 3-year maturity and coupon of 1.15%;
- USD1,250 million with 5-year maturity and coupon of 2.15%;
- USD1,000 million with 30-year maturity and coupon of 4.875%;
- USD700 million with 100-year maturity and coupon of 6%.

On 17 January 2014, EDF also issued a £1,350 million bond with 100-year maturity and coupon of 6%.

These issues enabled the Group to prepare for redemption of bonds maturing in 2014, taking advantage of good market conditions to pursue its financing policy aim of extending the average maturity of debt and bringing it closer to the useful life of its long-term industrial assets.

Redemption of bonds totalled €5,099 million concerned bonds in Euros and US dollars that reached maturity.

33.1 Breakdown of loans by currency, before and after hedging instruments

	Structure of liability in balance sheet				Impact of hedging instruments		Structure of liability after hedging			
(in millions of Euros)	Non-Euro	In Euros	% Non-Euro	% of debt	Non-Euro	In Euros	Non-Euro	In Euros	% Non-Euro	% of debt
TOTAL I - EUROS		**22,637**		**50**		**17,240**		**39,877**		**88**
CHF	730	607	2.7	1	(730)	(607)	–	–	–	–
GBP	7,385	9,481	41.5	21	(3,000)	(3,851)	4,385	5,630	100	12
HKD	1,216	129	0.7	0.2	(1,216)	(129)	–	–	–	–
JPY	54,100	373	1.6	1	(54,100)	(373)	–	–	–	–
NOK	1,000	111	0.5	0.2	(1,000)	(111)	–	–	–	–
USD	14,775	12,169	53.2	27	(14,775)	(12,169)	–	–	–	–
TOTAL II - NON-EURO CURRENCIES		**22,870**	**100**	**50**		**(17,240)**		**5,630**	**100**	**12**
TOTAL I+II		**45,507**		**100**		**–**		**45,507**		**100**

The nominal value of hedging instruments included in off balance sheet commitments (see note 35.1) has no effect on loans in the balance sheet.

33.2 Breakdown of loans by type of interest rate before and after hedging instruments

	Structure of liability in balance sheet			Impact of hedging instruments	Structure of liability after hedging		
(in millions of Euros)	Total	**% 31/12/2014**	% 31/12/2013	Total	Total	**% 31/12/2014**	% 31/12/2013
Long-term borrowings and EMTN	40,304			(17,573)	22,731		
Short-term borrowings	4,006			–	4,006		
Borrowings at fixed rate	**44,310**	**97**	**99**	**(17,573)**	**26,737**	**59**	**79**
Long-term borrowings and EMTN	1,197			17,573	18,770		
Short-term borrowings	–			–	–		
Borrowings at floating rate	**1,197**	**3**	**1**	**17,573**	**18,770**	**41**	**21**
TOTAL	**45,507**	**100**	**100**	**–**	**45,507**	**100**	**100**

↗ Note 34 Unrealised foreign exchange gains

Unrealised foreign exchange gains in 2014 include an unrealised gain of €191 million, of which €128 million concerned a borrowing in pounds sterling partly hedged by foreign exchange swaps.

Other information

↗ Note 35 Financial instruments

35.1 Off-balance sheet commitments related to currency and interest rate derivatives

EDF uses financial instruments to limit the impact of foreign exchange rate risks and interest rate risks.

