January 20, 2009

Extracts of the prospectus relating to a private placement of long term notes to qualified investors outside of France

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In this document, « 2007 *Document de Référence* » means the *document de référence* of the EDF Group for the year 2007, registered with the AMF on April 14, 2008 under number R. 08-022, and « Half Year Financial Report » means the half year financial report prepared by the EDF Group for the period of January 1, 2008 to June 30, 2008.

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This information document contains certain forward-looking statements and information relating to EDF that are based on beliefs of its management, as well as assumptions made by and information currently available to EDF. When used in this document, words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "objective," "outlook" and similar expressions, as they relate to EDF or its management, are intended to identify forward-looking statements. Such statements reflect the current views of EDF with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors, a number of which are outside of EDF's control, could cause the actual results, performance or achievements of EDF to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in the economic and commercial environment or in applicable laws and regulations, as well as changes with respect to the factors set forth under "Risk Factors" in this document. Any forward-looking statements are qualified in their entirety by reference to these factors.

RECENT DEVELOPMENTS AND OUTLOOK

FRANCE

Nuclear fleet availability

On December 4, 2008, EDF indicated that the Kd of its nuclear fleet should be close in 2008 to that of 2007 (80.2%), due to the ongoing treatment of the clogging phenomenon affecting certain units of its fleet and to anomalies noted on the stators of some generators (for a description of the performance of EDF's nuclear fleet for the first six months of the year 2008 and the year 2007, see respectively Section 2.2.2.1 "Performance of nuclear generation facilities" of the June 2008 Half-Year Financial Report and Section 6.2.1.1.3.3 "Performance of the nuclear fleet" of the 2007 *Document de Référence*).

The Kd indicator is the energy available (which is equal to the maximum theoretical energy less losses for technical reasons inherent to power plants, such as planned shutdowns, unplanned outages due to failure or safety requirements, and regulatory tests) as a percentage of the maximum energy that could be generated if the installed capacity was operated all year long.

EDF also confirmed its target to reach a Kd of 85% for its nuclear fleet by 2011.

Flamanville 3 EPR

In 2006, EDF estimated that the Flamanville 3 EPR would cost €3.3 billion (or €46/MWH in 2005 euros) based on 2005 economic conditions (see Section 6.2.1.1.3.5 "Preparing for the Future of the Nuclear Fleet" of the 2007 *Document de Référence*).

On December 4, 2008, EDF announced that the updated construction cost of the Flamanville 3 EPR is expected to be €4 billion in 2008 euros. This increase in expected cost results in part from reevaluating the costs using 2008 euros instead of 2005 euros (for an impact of approximately +€250 million). It is also due to the effects of some contractual indexes (for an impact of approximately +€150 million) as a consequence of higher raw material costs, and to the impact of technical and regulatory evolutions and contingency reserves (for an impact of approximately +€300 million). The new expected total cost (including costs of construction, decommissioning costs, operation and maintenance costs, taxes, fuel costs and downstream expenses) stands at €54/MWh in 2008 euros.

EDF also confirmed its objective of connecting the Flamanville 3 EPR to the network in 2012.

Long-term used fuel management partnership with AREVA

On December 19, 2008, AREVA and EDF entered into a framework agreement relating to the transmission and recycling of used nuclear fuel, covering the 2008-2040 period. Previously, the two companies had signed in August 2004 an agreement for the same subject matter covering the 2001-2007 period (see Section 6.2.1.1.3.4 "The Nuclear fuel cycle and related issues - B. Back-end" of the 2007 *Document de Référence*).

The agreement sets forth the guidelines for a long-term partnership. AREVA shall operate its La Hague and Melox sites until at least 2040, during which time EDF shall use these facilities.

Pursuant to this agreement, it is expected that, from 2010 onwards, EDF will increase the volume of used fuel sent to La Hague from 850 to 1050 tons per year and the amounts of MOX fuel fabricated at the Melox site from 100 to 120 tons per year.

Tariffs

Pursuant to French law, the tariffs for using the public electricity transmission and distribution networks (*Tarifs d'Utilisation des Réseaux Publics de transport et de distribution d'électricité*, or "TURP") are adopted jointly by the Ministers of Economy and of Energy upon a proposal from the *Commission de Régulation de l'Energie*, or "CRE" (see Section 6.2.2.4 "Tariffs for using the public electricity transmission and distribution networks (*Tarif d'utilisation des réseaux publics de transport et de distribution d'électricité*, or "TURP")" of the 2007 Document de Référence). In October 2008, the CRE proposed a 10% increase of the TURP over a four-year period. In December 2008, the competent French Ministers notified the CRE of their rejection of such proposal and requested the CRE to make a new proposal by March 1, 2009 that would take into account the fact that the planned investment period should be until 2017 instead of 2024 and that would allow the tariffs to fluctuate depending on the seasons and the time of day.

Statement of objections received from the European Commission

On December 23, 2008, EDF and Electricité de Strasbourg have received a statement of objections from the European Commission's Directorate General for Competition relating to the long-term contracts of electricity supply entered into in France with major industrial customers, in particular major manufacturers. According to the European Commission, "*these contracts may prevent customers from switching to other providers, thereby reducing competition on the market, in particular when considering the exclusive nature and duration of the contracts and the share of the market that is tied by them. Under the same contracts, the resale of electricity appears to be restricted. These practices may constitute infringements of the EC Treaty rules on abuse of dominant market positions (Article 82). In particular, these practices may have made it difficult for suppliers to enter and expand in the French electricity markets and may have rendered the wholesale market for electricity less liquid.*"

This statement of objections is the first stage of a procedure of the European Commission. The statement of objections in no way prejudges the final decision that will be taken by the European Commission. Any potential fines imposed would be proportionate to the gravity of the infringements, the prejudice to the economy and the situation of the company and may not exceed 10% of the company's worldwide revenues (excluding taxes).

Solaire Direct

On May 19, 2008, the company Solaire Direct lodged a complaint against EDF with the French Competition Council (*Conseil de la concurrence*) along with a request for provisional measures. Solaire Direct claims in its complaint that the Group could have abused of its dominant position on the different electricity markets in order to enter, through its subsidiary EDF Energies Nouvelles Réparties, the emerging market of global services offering in relation with the generation of photovoltaic electricity, and thus could have curbed the entry of new competitors onto this market. The Competition Council met on November 26, 2008 to consider the admissibility of the complaint and the request for provisional measures. EDF proposed commitments to address the potential competition concerns raised by the Competition Council that the Council has published on its website in the context of a "market test" procedure so that any involved companies may make their opinions known. Thereafter, the Council will meet to give its opinion on the proposed commitments.

If the Council accepts the proposed commitments, the proceedings initiated by Solaire Direct would come to an end. If the proposed commitments are rejected, the Council would then decide on the admissibility of the complaint and the provisional measures.

Further, if the Council were to acknowledge the use of anti-competitive practices by EDF after a thorough investigation (that may last between 12 to 18 months), it could impose a financial penalty. Any potential fines imposed would be proportionate to the gravity of the infringements, the prejudice to the economy and the situation of the company and may not exceed 10% of the company's worldwide revenues (excluding taxes).

Employee offering

Following the sale by the French State of 2.47% of EDF's capital on December 3, 2007, pursuant to French privatization laws, an offering of EDF shares was made to EDF's current and former employees by the French State from September 12 to September 22, 2008. In total, 70,000 employees acquired 3.2 million shares of EDF. This resulted in an increase of 0.2% of the portion of EDF's share capital owned by employees, which rose from 1.9% to 2.1%.

INTERNATIONAL

Acquisition of British Energy Group

EDF and British Energy Group announced on September 24, 2008 that they had reached an agreement on the terms of the offers to be made by Lake Acquisitions Limited ("Lake Acquisitions"), a 100% subsidiary of EDF S.A., for the share capital of British Energy. The British Energy Group owns and operates eight nuclear power stations in the United Kingdom and employs over 6,000 people. For the year ended March 31, 2008, the British Energy Group reported revenues of £2,811 billion and net profit attributable to shareholders of £335 million.

Lake Acquisitions announced on September 25, 2008 that it had acquired 274,288,774 British Energy shares at a price of 774 pence per share, representing approximately 26.53% of the then existing issued share capital of British Energy.

On November 5, 2008, Lake Acquisitions announced the terms of its recommended offers to acquire the entire issued, and to be issued, share capital of British Energy other than the Special Share (being the special rights redeemable preference share of £1 held jointly by the Secretary of State of Her Majesty's Government ("HMG") and the Secretary of State for Scotland).

The terms of the offer for the ordinary shares of British Energy were as follows:

- a cash offer of 774 pence per share,
- as an alternative, holders resident in certain countries of the European Economic Area were offered the possibility to receive, at their election and subject to availability, in respect of all or part of their holding of British Energy Ordinary Shares, 700 pence in cash and one Nuclear Power Note for each ordinary share (the "Partial CVR

> Alternative”). “Nuclear Power Note” means any of the notes due 2019 issued by Barclays Bank PLC (“Barclays”) linked to the contingent value right units issued by Lake Acquisitions to Barclays. Payments under these Nuclear Power Notes (and payments under the units issued by Lake Acquisitions to Barclays) are based on a formula which is intended to afford economic exposure to wholesale power prices and the output of British Energy’s existing nuclear fleet. Therefore, the evolution of the wholesale power prices in the United Kingdom and of the output of British Energy’s existing nuclear fleet may result in additional amounts payable by the Group (through Barclays) under the Nuclear Power Notes.

As part of the Partial CVR Alternative, an additional CVR election facility was also made, enabling shareholders who elected for the Partial CVR Alternative to elect to receive, subject to availability, two additional Nuclear Power Notes, in lieu of receiving cash consideration of 74 pence in respect of each additional Nuclear Power Note.

Lake Acquisitions also made a cash offer of 774 pence for each British Energy convertible share.

The acquisition is consistent with all of the investment criteria of the EDF Group in terms of strategy, finance and political acceptance.

The cash consideration required for the acquisition of British Energy is provided (i) under a credit facility agreement entered into on September 23, 2008 (as amended and restated on October 2, 2008 and December 19, 2008) totaling £11.0 billion and (ii) with the use of EDF’s existing cash resources.

The acquisition was subject to certain conditions, including clearance from the European Commission under merger control regulation. On November 3, 2008, EDF filed the Form CO with the European Commission. On December 22, 2008, the European Commission announced its decision to approve, subject to certain commitments by EDF, the acquisition of British Energy by Lake Acquisitions. Specifically, EDF has committed to the following, the implementation of which shall occur over the next few years: (i) to divest British Energy’s coal fired power station at Eggborough; (ii) to divest EDF Energy plc’s gas fired power station at Sutton Bridge; (iii) to sell amounts of electricity ranging from 5 to 10 TWh per year in Great Britain during the period from 2012 to 2015; and (iv) to give up one of the combined group’s three grid connection agreements at Hinkley Point. EDF has also committed to divest, without conditions, one site potentially suitable for the construction and operation of new electricity production facilities situated adjacent to existing British Energy stations at either Heysham or Dungeness, at the option of the purchaser.