	31/12/2014		31/12/2013	
(in millions of Euros)	To be received (notional)	To be given (notional)	To be received (notional)	To be given (notional)
1 – Interest rate transactions				
Short-term interest rate swaps				
EUR	14,348	14,348	1,988	1,988
Long-term interest rate swaps				
EUR	7,916	7,916	7,215	7,215
USD	1,112	1,112	979	979
GBP	4,276	4,276	2,070	2,070
JPY	96	96	325	325
Sub-total	**27,748**	**27,748**	**12,577**	**12,577**
2 – Exchange rate transactions				
Forward transactions				
EUR	16,736	18,774	18,532	21,640
CAD	1,354	1,354	1,026	1,026
USD	11,704	9,065	9,970	6,698
GBP	8,005	8,363	11,338	11,466
CHF	36	36	–	–
HUF	350	385	419	410
PLN	865	864	968	1,050
JPY	25	32	21	122
MXN	79	79	254	254
Other	117	117	308	311
Long-term currency swaps				
EUR	8,572	28,807	7,226	23,565
JPY	372	–	837	–
USD	12,149	3,336	6,566	1,273
GBP	17,107	5,370	14,913	5,721
CHF	607	–	619	–
HUF	5	5	14	14
CAD	47	47	131	131
ILS	126	126	132	132
PLN	337	337	–	53
NOK	111	–	120	–
HKD	129	–	114	–
Sub-total	**78,833**	**77,097**	**73,508**	**73,866**
3 – Securitisation swaps	**591**	**591**	**734**	**734**
TOTAL FINANCIAL OFF-BALANCE SHEET COMMITMENTS	**107,172**	**105,436**	**86,819**	**87,177**
4 – Commodity swaps				
Coal *(in millions of tonnes)*	2	2	4	4
Oil products *(in thousands of barrels)*	5,475	5,475	5,776	5,776

The amounts shown in the above table are the nominal value of contracts, translated where necessary using 2014 year-end exchange rates (regardless of whether they are classified as hedges).

35.2 Impacts of financial instrument transactions on net income

(in millions of Euros)	**2014**	2013
Instruments not classified as hedges		
Realised gains and losses	(55)	142
Unrealised gains and losses	320	(100)
Interest rate instruments (swap, cap and floor, FRA, option) (1)	(3)	78
Instruments classified as hedges		
Interest rate instruments (swap, cap and floor, FRA)	253	134
Exchange rate instruments (currency swap)	276	67

(1) Including interest on swaps.

35.3 Fair value of derivative financial instruments

The fair value of currency and interest rate swaps was calculated by discounting future cash flows using year-end market exchange and interest rates, over the remaining term of the contracts (market value includes accrued interest).

The book value of off-balance sheet derivatives includes accrued interest, equalisation payments and premiums paid or received, and translation adjustments, which are already booked in EDF's accounts. The difference between book value and market value is the unrealised gain or loss.

The fair value of derivative financial instruments reported off-balance sheet at 31 December 2014 as calculated by EDF is as follows:

(in millions of Euros)	Book value	Fair value
Interest rate hedges		
Long-term swaps	116	2,012
Short-term swaps	(3)	(5)
Exchange rate hedges		
Forward exchange transactions	185	197
Long-term currency swaps	1,660	1,228
Commodity hedges		
Coal	–	(37)
Oil products	–	(165)
TOTAL	**1,958**	**3,230**

↗ Note 36 Other off-balance sheet commitments and operations

At 31 December 2014, off-balance sheet commitments related to operations, financing and investments (other than electricity supply commitments and partnership agreements) comprise the following:

	Maturity				**31/12/2014**	31/12/2013
(in millions of Euros)	< 1 year	1-5 years	5-10 years	> 10 years		
Off-balance sheet commitments given	**11,716**	**18,781**	**12,201**	**11,029**	**53,727**	**53,604**
Operating commitments	5,355	12,702	11,645	11,008	40,710	38,701
■ Commitments related to fuel and energy purchases	2,793	10,377	9,929	10,684	33,783	31,644
■ Other operating commitments	2,562	2,325	1,716	324	6,927	7,057
Investment commitments	3,301	6,057	285	9	9,652	8,949
Financing commitments	3,060	22	271	12	3,365	5,954
Off-balance sheet commitments received	**1,041**	**10,391**	**248**	**211**	**11,891**	**11,934**
Operating commitments	1,036	646	248	211	2,141	2,354
Investment commitments	5	–	–	–	5	–
Financing commitments	–	9,745	–	–	9,745	9,580

36.1 Commitments given

In almost all cases, these are reciprocal commitments, and the third parties concerned are under a contractual obligation to supply to EDF with assets or services related to operating, investment and financing activities.

36.1.1 Fuel and energy purchase commitments

In the course of its ordinary generation and supply activities, EDF has entered into long-term contracts for purchases of electricity, gas, other energies and commodities and nuclear fuels, for periods of up to 20 years.

At 31 December 2014, these commitments mature as follows:

(in millions of Euros)	Maturity < 1 year	1-5 years	5-10 years	> 10 years	**31/12/2014**	31/12/2013
Electricity purchases and related services	1,034	3,369	4,483	6,936	15,822	14,015
Nuclear fuel purchases	1,759	7,008	5,446	3,748	17,961	17,629
FUEL AND ENERGY PURCHASE COMMITMENTS	**2,793**	**10,377**	**9,929**	**10,684**	**33,783**	**31,644**

Electricity purchases and related services

Electricity purchase commitments mainly concern:

- Island Energy Systems (IES), which has given commitments to purchase electricity generated from bagasse and coal, and electricity generated by the plants of EDF's Island Electricity Production subsidiaries;
- hedging contracts: these are forward purchases, for which the volumes and prices are set in contracts with EDF Trading.

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, 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 35TWh for 2014 (34TWh for 2013), including 5TWh for co-generation (7TWh for 2013), 16TWh for wind power (15TWh for 2013), 6TWh for photovoltaic power (4TWh for 2013) and 3TWh for hydropower (3TWh for 2013).

Nuclear fuel purchases

Commitments for purchases of nuclear fuel arise from supply contracts for the nuclear plants intended to cover EDF's needs for uranium and fluoration, enrichment and fuel assembly production services.

36.1.2 Other operating commitments

These are mostly commitments undertaken by EDF through signature of orders relating to operations or contracts in progress, related guarantees, and commitments as lessee under irrevocable operating lease contracts principally for premises, equipment and vehicles. The corresponding rents are subject to renegotiation at intervals defined in the contracts.

36.1.3 Investment commitments

Investment commitments are mostly commitments for acquisition of property, plant and equipment. The increase in these commitments is largely explained by the signature of contracts for the supply of "last resort" diesel generators for the nuclear power plants.

36.1.4 Financing commitments

These are commitments by EDF to its subsidiaries, primarily €799 million to Edison and €730 million to EDF Énergies Nouvelles.

36.2 Commitments received

36.2.1 Operating commitments

These commitments mainly comprise:

- guarantees received in connection with sales under the ARENH system. Electricity supplied by EDF to operators under the NOME Law is covered by a stand-alone guarantee enforceable on demand. This guarantee amounts to 1.5 times the average monthly volume of electricity as stated in the CRE's notification of the annual volume of electricity to be sold, valued at the ARENH price in force;
- operating lease commitments received as lessor;
- operating guarantees received.

36.2.2 Financing commitments

These commitments correspond to the total value of credit lines available to EDF from various banks.

36.3 Other types of commitment

36.3.1 Electricity supply commitments

In the course of its business, EDF 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 3.5GW;
- 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 100TWh each year until 31 December 2025;
- EDF is still committed to supplying the residual volumes of 345GWh until March 2015, in application of the rights acquired at VPP or Virtual Power Plant capacity auctions, which ended in 2011.

36.3.2 Gas purchases and related services

Gas purchase commitments are given by EDF in connection with its expanding gas supply business. EDF and Gazprom signed an agreement in 2013 defining the essential conditions of a gas supply contract.

Gas purchases for supply and delivery are mostly undertaken through long-term contracts and forward purchases from EDF Trading.

In 2011, EDF signed a capacity subscription contract for the Dunkirk methane terminal, which is due to be commissioned in late 2015.