On January 5, 2009, EDF announced that the offers had become unconditional in all respect and the acquisition had become effective. On such date, Lake Acquisitions owned or had received valid acceptances in respect of a total of 1,550,102,522 British Energy shares, representing in aggregate approximately 96.44% of the current issued share capital of British Energy.

On January 12, 2009, Lake Acquisitions announced that it had procured that British Energy apply to the U.K. Listing Authority for the cancellation of listing of British Energy Ordinary Shares on the Official List and to the Main Market of the London Stock Exchange for the cancellation of admission to trading of British Energy Ordinary Shares on its main market for listed securities, to take effect no earlier than February 9, 2009.

EDF and Centrica are in discussions regarding the granting by EDF of an option to Centrica for the acquisition of a 25% interest in Lake Acquisitions at the same implied price per share as that paid by EDF for British Energy, subject to certain costs to be agreed. Centrica would also be entitled to participate in EDF's new nuclear build activities in the UK on a 75/25 (EDF/Centrica) basis. Centrica's 25% interest in Lake Acquisitions would give it the right to offtake at least 25% of the uncontracted output of British Energy's existing generation fleet. Profits of Lake Acquisitions would be distributed to EDF and Centrica in proportion to their equity interests.

EDF expects the acquisition of British Energy to generate synergies positively impacting its consolidated operating profit before depreciation and amortization (EBITDA) by approximately €200 million three years after the completion date of the acquisition. The estimated potential synergies have been calculated on the basis of EDF acquiring and retaining 100% ownership of British Energy and de-listing British Energy. The potential synergies have been calculated on the basis of a number of subjective assumptions made by EDF, for example in relation to potential procurement costs and other areas of overlap, future retail customer numbers, customer demand and profits on power sales. Revenue synergies will result from enhanced existing trading operations and access to an improved credit rating for British Energy operations, as well as an ability to grow the end customer base.

EDF believes that the acquisition will enable it to build and operate four EPRs in the UK. EDF is aiming to have the first EPR on-stream by the end of 2017. EDF and British Energy have identified certain British Energy sites as being suitable for the construction and operation of new nuclear power generation facilities. Together with AREVA, EDF has already submitted an application to the relevant UK authorities for certification of an EPR plant model for use in the UK. In addition, EDF has already ordered the critical components required to build the first two EPRs in the UK. EDF estimates that the total cost (including costs of construction, decommissioning costs, operation and maintenance costs, taxes, fuel costs and downstream expenses) of each of the four EPRs will be in the range of £42/MWh to £45/MWh in 2008 sterling.

Regarding the acquisition of British Energy, see "Risk Factors - Risks Related to the Structure and Changes Within the Group - Risks related to the acquisition of British Energy."

Constellation Energy

Potential EPR at Nine Mile Point

On September 30, 2008, UniStar Nuclear Energy, a joint venture of Constellation Energy and EDF Group, submitted a combined license (COL) application to the U.S. Nuclear Regulatory Commission (NRC) for a potential new reactor at Nine Mile Point Nuclear Station in Scriba, N.Y.

The COL application seeks federal regulatory approval for a 1,600-megawatt nuclear plant that would have the capacity to generate electricity for more than one million households. The NRC's application review process is expected to take 36-42 months.

The final decision on whether to proceed with this new reactor has not yet been made by UniStar Nuclear Energy.

Increase of shareholding in Constellation Energy

On September 9, 2008, EDF announced that it had increased its stake in Constellation Energy from 4.97% to 9.51%, through the acquisition of shares on the market.

Offer for certain assets of Constellation Energy

On September 19, 2008, MidAmerican Energy Holdings Company ("MidAmerican") and Constellation Energy announced that they had reached a definitive merger agreement in which MidAmerican would purchase all of the outstanding shares of Constellation Energy for cash consideration of approximately $4.7 billion, or $26.50 per share and that Constellation Energy would issue to MidAmerican $1 billion of preferred equity yielding 8% upon signing the definitive agreement.

On December 3, 2008, EDF announced that it had proposed to Constellation Energy (i) to acquire a 50% ownership interest in Constellation's nuclear generation and operation business for US $4.5 billion, (ii) to make an immediate $1 billion cash investment in Constellation to be credited against the purchase price for EDF's interest in the nuclear generation business, and (iii) to grant Constellation Energy a put option pursuant to which Constellation Energy could sell non-nuclear generation assets to EDF having an aggregate value of up to US $2 billion.

On December 8, 2008, Constellation Energy announced that its Board of Directors authorized the company to begin immediate discussions and exchange of information with EDF related to EDF's proposal.

On December 17, 2008, Constellation Energy and MidAmerican announced that they had jointly reached an agreement to terminate their merger agreement. MidAmerican will receive a $175 million termination fee. In addition, the preferred shares issued to MidAmerican will convert and MidAmerican will receive a $1 billion note at 14% interest, maturing December 31, 2009; approximately 20 million shares of Constellation Energy common stock, representing 9.99% of outstanding shares; and approximately $418 million in cash.

The same day, EDF and Constellation Energy announced a definitive agreement under which EDF would acquire a 49.99% interest in Constellation Energy Nuclear Group for $4.5 billion. Constellation Energy Nuclear Group owns 3,869 megawatts of nuclear generating capacity, which consists of the Calvert Cliffs Nuclear Power Plant in Maryland, and Nine Mile Point Nuclear Station and R.E. Ginna Nuclear Power Plant in New York. EDF's interest in Constellation Energy Nuclear Group will be structured as a new joint venture between the companies, separate from the existing UniStar joint venture.

Pursuant to the agreement, in December 2008, EDF has made several key investments to strengthen Constellation Energy's liquidity position :

- EDF made a $1 billion cash investment in Constellation Energy through the purchase of newly issued Constellation Energy non-convertible cumulative preferred stock, which will be surrendered to Constellation Energy upon closing of the transaction and credited against the $4.5 billion purchase price for EDF's interest in Constellation Energy Nuclear Group.

- EDF and Constellation Energy entered into a two-year asset put option that allows Constellation Energy to sell to EDF up to $2 billion of non-nuclear generation assets.

- EDF provided Constellation Energy with a $600 million interim backstop liquidity facility, which will remain available until receipt of all regulatory approvals relating to the transfer of the non-nuclear generation assets that could be sold under the asset put option or the date that is six months after the date of the investment agreement, whichever is earlier.

The transaction is subject to and the companies expect to receive the necessary regulatory approvals for the acquisition of EDF's interest in Constellation Energy's nuclear generation and operation business and close the transaction within six to nine months of their December 2008 agreement.

The transaction is not subject to a financing condition. EDF will finance the transaction, including the agreed liquidity arrangements, through corporate funds and credit facilities. Approval from Constellation Energy's shareholders is not required.

Regarding the acquisition of certain assets of Constellation Energy, see "Risk Factors - Risks Related to the Structure and Changes Within the Group - Risks related to the contemplated acquisition of certain nuclear activities of Constellation Energy".

Investment policy regarding the new nuclear power plants until 2020

The Group's ambitions concerning new nuclear power plants until 2020 (4 reactors in the United Kingdom, 2 in the United States, 2 in China and 1 in France) correspond to a global investment amount estimated, as at the end of 2008, at between €40 billion and €50 billion in 2008 euros. EDF's expected net financing requirements relating to such investment (after taking into account the free cash flow generated by the first plants) over the same period should be between €12 billion and €20 billion in 2008 euros, in particular, taking into account the expected involvement of partners in these projects in France, China, the United States and potentially the United Kingdom.

The EDF Group may use a variety of different methods for the financing of its new nuclear power plants program:

- Financing by partners under joint ventures or cooperation agreements entered into with Enel in France, China Guangdong Nuclear Power Holding Company in China and Constellation Energy in the United States. The Group does not exclude entering into further partnerships in the future;

- Financing through project financing debt;

- Self-financing through the free cash flow generated by the new nuclear power plants (the first one scheduled to become operational starting in 2012).

The implementation of the new nuclear power plants program over a long period of time allows the Group to spread its net financing needs between now and 2020.

EPRs commissioning timetable

In addition to the target of connecting the Flamanville 3 EPR to the network in France in 2012, EDF has the following commissioning timetable objectives: a first Chinese EPR in 2013 (Taishan 1), a second Chinese EPR in 2014 (Taishan 2), two North American EPR in 2016 (including Calvert Cliffs 3), a first EPR in the United Kingdom at end-2017 and three other EPRs in the United Kingdom from 2018 onwards (including post 2020).

Joint venture between Edison and Hellenic Petroleum

Edison and Hellenic Petroleum, Greece's largest hydrocarbon company, signed agreements on July 3, 2008 establishing a 50-50 joint venture to operate in Greece's electric power market.

The joint venture’s objective is to develop, through subsidiaries, a generating capacity of more than 1,500 MW (including 390 MW already operational), a level of output equal to about 12% of the Greek market, thereby becoming the second largest electric power operator in Greece, as well as power trading and marketing activities. The joint venture may also pursue investments in renewable energy sources in Greece as well as opportunities in power generation and trading in the Balkans.

EnBW’s bid to acquire 26% of EWE AG

On July 10, 2008, EnBW announced that it would acquire 26% of the share capital in EWE AG, a German energy company with some 4,700 employees and consolidated revenue of €4.7 billion in 2007. EnBW would acquire the 26% shareholding in EWE AG by purchasing existing shares and by means of a capital increase by cash subscription. The total investment by EnBW amounts to approximately €2 billion.

The acquisition is subject to the approval of the anti-trust authorities. The German Federal Cartel Office announced on December 22, 2008 that, after a preliminary examination, it believes that the partnership would result in the companies’ increased dominance in eastern German gas markets. The Federal Cartel Office has delayed its decision on the matter until March 9, 2009. The companies have until January 26, 2009 to respond to the cartel authorities.

There can be no assurance that this acquisition will be completed.

Agreement for the construction of 2 new nuclear reactors in China using EPR technology

After the signing of a framework agreement on November 26, 2007 in Beijing, EDF and the Chinese electricity producer China Guangdong Nuclear Power Holding Company (CGNPC) signed on August 10, 2008 the final agreements in Beijing for the creation of a joint venture company to be called Guangdong Taishan Nuclear Power Joint Venture Company Limited (TNPC). The aim of the joint venture is to construct and operate two nuclear EPR power stations at Taishan in the province of Guangdong, modeled on the EPR reactor currently being built by EDF at Flamanville. EDF will hold 30 % of TNPC for a period of 50 years.

At the same time as creating the joint venture, the two groups also concluded a technical assistance contract pursuant to which EDF will share its know-how by seconding skilled personnel and providing technical documentation.

The creation of this joint venture company is still subject to the approval of the Chinese authorities, as any foreign investment.

Acquisition of Eagle Energy Partners I, L.P. by EDF Trading

EDF Trading announced on September 29, 2008 that it had entered into a binding sales and purchase agreement with Lehman Brothers to acquire Eagle Energy Partners I, L.P. ("Eagle"). The transaction is subject to regulatory and bankruptcy court approvals, as well as customary closing conditions.