↗ Note 37 Contingent liabilities

Individual training entitlement (*droit individuel à la formation* or DIF)

The French Law of 4 May 2004 allows each employee an individual entitlement to a minimum of 20 hours of training per year, which may be accumulated over 6 years. The company agreement with unions signed on 24 February 2006 defines the conditions for exercising this entitlement, listing the types of training eligible. Expenses for such training are recorded as incurred.

DIF entitlements earned at 31 December 2014 total 6,753,661 hours, including 6,682,138 for which no application has been made.

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 rejected the European Commission's appeal and upheld the European Union Court's decision of 15 December 2009.

The European Commission then decided in May 2013 to reopen the proceedings. As a result, a further adversarial exchange of positions has begun between the French state and the European Commission.

Tax inspections

Following inspections of previous years' accounts, the French tax authorities are challenging 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. EDF is contesting the tax authorities' position on this question. In late 2014 the National Commission of direct taxes and sales taxes issued several opinions that were favourable to RTE and EDF. The subsidiaries RTE and Électricité de Strasbourg also received favourable rulings from Montreuil Administrative Court. If the outcome of this dispute is unfavourable, the financial risk for EDF (payment of back income taxes) could amount to some €150 million.

EDF was notified in late 2011 of a proposed rectification for 2008, particularly concerning deductibility of certain long-term liabilities. During 2013, EDF received a letter from the tax administration accepting some of its arguments, which reduces the risk to €600 million. The Company considers it is likely to win this dispute, and no provision has been recorded in connection with this matter.

The tax administration has also proposed a reassessment 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.

Labour litigation

EDF is party to a number of labour lawsuits with employees, primarily regarding the 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 relate to 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 company's financial results.

↗ Note 38 Dedicated assets

38.1 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 discounted 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 inclusion in dedicated assets subject to certain conditions and administrative authorisation. The Decree of 24 July 2013 revised the list of eligible assets by reference to the insurance code, and unlisted securities are also now eligible subject to certain conditions.

38.2 Portfolio contents and measurement

Given the applicable regulations, these dedicated assets are a highly specific category of assets.

The dedicated assets are 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 takes into account regulatory constraints concerning the nature and liquidity of the dedicated asset, the financial outlook for the equity and bond markets, and the diversifying contribution of unlisted assets.

As part of the strategic allocation review process and in order to pursue the diversification into unlisted assets begun in 2010 with the shares in RTE, in 2013 the Board of Directors approved the introduction of an unlisted asset portfolio alongside the diversified equity and bond investments. This portfolio is managed by EDF Invest, which was formed following the Decree of 24 July 2013 on securing the funding for nuclear expenses. EDF Invest has three target asset classes: principally infrastructures, and also real estate and private equity. EDF Invest's objective is ultimately to have some €5 billion of unlisted investments under management, representing approximately a quarter of the total dedicated assets.

Following the French government's authorisation issued on 8 February 2013, and the approval of the Nuclear Commitments Monitoring Committee and the Board of Directors' decision of 13 February 2013, EDF allocated the entire receivable representing the accumulated shortfall in CSPE financing at 31 December 2012 to its dedicated assets. This financial asset is considered as a risk-free asset, expected to be repaid by late 2018.

38.2.1 Diversified equity and bond 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 EDF (which does not participate in the fund management).

These investments are structured and managed in line with the strategic allocation, which 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 EDF to define an overall composite benchmark indicator that can guarantee continuation of the long-term investment policy.

38.2.2 Unlisted assets (EDF Invest)

The assets managed by EDF Invest consist of unlisted securities related to investments in infrastructures, real estate, and private equity.

At 31 December 2014, the assets managed by EDF Invest represent a value of €3,264 million, mainly including:

- 50% of EDF's investment in RTE, with a value of €2,555 million at 31 December 2014 (€2,567 million at 31 December 2013). This value is the net consolidated value of 50% of EDF's investment in RTE, as presented in the EDF group's consolidated balance sheet;
- EDF's investment in TIGF; and
- since October 2014, the investment in Porterbrook Rail Finance Limited (Porterbrook).