Eagle is a North American wholesale energy transportation, gas storage and optimization services business. Eagle specializes in energy logistics and asset optimization including:

- balancing and matching customer supply and demand,
- providing optimization of gas storage and transportation assets as well as power generation assets,
- providing financial hedging and risk management products to its customers.

There can be no assurance that this acquisition will be completed.

Acquisition of a majority holding in British North Sea gas fields

EDF announced on October 27, 2008 that it had signed an agreement with ATP Oil & Gas UK, a subsidiary of the American oil company ATP Oil & Gas Corporation (ATPG), for the acquisition of 80% of its shares in gas assets in the British North Sea. EDF also has the option to acquire the remaining 20% of ATPG's shares in 2009 and can transfer the option to its Italian subsidiary Edison.

The transaction, the amount of which is £265 million, relates to:

- 68% of the Tors zone, which includes two natural gas fields that came into production in March 2006 and February 2007;
- 80% of the Wenlock field, which came into production in December 2007.

The acquisition is still subject to approval by the relevant British authorities.

There can be no assurance that this acquisition will be completed.

Combination of Atel and EOS

As contemplated in the beginning of the year 2008 (see Section 6.3.4.1 "Switzerland" of the 2007 Document de Référence), Atel and EOS are to combine their main activities within Alpiq Holding SA ("Alpiq), by the end of January 2009. The agreements relating to the transaction were executed on December 18, 2008.

EDF will have a 25% shareholding in Alpiq by contributing to Alpiq its energy rights corresponding to its 50% stake in the Emosson dam, valued at 720 million Swiss francs, and 337 million Swiss francs in cash. The other main shareholders of Alpiq will be EOS Holding and a consortium of Swiss minority shareholders, each with 31%.

Alpiq will have a hydraulic generation capacity in Switzerland of some 3000 MW, as well as 765 MW in nuclear capacity.

FINANCIAL INFORMATION

Interim dividend of € 0.64 per share

EDF paid an interim dividend on December 17, 2008 of €0.64 per share corresponding to a total amount of € 1.2 billion.

Bond issues

EDF launched, on January 16, 2009, the placement of two bonds denominated in euros for a total amount of €4 billions. The bonds will have a maturity of six and twelve years respectively and an annual coupon of 5.125% and 6.25% respectively. The closing is expected to take place on January 23, 2009.

EDF issued, on November 26, 2008, a €2 billion bond with a maturity of 4 years and 2 months and an annual coupon of 5.625 %.

EDF issued, on December 12, 2008, a £400 million bond with a maturity of 14 years and an annual coupon of 6.875%.

EDF issued, over November and December 2008, a 1,350 million Swiss Francs bond with a 5-year maturity and an annual coupon of 3.375%.

EnBW issued, in November 2008, two bonds denominated in euros for a total amount of €1.5 billion. The bonds have a maturity of five and ten years respectively and an annual coupon of 6% and 6.875 % respectively.

RTE EDF Transport issued, on September 12, 2008, a €1 billion bond with a maturity of 10 years and an annual coupon of 5.125%. The sole purpose of the new bond issue was to refinance a portion of the debt contributed to the company by EDF at the time of its constitution.

Increase of the ceiling of US commercial paper program and French commercial paper program (*billets de trésorerie*)

The Group has increased the maximum outstanding amount of its US commercial paper program from US$ 3 billion to US$ 10 billion and that of its French commercial paper program from €3.8 billion to €6 billion.

Credit facility entered into for the acquisition of British Energy

EDF has entered into a credit facility agreement on September 23, 2008 (as amended and restated on October 2, 2008 and December 19, 2008) for a total of £11.0 billion with a bank syndicate for the purpose of financing the acquisition of British Energy. The credit facility agreement is made up of two tranches:

- one tranche for a total of £5.5 billion with a maturity of 364 days (extendable for another 364 days at EDF's request) and a margin of 100 basis points over LIBOR for the six first months-period and then 110 basis points;

- a second tranche for a total of £5.5 billion with a maturity of three years, with a margin of 120 basis points over LIBOR.

A limited portion of each tranche is denominated in euros.

EDF has already started to refinance this credit facility through bond issues. As of the date of this document, the amount outstanding (i.e. drawn and not repaid) under this credit facility is £7.344 billion.

TaRTAM impact

In July 2008, the French Parliament extended by an additional year the TaRTAM mechanism to June 30, 2010. On August 2, 2008, EDF provided a preliminary estimate of the cost of this extension for 2009 and 2010 and announced that it will book a provision for the total amount in its 2008 consolidated financial statements. The preliminary estimate, which amounted to around €1 billion, was based on a number of assumptions regarding, inter alia, volumes, market prices and the CSPE, which EDF believed to be reasonable at that point of time. EDF will disclose a revised figure on the basis of more recent assumptions when it reports its full year 2008 results on February 12, 2009.

Investments

EDF Group has significantly increased its capex programme over the last few years, in generation and in networks, in France and internationally. In 2009, the Group should further accelerate its capex programme. In France in particular, EDF plans to invest €300 million in renewable energies, €300 million in the infrastructures of the French overseas departments, €200 million in French manufactured supplies for EDF’s international nuclear development.

Credit Rating

The current long term rating of EDF by the three major rating agencies is as follows:

- Fitch: A+, stable outlook,

- Moody’s: Aa3, stable outlook,

- S&P: A+, negative outlook.

EDF Group’s sales at September 30, 2008

EDF Group’s sales for the nine months ended September 30, 2008 were €45.6 billion, up 6.9% and representing organic growth of 9.7% compared to the first nine months of 2007. Growth was driven by price and tariff evolutions, particularly overseas, and to a lesser extent by growth in the volumes of electricity and gas sold, notably due to the colder weather conditions which were closer to seasonal norms.

Sales for the third quarter of 2008 were of €13.4 billion, up 8.3% and representing organic growth of 11.1% compared to the third quarter of 2007.

Change in sales at September 30

In millions of euros	9-month 2008	9-month 2007	Change 2008/2007	Organic growth[1]
France	**24,446**	**23,031**	**+6.1%**	**+6.1%**
United Kingdom	5,721	6,160	-7.1%	+6.7%
Germany	5,347	4,952	+8.0%	+9.0%
Italy	4,287	3,346	+28.1%	+29.1%
Rest of Europe	5,342	4,209	+26.9%	+20.8%
Europe excluding France	**20,697**	**18,667**	**+10.9%**	**+14.5%**
Rest of the world	**448**	**945**	**-52.6%**	**-0.4%**
Total International	**21,145**	**19,612**	**+7.8%**	**+13.8%**
EDF Group	**45,591**	**42,643**	**+6.9%**	**+9.7%**

1 Growth excluding scope and exchange rate effects

France

In France, sales for the nine months ended September 30, 2008 were €24.4 billion, up 6.1% compared to the first nine months of 2007, driven by increased wholesale prices principally on capacity auctions, and changes in tariffs.

Third-quarter sales totaled €6.6 billion, up 1.4% on the third quarter of 2007. Dynamism of volumes sold to end customers, already noted in the first half of the year, continued (+1.9 TWh in the third quarter) in the context of weather conditions which were closer to seasonal norms (colder). Nevertheless, this development, together with extended maintenance operations and a higher number of unplanned outages of nuclear facilities, led to lower net sales on the wholesale markets.

Sales of natural gas and services continued to grow and contributed to sales growth to a lesser extent.

International

In the **United Kingdom**, EDF Energy's sales for the nine months ended September 30, 2008 totaled €5.7 billion, down 7.1% compared to the first nine months of 2007. This decrease results from a negative exchange rate effect of -13.6% associated with the appreciation of the euro against sterling. EDF Energy's sales represented organic growth of 6.7%, mainly driven by electricity tariff increases for residential clients (increases of 7.9% in January 2008 and 17% in July 2008) and, to a lesser extent, by natural gas tariff increases (increases of 12.9% in January 2008 and 22% in July 2008). Regulated network activities progressed due to increases in toll tariffs (increase of 4.2% in October 2007).

In **Germany**, EnBW's sales for the nine months ended September 30, 2008 totaled €5.3 billion, representing organic growth of 9%, due to the solid performance by electricity activities. Electricity sales benefited from a favorable price effect on end customers and the wholesale market, and an increase in volumes sold to residential customers. In natural gas, sales remained stable, with a decrease in volume sales and a rise in prices, notably to business customers.

In **Italy**, sales for the nine months ended September 30, 2008 totaled €4.3 billion, representing organic growth of 29.1%. Edison's 9-month sales stood at €3.8 billion, representing organic growth of 30.7%. This growth was driven by electricity sales on the IPEX, due to sharp increases in prices (an increase of 26.6%) and volume growth. The hydrocarbon/gas business also contributed to the growth, due to the increased price of Brent and higher volumes of gas sold on the wholesale markets but to a lesser extent.

In the **Rest of Europe**, sales for the nine months ended September 30, 2008 totaled at €5.3 billion, representing organic growth of 20.8%. This increase was essentially driven by the sharp growth in EDF Trading's net trading margins and the continued development of EDF Energies Nouvelles' activities. Increased prices and tariffs in Hungary and Poland also contributed to this growth.

Quarterly change in sales

In millions of euros	**Q3 2008**	**Q3 2007**	**Change 2008/2007**	**Organic growth[1]**
France	**6,629**	**6,538**	**+1.4%**	**+1.4%**
United Kingdom	1,776	1,765	+0.6%	+15.1%
Germany	1,640	1,455	+12.7%	+12.9%
Italy	1,470	1,046	+40.5%	+41.3%
Rest of Europe	1,687	1,223	+37.9%	+31.5%
Europe excluding France	**6,573**	**5,489**	**+19.7%**	**+23.2%**
Rest of the world	**150**	**305**	**-50.8%**	**+1.0%**
Total International	**6,723**	**5,794**	**+16.0%**	**+22.0%**
EDF Group	**13,352**	**12,332**	**+8.3%**	**+11.1%**

1 Growth excluding scope and exchange rate effects

Quarterly breakdown of sales

In millions of euros	**Q1 2008**	**Q2 2008**	**Q3 2008**	**9-month 2008**
France	**10,666**	**7,151**	**6,629**	**24,446**
United Kingdom	2,198	1,747	1,776	5,721
Germany	2,025	1,682	1,640	5,347
Italy	1,412	1,405	1,470	4,287
Rest of Europe	1,906	1,749	1,687	5,342
Europe excluding France	**7,541**	**6,583**	**6,573**	**20,697**
Rest of the world	**138**	**160**	**150**	**448**
Total International	**7,679**	**6,743**	**6,723**	**21,145**
EDF Group	**18,345**	**13,894**	**13,352**	**45,591**

Outlook

The Group will publish its 2008 results on February 12th 2009. Group EBITDA is expected to increase approximately of 3% in 2008. 2008 Group Net income excluding non recurring items should not exceed that of 2007.