38.2.3 Valuation of dedicated assets

Dedicated assets are classified in the balance sheet according to their accounting nature: investments, investment securities, marketable securities. They are valued under the accounting principles presented in note 1.

Details of the portfolio at 31 December 2014 are as follows:

(in millions of Euros)	31/12/2014 Net book value	31/12/2014 Fair value or realisable value	31/12/2013 Net book value	31/12/2013 Fair value or realisable value
RTE shares	2,015	2,555	2,015	2,567
Investment Securities	12,458	14,691	11,994	13,842
Other financial investments	553	657	273	265
Dedicated assets – investments	**15,026**	**17,903**	**14,282**	**16,674**
CSPE receivable	5,140	5,144	5,053	5,051
Total dedicated assets before hedging	**20,166**	**23,047**	**19,335**	**21,725**
Hedging instruments and other	(10)	(14)	1	12
TOTAL DEDICATED ASSETS AFTER HEDGING	**20,156**	**23,033**	**19,336**	**21,737**

Net book value and fair value include unmatured accrued interest.

38.2.4 Changes in dedicated assets in 2014

At 31 December 2014, the objective of 100% coverage of long-term nuclear provisions was still achieved, ahead of the legal June 2016 deadline (set by the NOME Law).

Withdrawals totalled €403 million, equivalent to payments made in respect of the long-term nuclear obligations to be covered in 2014 (€326 million in 2013). The allocation to dedicated assets for 2014 was zero, as the realisable value of the assets now exceeds the value of the provisions they are intended to cover (in 2013 a net amount of €2,591 million was allocated).

For the financial portfolio, the allocation strategy focused on a conservative approach in a context of volatile but generally rising markets:

- in the bond portfolio, underweighting in Euro zone countries was maintained early in the year, followed by a gradual return to allocation in line with the benchmark index in core countries, and reinforcement of positions in non-core countries (principally Italy and Spain);
- in the equities portfolio, there was underweighting in the Pacific and Emerging countries zones at the start of the year, followed by lower overall allocation to equities, especially in the Euro zone from the summer onwards, in response to intensifying geopolitical tensions.

In 2014 EDF Invest acquired a minority interest in Porterbrook in a consortium with three other long-term infrastructure investors: Alberta Investment Management Corporation, Allianz Capital Partners and Hastings Funds Management. Porterbrook is one of the three main railway rolling stock leasing companies in the United Kingdom. This investment was allocated to EDF Invest's "Infrastructures" pocket alongside TIGF and RTE.

During the year, EDF Invest also continued to build up its real estate and investment fund portfolio. Amundi and EDF Invest created a non-exclusive real estate investment fund to invest at European level. This fund will raise EDF Invest's exposure to the real estate asset class, to complement its direct investment strategy. This initiative led to a first real estate investment in Germany in late 2014.

38.3 Present cost of long-term nuclear obligations

The long-term nuclear obligations concerned by the regulations for dedicated assets are included in EDF's financial statements at the following values:

(in millions of Euros)	**31/12/2014**	31/12/2013
Provision for long-term radioactive waste management	7,676	7,542
Provisions for nuclear power plant decommissioning	13,866	13,024
Provisions for last cores – portion for future long-term radioactive waste management	476	454
PRESENT COST OF LONG-TERM NUCLEAR OBLIGATIONS	**22,018**	**21,020**

Note 39 Related parties

39.1 Relations with subsidiaries

	EDF's receivables [(1)]		EDF's liabilities [(1)]		Financial expenses	Financial income (excluding dividends)
(in millions of Euros)	Loans	Trade receivables	Net liabilities included in current account	Trade liabilities		
Companies						
C3						29
C31						12
EDF Energy		194		74		2
EDF Énergies Nouvelles	1,175					11
EDF International	450					2
EDF Trading		490		538		5
Edison Nouveau						3
ERDF		91		1,629		1
EDF Polska						3
Dalkia	661					7
Groupe PEI				59		–
RTE	670	160		146		37
Current account with ERDF				90		
Group cash management agreement with subsidiaries			5,369		(7)	
Tax consolidation agreement [(2)]				1,282		
Agreement for investment of subsidiaries' cash surpluses			5,924		(28)	

(1) Receivables and payables of more than €50 million.
(2) Including €866 million concerning EDF International.