These result-related objectives are expressed in terms of organic growth, that is excluding changes in the scope of consolidation and exchange rates effects. They are established on the basis of constant accounting principles and without taking into account the volatility caused by the application of IAS Standards 32/39. They do not take into account the impact on 2008 accounts of the extension by one additional year to 30 June 2010 of the TarTAM (*Tarif transitoire d'ajustement au marché*) (see "Financial Information - TarTAM Impact").

In respect of Group net income, it should be noted that 2007 net income included the positive effect of non recurring items for a total of € 941 million net of tax. In 2008, Group net income will be mainly negatively impacted by the provision to be taken in respect of the extension of the TarTAM for an additional year.

For 2009, against a difficult economic and financial background, and after two major acquisitions in 2008, EDF Group will focus on organic growth and the strengthening of its business operations in France and abroad. Whilst pursuing its sizeable investment programme, the Group will in particular aim at improving its operations, specifically the performance of its French nuclear fleet and the achievement of its three-year "Excellence Opérationnelle" performance programme, the integration of its newly acquired business British Energy and the achievement of announced synergies.

EDF Group will also seek to maintain its solid financial structure, consistent with its current rating (Aa3 stable outlook Moody's, A+ negative outlook S&P, A+ stable outlook Fitch).

RISK FACTORS

The Group operates in an environment that is experiencing profound change, generating various risks, some of which are outside of its control and which are in addition to the risks inherent in carrying on its businesses. The risks that the Group believes are material for its businesses are described below. One or several of these risks could possibly have an adverse effect on the Group's activities and/or its results. Moreover, other risks, of which it is currently unaware, or which it believes are not material at present, may have the same adverse effect.

The risks identified below relate to:

- the opening of European energy markets;
- the Group's activities;
- the Group's nuclear activities;
- the Group's structure and its transformation; and
- the structure of EDF share capital and the listing of its shares.

Given the fact that the acquisition of British Energy by the Group occurred recently (see "Recent Developments and Outlook – International – Acquisition of British Energy Group"), the risks presented below do not take into account risks specific to the activities of the British Energy group.

Risks Related to the Opening of the European Energy Markets

The Group must face increased competition on the European energy markets, in particular, on the French electricity supply market, which is its principal market.

In France

Since July 1, 2007, the electricity market has been totally open to competition. All of EDF's clients now have the option of choosing their electricity supplier and can therefore choose any of its competitors (see Section 6.2.1.2 "Supply" of the 2007 *Document de Référence*). EDF has implemented measures aimed at contending with its competitors. However, given its previous monopoly position, EDF is bound to lose a share of the market in France. The losses could become increasingly significant, notably due to the changing context of the competition (emergence of new players, mergers of existing operators, etc.). This decrease in EDF's market share could have, at constant consumption and price levels, a negative impact on the Group's sales. Finally, to achieve its objectives, EDF could be forced to increase its marketing expenditures or reduce its margins (especially in the event of price competition), which would have a negative effect on its profitability.

Outside France

Through its various subsidiaries in Europe, the Group faces different competitive situations, in particular in the electricity market:

- in the United Kingdom, the market has been totally open since the 1990s and is very competitive;
- in Germany, the market is also totally open, and is becoming increasingly competitive;
- in Italy, the degree to which the market has opened up is comparable to that in France, and Edison is in a position to challenge the historical operator (Enel); and
- in the rest of Europe, and in particular in central and eastern Europe, the market opening continues for the new members of the European Union.

In some countries, or in some regions within a country, the Group must pursue a defensive strategy with respect to its market share, as in France. In other countries, in contrast, it must pursue an offensive strategy to conquer market share. The type of competition, the development of this competition, and its effect on the Group's activities and its results vary from one country to another. They depend on the degree of deregulation in the country in question and on various other factors over which the Group similarly has no control.

Within this context, even if the Group considers that the European electricity market presents opportunities, the Group may not be able to defend its market share or win expected market shares. It may also see its margins decrease, which would have a negative effect on its activities, its strategy and its financial results.

The legal and regulatory framework governing the liberalization of the energy sector is recent. This framework may change in the future and become more restrictive.

The Group's activities in France and abroad are subject to numerous regulations (see Section 6.5 "Legislative and regulatory environment" of the 2007 *Document de Référence*). Moreover, and even in the European Union, where directives only define a general framework, laws and regulations may vary from one country to another.

This legal and regulatory framework, which organizes the opening up of the energy sector, is relatively recent and does not necessarily provide all of the solutions to the difficulties raised by the opening up of those markets. It is therefore likely to change, which could be unfavorable to the Group. Future changes to the legal and regulatory framework, whether in France or abroad, may lead to additional costs, be inconsistent with the Group's development model, or change the competitive context in which the Group operates.

Risks associated with the fact that the Group will remain, in all likelihood for the next coming years, the largest operator in the French electricity market.

Although it has observed a decrease in its market share in France, EDF will in all likelihood remain the largest operator in the French electricity market over the next few years, particularly in generation and supply. The transmission and distribution activities (operated by RTE-EDF Transport and by ERDF) are required to be operated in a framework guaranteeing their independence from generation and supply activities in order to ensure non-discriminatory access to all users.

EDF intends to strictly comply with current regulations on competition and non-discrimination.

However, competitors have and may initiate lawsuits for non-compliance with these regulations, which may be decided against the Group's interests.

Furthermore, regardless of any legal action initiated by competitors, the authorities may make decisions that are contrary to the Group's economic or financial interests or to its model as an integrated and balanced operator (see, in particular, Section 6.5.1.1 "European legislation — Opening up the market" and Section 6.2.1.2.1 "Opening of the French market for electricity sales and supply" of the 2007 *Document de Référence*). Thus, the European Commission notified in December 2008 to EDF a statement of objections in the context of an infringement procedure in relation with suspicions of an abuse of its dominant position (see "Recent Developments and Outlook – France – Statement of objections received from the European Commission").

Finally, European countries may claim that the opening up of the French market is insufficient and implement measures intended to slow the Group's growth in their own countries.

This may have material, negative consequences for the Group's model, activities and financial results.

Laws and regulations that require the transmission and distribution activities to be managed independently limit control over these activities.

In accordance with current laws and regulations, EDF has instituted a management of its distribution network that is independent from its generation and sales activities and has transferred its distribution and transmission network activities to wholly-owned subsidiaries. EDF may be affected by the loss of control over certain operational decisions, which may have an impact on its operating costs, which is a significant element in the profitability of its transmission and distribution activities in France. At the same time, EDF will continue to bear the risks associated with transmission and distribution activities, liabilities to third parties and factors that may affect the profitability of transmission and distribution assets.

Such risks may also be present in countries where the Group owns or operates transmission or distribution networks where it is subject to similar regulatory restrictions.

Risks Related to the Group's Activities

The Group operates facilities that may cause significant harm to the natural or human environment or for which accidents or external attacks may have serious consequences.

The risks specific to nuclear facilities are described separately below (see risk factor entitled "Specific risks relating to the Group's nuclear activity").

With respect to hydropower facilities, even if it is not the owner but a licensee, the Group is responsible as the operator for the safety of the facilities. The main risks associated with hydropower facilities and their operations are the risk of dams or associated hydropower facilities bursting, risks associated with operating the facilities during floods, and the risk associated with flow or level variations due to the operation of these facilities. To these risks are added those associated with attacks or ill-intentioned acts of any kind.

The Group takes, during the construction and operation of hydroelectric facilities, measures for accident prevention and safety (see Section 6.2.1.1.4.2 “Hydropower safety” of the 2007 *Document de Référence*) with the collaboration of public authorities. Nonetheless, the Group cannot guarantee that such events will never occur or that the measures taken will be fully effective in all cases, in particular, to deal with external events (in particular floods, negligence of third parties).

Regarding electricity transmission and distribution facilities, persons working in or near this type of facility may be exposed, in the event of an accident, error or negligence, to the risk of electrocution. In this field, the Group also implements accident prevention and safety measures. However, the Group cannot guarantee that these measures will prove sufficient in all cases.

Questions with respect to the risks to human health as a result of exposure to electromagnetic fields (“***Champs Electromagnétiques***”, or “**CEM**”), in particular, from power lines operated by the Group, are being raised both in France and abroad. Based on numerous studies completed over the past 20 years, numerous international health organizations (including the World Health Organization (“**WHO**”), the International Agency for Research on Cancer, the American Academy of Sciences, the National Institute of Environmental Health Sciences, the English National Radiation Protection Board) consider, given currently available scientific information, that the existence of health risks as a result of exposure to CEM has not been proven: in a report published in June 2007, the WHO considered that the health risks, if any, were low. As a precautionary measure, the European Commission has established guidelines relating to exposure of the public and of workers to electromagnetic fields. The WHO, in its June 2007 report recommends compliance with these guidelines, with which the Group complies. However, medical knowledge about health risks related to exposure to electromagnetic fields may evolve or public sensitivity about such risks could increase, which could expose the Group to risks of litigation and could lead to the implementation of regulations imposing more stringent security measures for the operation or construction of public transmission or distribution networks.

Finally, and more generally, the Group operates or has operated facilities which, as currently operated, could be or have been the source of industrial accidents or environmental and public health impacts (such as inadequately controlled emissions, leakages in electricity supply lines insulated with oil under pressure, a failure of decontamination facilities, pathogenic microorganism, asbestos polychlorobiphenyls (“**PCBs**”), etc.). In particular, large quantities of hazardous materials (mainly explosive or inflammable, such as gas and fuel oil) are stored in certain facilities. These facilities may be located in industrial areas where other activities experiencing similar risks are operated, such that the Group's own facilities may be impacted by accidents occurring at neighboring facilities owned by other operators and not subject to the Group's control.

The Group implements in the framework of standards ISO 14001 (see Section 4.1.2.4. “Management of risks related to industrial accidents and environmental and health consequences of Group’s activities” of the 2007 *Document de Référence*) measures both for accident prevention and repairs with respect to industrial accidents or harm to the environment caused by the facilities that it operates. These measures are intended, in particular, to protect the Group both against the risk of an accident (such as explosion, fire, etc.) occurring in its own facilities and against the risk of such an accident occurring in a neighboring facility owned by a third party.

However, the Group cannot guarantee that these measures will prove fully effective upon the occurrence of one of the events referred to above.

An accident of the type described in the preceding paragraphs would have serious consequences for persons and property and the Group could be found liable. The civil liability and damage insurance coverage taken out by the Group may prove to be significantly inadequate (see Section 4.1.3.1 "Civil liability insurance (not including civil responsibility for nuclear power)" of the 2007 *Document de Référence*). Further, the Group cannot guarantee that it will always maintain a level of coverage at least equal to that currently in place and at a cost that would not be higher.

Furthermore, such accidents may lead to the shutdown of the facility in question and, potentially, similar facilities that may be considered to present the same risks.