39.2 Relations with the French State and State-owned entities

39.2.1 Relations with the French State

The French State holds 84.5% of the capital of EDF at 31 December 2014, and is thus entitled in the same way as any majority shareholder to control decisions that require approval by the shareholders.

In accordance with the legislation applicable to all companies having the French State as their majority shareholder, EDF is subject to certain inspection procedures, in particular economic and financial inspections by the State, audits by the French Court of Auditors *(Cour des comptes)* or Parliament, and verifications by the French General Finance Inspectorate *(Inspection générale des finances)*.

Under an agreement entered into by the French State and EDF 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 EDF. 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 assigned to EDF by the lawmaker 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 authorisation 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 (CSPE).

39.2.2 Relations with public sector entities

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

- the front end of the nuclear fuel cycle (uranium supplies, conversion and enrichment services and fuel assembly production);
- the back end of the nuclear fuel cycle (transportation, storage, processing and recycling services for spent fuel);
- plant maintenance operations and equipment purchases.

Front end of the cycle

In December 2008 EDF and AREVA signed an agreement for uranium enrichment services to cover the period 2013-2032, and in July 2012 two agreements were signed for supplies of natural uranium concentrate, covering the period 2014-2035.

In December 2014 EDF and AREVA NP signed a contract for supplies of enriched-uranium fuel assemblies from 2015.

As part of the plan to construct two EPRs in the United Kingdom (Hinkley Point 1 and 2), EDF and AREVA signed a letter of intent on 21 October 2013 defining the terms for supplies of fuel (components: uranium, fluoration, enrichment and production). This letter of intent will be applied through four contracts (one for each component) which are currently being signed.

Back end of the cycle

Relations between EDF and AREVA concerning transportation, processing and recycling of spent fuels are formally defined for the period 2008-2040 in a framework agreement signed on 19 December 2008. In execution of this agreement, EDF and AREVA signed an application contract on 12 July 2010 setting the prices and quantities for these services, for the period 2008-2012.

The conditions for processing and recycling services over the period 2013-2020 are covered by general terms signed by EDF and AREVA in June 2014, and will be transposed into the application contract for 2013-2020 due to be signed in early 2015.

EDF and AREVA have signed the following contracts for 1,300MW 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.

In 2013 EDF and AREVA signed two amendments to the initial 2007 contract for the Flamanville EPR boiler, covering the period from development studies to industrial commissioning.

EDF also holds shares in AREVA, amounting to €123 million at 31 December 2014.

↗ Note 40 Environment

40.1 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 followed by a second period from 2008 to 2012, with progressive reduction of the emission rights allocated.

One of the main features of the third phase, running from 2013 to 2020, is the discontinuation of free allocation of emission rights in certain countries, including France. As a result, EDF was no longer allocated any emission rights in 2013.

In 2014, EDF surrendered 17 million tonnes in respect of emissions generated in 2013. In 2013, EDF surrendered 17 million tonnes in respect of emissions generated in 2012.

The volume of emissions at 31 December 2014 stood at 8 million tonnes (17 million tonnes at 31 December 2013).

40.2 Energy savings certificates

The French Law of 13 July 2005 introduced a system of energy savings certificates. Companies selling electricity, gas, heat or cold to end-users with sales above a certain level are subject to energy savings obligations for a defined period. They fulfil these obligations by making direct or indirect energy savings rewarded by certificates, or by purchasing energy savings certificates. At the end of the set period, 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 2014, 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 organisations funding social projects.

EDF's obligation is calculated retrospectively, based on gas and electricity sales to households and service sector businesses for the period 2010-2013. The volumes of certificates obtained between the first two periods counted towards achievement of the obligation for the second period.