In addition, facilities operated by the Group may be targeted by external attacks or ill-intentioned acts of any nature. Safety measures were provided for during the design of the facilities and sites and protective measures have been implemented by EDF. Moreover, safety measures to counter all forms of attack are currently under implementation in collaboration with the public authorities. Nonetheless, like any safety measures intended to counter an outside threat, the Group cannot guarantee that these will prove fully effective in all cases, including upon the occurrence of one of the events mentioned above. Nor can the Group guarantee that European and national legislation regarding the protection of sensitive sites and critical infrastructure will not become more restrictive, which could generate additional investment or costs for the Group.

An attack or ill-intentioned act committed on these facilities could have similar consequences to those of any of the accidents described above: (i) damage to persons and property, (ii) the Group's liability being sought on the basis of measures that are judged inadequate, or (iii) interruption to operations.

Any one of these events may have material, negative consequences on the Group's image, activities, results and financial situation.

A significant part of the Group's revenue is generated from activities subject to regulated tariffs, the level of which may have an impact on the Group's results.

In France, a significant part of EDF's revenue depends on regulated tariffs. Such tariffs are set by joint decree of the Minister of Economy, either upon proposal by or after consultation with the French Energy Regulation Commission (*Commission de Régulation de l'Energie*, or "**CRE**") (for the integrated tariff and the TURP, see Section 6.2.2.4 "Tariffs for using the public electricity transmission and distribution networks (*Tarif d'utilisation des réseaux publics de transport et de distribution d'électricité*, or "TURP")" of the 2007 *Document de Référence*). Tariffs are also set by regulatory authorities in other countries where the Group operates, including in the United Kingdom, Germany, China, Hungary and Slovakia.

These tariffs are negotiated regularly between operators and authorities (see "Recent Developments and Outlook – France – Tariffs"). Public authorities and the regulator may decide to limit or even block tariff increases, with no change to the quality of service. These authorities can also change the requirements to benefit from such regulated tariffs (with respect to France, see Section 6.5.1.2 “French legislation” of the 2007 *Document de Référence* relating to Law n° 2006-1537 dated December 7, 2006 concerning the energy sector).

Even if regulated tariffs were revised in favor of the Group, it cannot guarantee that such tariffs will always be set at a level which would allow it to improve or maintain its profitability margins and its rates of return on investments, or at a level which would be compatible with an actual and total opening up of the markets. This could have a material, negative impact on the Group’s activities and financial results.

In addition, in France, the provisions of Law n° 2006-1537 of December 7, 2006 concerning the energy sector in particular provided for the implementation for a period of two years, of a transitory regulated tariff for market adjustment (“**TaRTAM**”) for the final customers who applied in writing to their supplier before July 1, 2007. Pursuant to an order dated January 3, 2007, the TaRTAM is of the same amount as the regulated tariff (no taxes included), plus an increase of 10%, 20% or 23% depending on the characteristics of the final consumer choosing the TaRTAM. The provisions of Law n°2008-776 of August 4, 2008 concerning the modernization of the economy, provide for the extension of the TaRTAM for one additional year, *i.e.* until July 1, 2010 (for a description of the estimated impact on the Group in 2009 and 2010 of such extension, see “Recent Developments and Outlook – France – TaRTAM impact”). In addition, also in France, the law relating to regulated tariffs for electricity and gas allows residential customers who will have chosen a market offer for their accommodation, to opt back to the regulated tariff for such accommodation, not earlier than six months after their eligibility claims, subject to having made the request before July 1, 2010. The Law has extended to professional consumers (with a power lower or equal to 36 kVA) the right to return to regulated tariff in case of relocation, for electricity only. EDF cannot guarantee that the laws and regulations relating to the implementation of these provisions allowing a return to regulated price will not be extended again, or that no other tariff plans will be introduced at their term. EDF can neither guarantee that these provisions will not have a material adverse effect on the Group’s activities and financial results, nor that the impact relating to the TaRTAM, will not be higher, than the impact EDF is currently able to estimate (see “Recent Developments and Outlook – Financial Information – TaRTAM impact”), nor that the assumptions taken into account for such estimation will not change, in a manner that will significantly increase the adverse effect of the implementation of such tariff on the Group’s activities and financial results.

EDF is responsible for certain commitments, namely public service commitments, paid for by mechanisms which could fail to provide complete compensation of excess charges incurred, or which could be questioned.

The new public service contract entered into by the French State and by EDF on October 24, 2005 outlines the public service commitments that EDF must provide and sets out compensation mechanisms in respect of EDF as regards these commitments (see Section 6.4.3.4 “Public Service in France” of the 2007 *Document de Référence*).

EDF cannot ensure that the compensation mechanisms provided for by the laws and regulations applicable to it regarding its public service commitments and the implementation of regulated tariffs will provide for full compensation of the costs incurred by the Group in order to respect such commitments and/or implement such tariffs. EDF cannot guarantee either that these compensation mechanisms will not be called into question or that existing mechanisms could fully cover potential additional costs to be incurred in relation with new obligations of EDF under its public service commitments.

If any of these events should occur, it may have a negative impact on the Group's activities and its financial results.

The Group's activities require various administrative authorizations that may be difficult to obtain or whose grant may be subject to conditions that may become significantly more stringent; some activities are subject to special taxation.

The operations and development of the Group's industrial activities –generation, transmission and distribution – require various administrative authorizations, at local and national levels, in France and abroad. The procedures for obtaining and renewing these authorizations can be drawn out and complex. Obtaining these authorizations is not routine and the conditions attached to obtaining them may change and are not always predictable. The EDF Group may accordingly be required to pay significant amounts to comply with the requirements associated with obtaining or renewing these authorizations (for example, the costs of preparing the application for the authorizations or investments associated with installing equipment required before the authorization can be issued). Its industrial activities may also be penalized. Delays, extremely high costs or the suspension of its industrial activities due to its inability to obtain, maintain, or renew authorizations, may have a negative impact on the Group's activities and profitability. In addition the Group may also have invested resources without obtaining the necessary permits and authorizations and therefore have to cancel or withdraw from a project, which may have a negative impact on its business or development.

Some of the Group's activities, for example, its nuclear, fossil fuel and hydropower generation activities in France, are subject to special taxation, which could increase. That would have a negative impact on the Group's financial results.

In some cases, the Group operates its generation, transmission or distribution activities within the context of concessions governed by public law and it is not always the owner of the assets it operates.

The Group does not always own the assets that it uses for its activities and in such case, frequently operates them under a concession governed by French public law.

Accordingly, ERDF does not own all the assets of the distribution networks but operates them under concession agreements negotiated with local authorities (see Section 6.2.2.2.2 "Concessions" of the 2007 *Document de Référence*). Pursuant to the French Law of April 8, 1946 and the French Law of February 10, 2000, only EDF can be appointed by local authorities to operate their distribution networks, except networks operated by local distribution companies ("**LDCs**"). Therefore, when renewing a concession agreement, ERDF does not compete with other operators. Nonetheless, the Group cannot guarantee that such provisions will not be modified by law in the future or will not be challenged before the European Court of Justice or viewed to be in violation of European Law. In addition, the Group could not obtain the renewal of these contracts at the same economic terms (see in particular Section 6.2.2.2.2 "Concessions" of the 2007 *Document de Référence*, regarding the concession agreement entered into with the city of Paris, which shall expire on December 31, 2009).

In France, RTE-EDF Transport is both owner and operator of the public transmission system according to standard concession specifications signed by the Minister of Industry (decree n° 2006-1731 of December 23, 2006) (see Section 6.2.2.1 "Transmission –RTE-EDF Transmission" and Section 6.5.2.2 "French legislation" of the 2007 *Document de Référence*).

Hydropower generation facilities of 4.5 MW or more are also operated under concessions awarded by the French State. Renewal of these concessions is now subject to a procedure of invitations to tender (see Section 6.2.1.1.4.4 "Current and future hydropower generation issues" of the 2007 *Document de Référence*). In addition, the law on water dated December 30, 2006 eliminated the preferential right to renewal of the outgoing licensee and the decree n°2008-1009 dated September 26, 2008 provides the conditions under which the concessions may be renewed. The EDF Group cannot guarantee that it will be able to obtain the renewal of the concessions that it currently operates. If a concession is not renewed, the outgoing licensee will not under current rules, benefit from any indemnity. The rectifying 2006 Finance Law nonetheless provides for reimbursement subject to non-amortized expenditure incurred for modernization work or those for increasing production capacities. Nor can the EDF Group guarantee that renewal of a concession will be obtained under the same economic terms as the initial concession. Such events could have a negative impact on its activities and financial results.

The Group also operates under electricity distribution or generation concessions in other countries where it is present (including in the United Kingdom, Germany and Italy).

Depending on the conditions in each of these countries, the transmission, distribution or generation concessions may not be upheld or be renewed in its favor, with changes in the economic conditions in the concession specifications, which would have a negative impact on the Group's activities and its financial results.

The Group must comply with increasingly restrictive environmental and public health regulations that are the sources of costs and potential liabilities.

The Group's activities are subject to regulations for the protection of the environment and public health, which are increasingly numerous and restrictive. These regulations relate to the Group's industrial activities, energy generation, transmission and distribution, as well as to energy supply and energy-related services, which must, for example, incorporate the concept of demand-side management in their offers (for a description of environmental, health and safety regulations applicable to the Group, and future regulations likely to have an impact on its activity, see Section 6.5.4.4 "Other regulations relating to the environment, nuclear facilities, health, hygiene and safety" of the 2007 *Document de Référence*).

In France, French Law n° 2005-781 of July 13, 2005, which defines energy policy guidelines (*Loi de Programme fixant les Orientations de la Politique Energétique*, or "**LPOPE**") (see Section 6.5.2.2 "French legislation" of the 2007 *Document de Référence*), as amended and completed by the regulations in effect, contains certain energy saving provisions. The objective is to reduce, by an average of 2% each year by 2015, the final energy intensity, which is the ratio between energy consumption and the GDP. It was in this context that, for the period 2006-2009, the government set energy saving targets for energy suppliers. To meet this target, EDF has chosen to implement a program of several energy efficiency actions in all its markets with the goal of allowing EDF to comply with all of its legal and regulatory obligations, in particular regarding energy efficiency certificates (EEC). As the 2006-2009 period ends, public authorities will set new objectives for the next three-year period. Such new objectives could be more demanding given the directions taken by the government under the "*Grenelle Environnement*". That could have an adverse financial effect on the Group.

New European regulations relating to air quality (directive "Emission ceilings" (NEC), to be applicable in 2010) and to emissions of major combustion facilities (directive "IPPC – "Integrated Pollution Prevention and Control" to be applicable in 2016) are in preparation. New highly restrictive upper limits should also be created for some polluting products (NOX, SO2, DUSTS, etc.) reflecting the environmental performance BAT ("**Best Available Technologies**") standards; the national scope for derogations from BATs included in the current IPPC directive will only be incorporated in the revised Directive as rare exceptions. Those revisions will most likely lead to additional environmental constraints, which may have an adverse effect on availability, competitiveness, renewal, or development on the Group's thermal generation fleet.

The Group may also be required to make significant investments to comply with the implementation and changes of the European directive dated October 13, 2003 relating to the greenhouse gas emission quota system. The greenhouse gas emission directive (GHG) currently covers CO2 quotas allotted free of charges in most Member States. For the second stage (2008-2012) National Quota Allocation Plans (PNAQ2) are, generally speaking, more restrictive than during the previous period. If the Group exceeded the amount of CO2 emissions allowed under the CO2 quotas allocated to it and needs to purchase further quotas, it could lead to significant additional expenditures compared to those provided for by the Group. The National Quota Allocation Plans (PNAQ2) adopted by France, after the approval of European commission, reduced the volume of quotas awarded from 155.6 Mt to 132.8 Mt a year, and results in an approximately 25% reduction in quotas awarded to the energy sector (including, in particular, production of electricity, gas transportation, refineries, etc.). In addition, the modified budget act (*loi de finances rectificative*) for 2008 has been enacted and provides for a maximum reduction of 10% of the amount of quotas allocated to the electricity sector in 2009, 20% in 2010, 35% in 2011 and 60% in 2012. Furthermore, the expected developments of the GHG directive aim at broadening its scope to all GHG under the Kyoto Protocol (CH4, N2O, HFC, PFC, SF6) and to others sectors of activity, and at strengthening constraints in terms of reduction of GHG emissions from 2013. Finally, the European institutions aim to harmonize the rules for the allocation of GHG quotas, with a gradual transition from free allocation of allowances to their auction. These envisaged developments of the GHG directive, could lead to increased expenditure for the Group.

Furthermore, the European Commission published a directive proposal for the promotion of renewable energies on which a political agreement was reached in December 2008, which sets the objective of increasing the share of renewable energies in the total energy consumption from 8.5 % in 2005 to 20 % in 2020. This effort would be shared among the Member States which will be subject to a mandatory target for 2020 as well as interim targets (see Section 6.5.4.5.1.1 "The Energy Package and climate change" of the 2007 *Document de Référence*). This new directive could lead Member States to implement legislation reinforcing the obligations of electricity producers to facilitate development of renewable energy, which could result in additional costs for the companies involved.

In addition, a law concerning water and aquatic environments published on December 30, 2006 and the implementing decrees in force and to come are expected to affect the tax regulation (i.e. increase of royalty payments to water agencies) and the operating conditions of EDF's facilities because of the increase of compensation water (i.e. minimum flow maintained in the downstream of dams to protect the aquatic life) which may reduce the hydroelectric generation (see Section 6.5.4.4 “Other regulations relating to environment, nuclear facilities, health, hygiene and safety” of the 2007 *Document de Référence*).

The Law n°2008-757 dated August 1, 2008 relating to the environmental liability, ensure the implementation in France of directive 2004/35/CE dated April 21, 2004. The new rules are designed to facilitate the prevention and repair of environmental damages affecting waters, soils and biodiversity. The Law provides that for a number of activities entailing specific risks, it will be mandatory to take preventive measures. These activities are to be determined by a decree. In addition, in case of “severe damages” (to be specified by decree), the responsible operator will be obliged to take remedial measures allowing a return to the previous state of the natural environment. This new regime is likely to apply to the Group’s main facilities, which could result in adverse financial effect on the Group. To cover this risk, EDF Assurances entered into an insurance policy, effective on July 1, 2008. The new rules do not modify the regime of liability to third parties which continues to apply.

Finally, the Group is also subject to regulations concerning polychloro-byphenils (PCBs) and polychloroterphenils (PCTs) in various countries where it carries out its activities, (see Section 6.5.4.4 “Other regulations relating to the environment, nuclear faculties, health, hygiene and safety” of the 2007 *Document de Référence*). In Europe in particular, the regulations require processing of all polluted equipment before December 31, 2010. Failure to meet the deadline could expose the Group to major legal actions.

Other current and future regulations in the environmental and health areas concerning the Group’s activities or assets may also have a material financial impact on the Group.

The Group may be found liable, even if it has not committed any fault or breached existing rules. The Group may also be found liable as a result of the fault or breach committed by entities which were not part of the EDF Group at the time of damage, if the Group has since taken over their facilities.

Current rules, and future changes to such rules, have resulted and are likely to continue to result in an increasing level of operating expenses and investments in order to comply with such rules. The Group may even be required to close facilities that cannot be made compliant with new rules. Furthermore, other rules, which may be more restrictive or which may apply to new areas, and which are not currently foreseeable, may be adopted by the relevant authorities and have a similar effect.

In addition, external perception by stakeholders of the Group’s policy on sustainable development could worsen, resulting in a deterioration of the Group’s image and extra-financial rating.

The growth of an integrated European electricity market may be slowed by a lack of cross-border transmission system interconnections.

As described in Section 6.3.1 “Europe” of the 2007 *Document de Référence*, the growth of an integrated European electricity market is inhibited by a lack of cross-border interconnections. This situation limits exchange capacity between operators in different countries, namely the capacity to rapidly adapt the supply to the demand (“black-out risk”), and allows price differences to exist which would not be present in an efficient integrated European market. It also impedes the emergence of efficient operators with a European dimension as it limits the options for synergies between companies within a same group located on different sides of a border.

Although there are currently several projects to develop interconnections, their construction has nonetheless been delayed, mainly by environmental, financial, regulatory and local acceptability considerations.

Therefore the absence of adequate interconnections between countries where the Group is based or their slow development may limit industrial synergies which the Group intends to achieve between its various entities or cause network interruptions in countries in which the Group is established, which could have a negative impact on its results, its business and prospects.

Repeated and/or widespread blackouts in France or in an area served by a Group subsidiary, in particular, if they are attributable to the Group, may have consequences for its activities, results and image.

The Group could be the source of repeated black-outs, or widespread blackouts (a widespread blackout occurred in Europe on November 4, 2006) or be involved in one, even if the causal event occurred in another network or was attributable to another player.

The causes of these electricity breakdowns vary: local or regional imbalance between electricity generation and consumption, accidental interruption to the power supply, cascaded interruptions (more difficult to overcome in a market with cross-border exchanges), interconnection problems at borders, lack of investment and difficulty in coordinating operators on an open market.

Such electricity supply breakdowns would first have an impact on the Group's sales. They may also result in repair costs for reconnecting the network and lead to investment expenditures if it were decided, for example, to install additional generation or network capacity. Finally, they would have a negative impact on the Group's image with its customers, in particular, if the blackouts proved to be attributable to it.

Natural disasters, significant climatic changes, or any major event on a scale that is difficult to predict, could have a material negative impact on the Group's industrial and commercial activities.

In France, the storms of December 1999 and the heat wave in the summer of 2003 led to additional costs for the EDF Group. In addition to these events, other natural disasters (floods, landslides, earthquakes, etc.), other significant climatic changes (droughts, etc.), or any other event on a scale that is difficult to predict (large epidemic diseases, etc.) could affect the Group's activities.

Based on its experience with the above events, the EDF Group implements measures, that are aimed at allowing it to limit the consequences should such events be repeated. Accordingly, following the storms of December 1999, the Group initiated a program to secure its transmission and distribution networks. Following the heat wave in the summer of 2003, EDF drew up an "Unforeseen Climatic Events" plan in order to anticipate and prevent the consequences of such situations (as it was the case for the heat wave of summer 2006). The adoption of such measures can lead to costs in addition to those related to the cost of repairing the damage caused by the natural disaster and the loss of earnings corresponding to the interruption to supply.

The Group's aerial networks, including those owned by RTE-EDF Transport, are not covered for "damage to property". The specific coverage set up by the Group after the storms of December 1999 against storm risk for the portion of its aerial networks related to its distribution network (see Section 4.1.3.3.2 "Storm cover" of the 2007 *Document de Référence*) has expired in December 2008 and is no longer available to the Group; as a result, the Group is currently considering alternative schemes. Owing to the absence of coverage, any damage to these aerial networks could have a negative impact on the Group's financial situation.

Finally, in the event of a wide-spread sanitary epidemic, EDF created and tested, in 2006, a plan which aims to assure the continuity of electricity supply, depending on the intensity of the crisis, and at the same time guarantee the safety of the facilities and reduce the sanitary risks to which employees are exposed. In November 2008, this plan was submitted to a second crisis exercise with the contribution of the Asia Pacific Division of EDF and EDF Energy.

Despite the implementation of all such measures, the Group cannot guarantee that the occurrence of a natural disaster, a significant climatic unforeseen event, or any other event on a scale that is difficult to predict will not have significant negative consequences on its activities, its profits and its financial situation.

Risks associated with climatic conditions and seasonal variations in the business.

Electricity consumption has a seasonal nature, and depends namely on climatic conditions. Accordingly, electricity consumption is generally higher during winter months. In addition, available generated electricity may also depend on climatic conditions: for example, low hydrolicity, or heat waves which inhibit generation due to the obligation to respect certain temperature limits for rivers in the downstream of the facilities.

The Group's profits consequently reflect the seasonal character of the demand for electricity and may be adversely affected by significant climate variations since the Group could have to compensate the reduction in the availability of economical generation means by using other means with a higher generation cost or by being required to access the wholesale markets at high prices.

The Group's activities are sensitive to economic cycles and to general economic conditions.

The Group's activities are sensitive to economic cycles and to general economic conditions within the geographical areas in which the Group operates. Any economic slowdown leads, in such areas, would lead to a drop in energy consumption, investments and industrial production by the Group's customers, and, consequently, would have a negative effect on the demand for electricity and the other services offered by the Group, which could have a significant adverse effect on the Group's activities, profits and prospects, as well as on the implementation of its development strategy.

Although the Group believes that it is in a relatively favorable position in comparison to other economic actors (due in particular to the essentiality of, and, in certain cases, the difficulty in finding, an alternative to electricity), the Group cannot guarantee that the global financial crisis that commenced in autumn 2008 and any economic downturn effects in 2009 and beyond in the geographical areas in which it operates, especially in France, will not have a significant adverse impact on its activities, operating profits, financial situation or prospects.

Technological choices implemented by the Group may be outperformed by new technologies.

The Group's activities are based on a certain number of technological choices, which may be outperformed by other technologies that prove more efficient, more profitable or even more reliable than those used by the Group. The use of these technologies by the Group's competitors could have the effect of reducing or eliminating the competitive advantage that the Group has through some of its technologies, and thus have a negative impact on its activities, financial results and prospects.

The occurrence of work-related illnesses or accidents cannot be excluded.

Although the Group does its best to comply with the laws and regulations concerning health and safety in the different countries in which it operates, and considers to have taken measures intended to ensure the health and safety of its employees and those of its subcontractors, the risk of work-related illnesses or accidents cannot be excluded. The occurrence of such events may lead to lawsuits against the Group and the payment of damages, which may prove material.

For a description of the measures taken by the Group with regards to ionizing radiation, see Section 6.2.1.1.3.2 "Environment, safety and radiation protection" of the 2007 *Document de Référence*.

Regarding asbestos, the Group has taken measures to treat materials containing asbestos, provide information and install protection, as described in Section 17.7 "Health and safety" of the 2007 *Document de Référence*. For a description of ongoing legal proceedings, see Section 20.5 "Legal and arbitration proceedings" of the 2007 *Document de Référence*.