The energy savings certificate system has been renewed for a third period, from 1 January 2015 to 31 December 2017, by Decree 2014-1557 of 24 December 2014.

↗ Note 41 Management compensation

The Company's key management and governance personnel are the Chairman and CEO and the directors. Directors representing the employees receive no remuneration for their services.

The total gross compensation paid by EDF (salaries, all types of benefits and director's fees, excluding employer contributions) to the company's key management personnel was as follows:

(in Euros)	**2014**	2013
Chairman and CEO	415,818 (2)	743,946 (1)
Directors	174,444	200,000

(1) This amount comprises the fixed salary, benefits in kind, and the balance of variable salary for 2012 paid during 2013 to Henri Proglio, Chairman and CEO until 22 November 2014.

(2) Remuneration and benefits in kind for Henri Proglio, Chairman and CEO until 22 November 2014. Jean-Bernard Lévy received no remuneration from the date of his appointment as EDF's Chairman and CEO by Decree of 27 November 2014.

Decree 2012-915 of 26 July 2012 sets a ceiling of €450,000 for the total annual gross remuneration paid to the Chairman and CEO.

↗ Note 42 Subsequent events

No significant event has occurred since the year-end.

Statutory Auditors' report on the financial statements

This is a free translation into English of the Statutory Auditors' Report issued in French and is provided solely for the convenience of English speaking readers.

The Statutory Auditors' Report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report also includes information relating to the specific verification of information given in the Group management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended 31 December 2014

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2014, on:

- the audit of the accompanying financial statements of Électricité de France SA ("the Company");
- the justification of our assessments;
- the specific verification and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the 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 financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2014 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion, we draw your attention to the valuation of long-term provisions relating to nuclear electricity production, which results from management's best estimates and assumptions as described in notes 1.15 and 28 to the 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 our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

Accounting principles and policies

Notes 1.3 and 3.1, note 1.7 and note 1.16 to the financial statements describe the principles and policies used for the accounting and valuation of revenues related to energy delivered but not yet measured nor billed, the valuation of financial investments and the determination of provisions for employee benefits.

As part of our assessment of the Company's accounting principles and methods, we have verified the appropriateness of the accounting methods used by the Company and the information disclosed in the notes to the financial statements, as well as the accuracy of the implementation of these accounting methods.

Accounting estimates

Note 1.2 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 Company assets. It may be possible that future results could differ from those estimates which were made in a context of economic and financial crisis and significant market volatility, thus resulting in difficulties to assess the economic outlook in the medium term.

Particularly, the Company describes in the notes to the financial statements the information related to:

- 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'Electricité)* as at December 31, 2012, subsequent to the agreement announced on 14 January 2013 with the French State and the allocation during the period ended 31 December 2013 of the related receivable held to the dedicated assets for secure financing of long-term nuclear expenses on 8 February 2013 (note 18.1);
- the valuation of investments (notes 1.7.1 and 18);
- the provisions for employee benefits (notes 1.16 and 30), other provisions and contingent liabilities (notes 1.15, 27 and 37).

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 Company, comparing accounting estimates of prior periods with corresponding actual amounts, reviewing the procedures for approving these estimates by management and finally verifying that the notes to the 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 Régulé 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 Company, 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 financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific procedures and disclosures

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Paris - La Défense and Neuilly-sur-Seine, 11 February 2015

The Statutory Auditors

KPMG Audit
Department of KPMG SA
Jacques-François Lethu

Deloitte & Associés

Patrick E. Suissa

MAY 2015

Investors Relations
Carine de Boissezon
Director, Investors and Markets
Email: edf-irteam@edf.fr

Websites
http://www.edf.com
http://finance.edf.com

Public limited company
with a share capital of €930,004,234
Registered office: 22-30, avenue de Wagram
75382 Paris cedex 08 – France
552 081 317 RCS Paris

THE EDF GROUP IS ISO 14001 CERTIFIED