The Group is exposed to risks on the wholesale energy and CO2 emission allowances' markets.

The Group operates in the deregulated energy markets (mainly in Europe) through its generation, marketing and distribution activities. As such, the Group is exposed to price fluctuations in the wholesale energy markets (electricity, gas, coal, oil) as well as in the CO2 emission allowances market. These fluctuations have been particularly important in the current context of major tensions and volatility on the energy markets.

The Group manages its risk exposure by buying and selling on the wholesale markets and through long-term contracts. Apart from the oil products markets, these are new markets that are still developing. Therefore, a shortage of products or lack of depth can limit the Group's capacity to hedge its energy market risks exposure. In addition, these markets remain in part partitioned by country, as a result, among other things, of the lack of interconnections. They may thus experience significant increases or decreases in price movements and liquidity crises that are difficult to predict. Such fluctuations may have a significant unfavorable impact.

The management of energy market risks is in line with the energy market risks policy adopted by the Group (see Section 4.1.1.2 "Management and control of energy market risks" of the 2007 *Document de Référence*). The Group hedges its positions on these markets through derivative products such as futures, forwards, swaps and options negotiated on organized or over-the-counter markets. However, the Group cannot guarantee total protection, in particular, against significant price movements, which could have a material negative impact on its financial results.

The Group is exposed to variations in the prices and in the availability of materials or services (other than fuels) which it buys for the carrying out of its activities.

In a context of rising raw material prices, the Group could face a sharp and sustained increase in the costs of certain critical products or services. Moreover, this increase could lead to a reduction of the offer if certain suppliers were forced to reduce their profit margins. Certain products or services are increasingly demanded, which could have an effect on their availability, in particular, products used for gas-fired combined cycle power stations, wind turbines and products and services in the nuclear field.

The Group is exposed to financial risks.

Because of its activities, the EDF Group is exposed to financial risks:

- Liquidity risk which has been particularly heightened in the current context of major liquidity tensions on the financial markets (for a description of the nature of the liquidity risks faced by the Group, see Section 4.1.1.3.3 “Liquidity risk” of the 2007 *Document de Référence*);

- Exchange rate risk related to holdings in subsidiaries operating in currencies other than the euro, or to supply, notably of fuel and material, denominated in such currencies;

- Equity risk, in particular related to equity instruments held as part of the management of dedicated assets constituted to cover the costs of EDF’s long-term commitments in the nuclear business and, to a lesser extent, to the shares held in the framework of cash management activities; the equity risk has been significantly heightened since the 2008 financial crisis which led to a decline and a higher volatility in stock markets (also see risk factor entitled “Dedicated assets reserved by the Group to cover the costs of its long-term commitments in the nuclear business (such as radioactive waste and decommissioning) may prove insufficient.” regarding the decision of EDF to suspend the allocations to dedicated assets);

- Interest rate risk related to the Group’s financing and cash management activities and to the value of the Group’s financial assets and liabilities; the interest rate risk lies in particular in portfolios of debt instruments held as part of the management of dedicated assets constituted to cover the costs of EDF’s long-term commitments in the nuclear business;

- Counterparty risk inherent in contractual relationships; the monitoring and reporting procedures applied by the Group in connection with its exposure to counterparty risk were strengthened in 2008 following, in particular, the bankruptcy of Lehman Brothers, which had however a limited impact on the Group.

The organization and management principles of these risks are described in Section 4.1.1.3 “Management and control of financial market risks” and their measures of control are described in Section 9.10 “Financial risks management and control” of the 2007 *Document de Référence*. However, the Group cannot guarantee total protection, including in the event of continued significant movements in exchange rates, interest rates and equity markets like those seen in 2008.

Specific Risks Relating to the Group's Nuclear Activity

The EDF Group is the world's leading nuclear operator. Nuclear electricity represents over 80% of its generation in France and the nuclear share in the EDF electricity mix is a major competitive advantage. Any event negatively affecting the nuclear business is likely to have greater consequences for the Group's activities, productivity, financial situation and results, than for those of its competitors, which generate proportionally less electricity from this source of energy.

A serious nuclear accident in a foreign country may have material consequences for the Group.

Certain of the world's nuclear power plants do not meet the same level of safety, supervision and protection as those of the Group. In addition, despite the precautions taken during their design or operation, a serious accident cannot be excluded and could result in public rejection of the nuclear business and lead to the competent authorities deciding to tighten noticeably operating conditions of power plants, or to cease the generation of electricity through nuclear means, or to cease authorizing, temporarily or permanently, operation of one or more nuclear plants. Such a decision cannot be excluded even in the absence of an accident taking place. Such events would have a material, negative impact on the economic model, strategy, business, profit, financial situation and prospects of the Group.

Due to its nuclear activities, the Group is exposed to substantial liability risks and possibly significant additional operating costs.

Even if the Group has implemented risk control strategies and procedures corresponding to higher standards for its nuclear activities, such activities, by their nature, still present risks. Therefore, the Group may face considerable liability as a result of, among others, incidents and accidents, breaches of security, ill-intentioned acts or terrorism, air crashes, natural disasters (such as floods or earthquakes), equipment malfunctions or mishandling in storage, handling, transportation, treatment or conditioning of substances and nuclear materials. Such events could have serious consequences, especially in case of radioactive contamination and irradiation of the environment, for persons working for the Group and for the general population, as well as a material, negative impact on the Group's activities and financial situation.

A nuclear operator assumes liability for the nuclear safety of its facilities. The liability scheme that applies to European nuclear facilities operators, and the associated insurance, are described in Sections 6.5.4.2 "Special regulations applicable to nuclear facilities" and 4.1.3.4.1 "Civil liability" of the 2007 *Document de Référence*. This scheme is based on the principle of strict liability for the operator. If there is an event which causes damage, the Group would be automatically liable within the limits of a financial ceiling established by French Law, regardless of the source of the event that caused the damage. The implementation of safety measures does not exonerate the Group from this type of liability.

The Group cannot guarantee that, in countries where it operates nuclear facilities, the liability ceilings established by law will not be increased or removed. For example, the Protocols amending the Paris Convention and the Brussels Convention, currently being ratified, provide for these ceilings to be raised. In addition, the Group cannot guarantee that the insurance policies covering this liability will always be available, or that their cost will not increase from their present level, or that the Group will always succeed in maintaining these insurance policies.

Finally, damage to EDF's nuclear facilities is covered by an insurance policy (see Section 4.1.3.4.2 "Damage insurance for nuclear facilities" of the 2007 *Document de Référence*).

Despite this coverage, any event that causes significant damage to an EDF nuclear facility could have a negative impact on the Group's business, financial results and financial situation.

The nuclear activity of the Group is subject to particularly detailed and restrictive regulations that may increase in severity.

The nuclear activity of the Group is subject to detailed and restrictive regulations, with, notably in France, a system for the monitoring and periodic re-examination of operating authorizations, which primarily take into account nuclear safety, environmental and public health protection, and also national safety considerations (terrorist threats in particular). These regulations may be subject to significant tightening by national and European authorities (for a description of the "nuclear package" and the French Law relating to transparency and safety in the nuclear field, see Section 6.5.4.2 "Specific regulations applicable to nuclear facilities" of the 2007 *Document de Référence*). This could result in increased costs of the Group's nuclear fleet, which would have a negative impact on its financial situation.

Furthermore, a tightening of regulations or any non-compliance with the regulations in force could result in a temporary or permanent shut-down of one or more nuclear plants.

For its nuclear activity, the Group depends on a limited number of contractors.

Even though the Group operates a supplier diversification policy within its nuclear business, it is currently dependent on a limited number of contractors.

This situation:

- limits competition between suppliers; and
- creates a risk to the group of exposure to failure of one or more of these suppliers.

This could have a negative impact on the Group's results and financial situation.

The Group is exposed to variations in uranium procurement conditions and conversion and enrichment services conditions.

Nuclear fuel purchases are part of the Group's operating costs.

EDF purchases uranium, conversion services and enrichment services through long-term contracts containing hedging mechanisms against price movements allowing it to reduce the impact of the price fluctuations. The main supplier is the Areva group, but EDF is pursuing a policy of diversification by buying supplies from other producers (see Section 4.3 "Dependency factor" and Section 6.2.1.1.3.4 "The nuclear fuel cycle and related issues" of the 2007 *Document* *de Référence*). Prices and available quantities of uranium and conversion and enrichment services are subject to fluctuations resulting from factors, mainly political and economic which the Group cannot control (in particular, increased demand in the context of worldwide expansion of nuclear energy or shortages linked, for example, to an operating accident in a uranium mine).

The Group cannot guarantee that the protection mechanisms in place in its supply contracts and its diversification policy will protect it completely against drastic or significant price increases. The Group cannot guarantee that when these long-term contracts expire, it will be able to renew them, in particular, at price conditions that are equally favorable. Notwithstanding the moderate role that uranium supply costs play in the generation costs for nuclear power and the delay of several years between buying uranium and using it in a power plant, drastic and significant variations in the price of uranium may have a negative impact on the Group's financial results.

Risks relating to the transportation of nuclear fuel.

The transportation of new or used nuclear fuels is an operation that requires special and restrictive safety measures. These constraints could increase further, generating additional difficulties and costs for the Group. Furthermore, several factors that are outside of the Group's control (such as opposition by local residents or anti-nuclear associations, for example, in the form of demonstrations to prevent nuclear material from being moved) may slow these operations. The operation may also be interrupted, in particular, in the event of an accident. As a result, EDF may be required to slow or interrupt some or all of the generation on the affected sites, due to either the non delivery of new fuel assemblies, or the saturation of storage facilities on the sites, which could have a negative impact on the Group's financial results.

The nuclear fleet operated by the Group is highly standardized. As a result, any defect in design or construction of a facility may have to be corrected on the other units.

The fleet of nuclear facilities currently operated by the Group in France is highly standardized (see Section 6.2.1.1.3.1 "EDF's nuclear fleet" of the 2007 *Document de Référence*). This represents an advantage for the Group: it allows the Group to achieve economies of scale in equipment purchases and engineering, to apply improvements made to its newest power plants to its entire fleet and to anticipate, in the event of a malfunction in a facility, the measures to be taken in the others.

However, this standardization carries the risk of a malfunction that is common to several power plants or series of power plants. The Group is currently addressing certain technical issues across its fleet that have affected the Kd factor in 2007 and 2008, (see "Recent Developments and Outlook – France – Nuclear Fleet Availability"). The Group cannot guarantee that it will never again be confronted with other burdensome or costly repairs or modifications, to be carried out on all or part of the fleet, or that events will not occur which may have an impact on the operation of the fleet, bringing about a temporary outage or closure of all or part of the fleet.

Such an event may have a negative impact on the Group's financial results and its activities.

EDF may not be able to operate its nuclear power plants over a period of at least 40 years.

EDF estimates that a lifespan of 40 years is now technically achievable due to the measures taken and resources used to achieve this objective. EDF follows a high-level R&D policy relating to the long-term behavior of materials. In addition, the maintenance and investment policy has been adapted to improve the degree to which it takes into account risk and knowledge of ageing phenomena. The Group believes that Operation over an even longer period is feasible, in light of the extended lifespan agreed to by the competent authorities in the United States for nuclear facilities using similar technology (PWR).

However, EDF's ability to operate its nuclear facilities over a period of 40 years or longer subject to authorizations by safety authorities, in particular, at the time of in-depth safety inspections every 10 years. In 2009, the first two of the Group's facilities to reach 30 years of age (Tricastin 1 and Fessenheim 1) will have their third run of inspections, at which time authorizations for a 40-year lifespan for such facilities will be requested. Although the corresponding safety referential has been already analyzed by the Nuclear Safety Authority, the Group cannot guarantee that it will obtain the necessary authorizations at the appropriate time, or that such authorizations will be obtained, or that it will not be subject to conditions requiring the Group to carry out further expenses or investments.

Nonetheless, the Group has based its assumptions for calculating accounting impacts linked to the lifespan of its nuclear fleet on a lifespan of 40 years (including depreciation and amortization and provisions, etc.). If the safety authorities opted for the closure of some units or power plants within 40 years, this would require accelerated replacement of the corresponding generation capacity by additional investments or recourse to electricity purchases on the market. It would also be necessary to review the depreciation and amortization plan to reappraise the residual lifespan of the power plants in question. This would have a material adverse impact on the Group's financial results and financial situation.

In addition, in order to postpone the commissioning of replacement units and the related investments, and to continue to benefit from the cash flows from its existing fleet, the Group aims to lengthen the lifespan of its nuclear fleet beyond 40 years and intends to submit to the Nuclear Safety Authority the contents of a safety referential for operating the nuclear fleet beyond 40 years. Should the Nuclear Safety Authority grant the clearance, the referential would be implemented during the fourth 900 MW ten-year inspections (such inspections are scheduled to start in 2019) and the third and fourth 1,300 MW ten-year inspections (third round inspections are scheduled to start in 2015 and fourth round inspections in 2025). The Group cannot guarantee that it will obtain such extensions or that such extensions will not be obtained subject to specific conditions, which would have a material adverse impact on the Group's ability to carry out its investment strategy.

Construction of the EPR in Flamanville could encounter problems or not be completed.

The Group is involved in the carrying out of the construction of the European Pressurized water Reactor ("**EPR**") in Flamanville (see Section 6.2.1.1.3.5 "Preparing for the future of the nuclear fleet" of the 2007 *Document de Référence*) in order to renew its fleet of nuclear generating facilities in France and to serve as a model for the construction of new facilities internationally. However:

- the Group might not obtain or see called into question by court rulings, the necessary authorizations required to begin the construction and operation of the Flamanville EPR;

- with regards to a first-of-a-kind reactor, technical difficulties or other difficulties could occur during its development and construction and during the early stages of its operation. These difficulties could slow or hinder the construction of the Flamanville EPR and its commissioning or affect its performance;

- the global construction cost and the total cost of production of the EPR reactor could be higher than the estimates of EDF, including because of increased raw materials prices, the evolution of exchange rates, the impact of price index provided in the contracts, technical and regulatory developments and the adjustment of provisions for risks (for a description of the increase in the estimated cost of the Flamanville EPR announced by the Group in December 2008, see "Recent Developments and Outlook – France – Flamanville 3 EPR").

The EPR program for renewal of the fleet of generation facilities is strategic for the Group's future. Any event leading to delay or clogging of this program, or affecting, the construction, of the first-of-a-kind EPR or subsequent units would thus have a material adverse impact on the Group's activity and financial situation.

The Group remains liable for all radioactive waste from its nuclear power plants, especially long life, high-level waste from burnt fuels.

The nuclear fuel cycle is described in Section 6.2.1.1.3.4 "The nuclear fuel cycle and related issues" of the 2007 *Document de Référence*. In France, as described in this Section, as an operator and producer of waste, EDF is legally responsible for burnt fuels from the moment they leave the power plant, during their processing operations and during their long-term management, and it assumes this responsibility in accordance with guidelines set forth by public authorities and under their control.

In particular, as a nuclear operator or producer, the Group may incur liability resulting from regulation of waste in the event of an accident and damage to a third party or the environment through these burnt fuels or waste, even if they are handled, shipped, warehoused or stored by operators other than EDF (especially the Areva group and ANDRA), in particular in the event of failure of such operators. If EDF were acknowledged as responsible for damages caused to third parties and/or the environment, the specific civil strict liability scheme applicable to nuclear operators would apply, within the ceilings specified by this scheme (see Section 6.5.4.2 "Special regulations applicable to nuclear facilities" of the 2007 *Document de Référence*).

In France, long-term radioactive waste management was the subject to several initiatives undertaken in the framework of the French "Bataille" Law, and the passing of program Law n° 2006-739 dated June 28, 2006 relating to the sustainable management of radioactive materials and waste (see Section 6.2.1.1.3.4 "The nuclear fuel cycle and related issues" of the 2007 *Document de Référence*). The Group cannot guarantee that all long-life high and medium activity waste will constitute "ultimate radioactive waste" in the sense of Article 6 of the Law n° 2006-739, and that as a consequence this waste will be able to be directly stored in deep geological layers. The Group also cannot guarantee how long it may take for the public authorities to authorize such storage, which continues to result in ongoing uncertainties with respect to waste, liability and the resulting costs for EDF. The occurrence of any of these events would have a negative impact on the Group's financial results and financial situation.

The provisions made by the Group for spent fuel processing operations and long-term radioactive waste management could prove insufficient.

In the recent years, the Group has made provisions for management operations (transmission, processing, conditioning for recycling) of burnt nuclear fuel using the price and volume conditions in the agreement signed with Areva in August 2004 which covered the period from 2001 to 2007. The provisions for back-end nuclear cycle amounted to €17,455 million as at December 31, 2007 and €17,576 million as at June 30, 2008 (see note 31.3 to the 2007 Consolidated Financial Statements and note 24.3 to the Unaudited Interim Consolidated Financial Statements). Regarding the 2008-2012 period, these provisions will be adjusted by the Group on the basis of the price and volume conditions provided in the framework agreement entered into with Areva on December 19, 2008 (see "Recent Developments and Outlook – France - Long-term used fuel management partnership with AREVA"). Such adjustment may result in an increase of the provisions. Furthermore, the amount of provisions to cover the period beyond 2012 could prove insufficient if the renewal conditions of this agreement for such future period proved more onerous than those currently applicable under the framework agreement.

EDF had made provisions for long-term waste management based on an assumption of geological storage, and the conclusions reached in 2006 by the working group comprising ANDRA, public authorities and producers of nuclear waste (see note 31.3 to the 2007 Consolidated Financial Statements, and Section 6.2.1.1.3.4 "The nuclear fuel cycle and related issues – B. Back-end" of the 2007 *Document de Référence*). If the program Law n° 2006-739 of June 28, 2006 relating to the sustainable management of radioactive materials and waste reinforces, without excluding other fields of complementary research, that the "ultimate radioactive waste" must be stored in deep geological layers, the Group cannot guarantee that all long-life high and medium waste will be considered as such and nor the length of time in which this type of storage, if it was held, could be carried out. In consequence, the final cost of long-term waste management of the Group could exceed the provisions made in its accounts. EnBW has also made provisions to cover its long-term nuclear commitments. The Group cannot guarantee that the amount of these provisions will be sufficient.

The evaluation of these provisions is sensitive to the assumptions made in terms of costs, inflation rate, long-term discount rate and payment schedules. Given these sensitivity factors, changing the parameters may lead to significant revision of the provisions accounted for.

If such was the case, the inadequacy of the provisions for these commitments may have a material negative impact on the Group's financial results and financial situation.

Decommissioning of the existing fleet of nuclear facilities may present currently unforeseen difficulties or be much more costly than currently expected.

The decommissioning of the EDF and EnBW nuclear fleets is described in Section 6.2.1.1.3.6 "Decommissioning of nuclear power plants" and Section 6.3.1.2.3.1 "Electricity businesses" of the 2007 *Document de Référence*. Given the size of the Group's nuclear fleet, its decommissioning represents a highly technical and financial challenge.

While the Group has evaluated the challenges, in particular technical, which this decommissioning brings (particularly the decommissioning of first generation power plants) and has identified the solutions to be developed, it has never dismantled nuclear power plants similar to those currently in service. The Group has made provisions to cover the costs associated with decommissioning. The provisions for decommissioning and last cores amounted to €13,654 million as at December 31, 2007 and €13,920 million as at June 30, 2008 (see note 31.4 to the 2007 Consolidated Financial Statements and note 24.4 to the Unaudited Interim Consolidated Financial Statements).

EnBW must also decommission its power plants and has made provisions for this.

The evaluation of these provisions is sensitive to the assumptions made in terms of costs, inflation rate, long-term discount rate and payment schedules. Given these sensitivity factors, changing the parameters may lead to significant revision of the provisions accounted for.

The Group cannot guarantee that the provisions made will be sufficient. Their insufficiency would have a negative impact on the Group's financial results and financial situation.

Dedicated assets reserved by the Group to cover the costs of its long-term commitments in the nuclear business (such as radioactive waste and decommissioning) may prove insufficient.

As of December 31, 2007, the market value of the portfolio of dedicated assets for EDF was €8.6 billion for EDF (see Section 6.2.1.1.3.6 "The decommissioning of nuclear power plants – Assets available to cover long-term nuclear power-related commitments (operating cycle excluded)" of the 2007 *Document de Référence*). These assets are built up gradually on the basis of spending estimates and the timeframe which the Group will have to meet.

In September 2005, EDF decided to accelerate the constitution of these dedicated assets to cover the whole basis by 2010. The Law of June 28, 2006 relating to the sustainable management of radioactive materials and waste supported this decision, since it imposes a total cover of long-term nuclear commitments on nuclear operators, (excluding operating cycle) within a five-year period of time after the law came into force. Furthermore, each operator is obliged, since 2007 to provide every three years a report, updated each year, supporting in particular the expenses relating to the decommissioning of nuclear power plants, the calculation methods of said provisions and the constitution of consequent dedicated assets to the relevant administrative authority. In addition, the decree dated February 23, 2007 and the order of March 21, 2007 have specified the process for financial securitization of the nuclear expenses by establishing an indexation of the totality of such charges, by distinguishing those relevant to the operating cycle, setting a framework for their evaluation as well as the discount rate retained by nuclear plant operators to calculate provisions pertaining to it. These texts set the rules of investment and management for the dedicated assets and organize the role of the Group's management, as well as the control plan to be implemented by the nuclear plant operators (see Section 6.2.1.1.3.6 "The decommissioning of nuclear power plants –Assets available to cover long-term nuclear power-related commitments (operating cycle excluded)" of the 2007 *Document de Référence*).

EDF's dedicated assets may, nonetheless, be judged insufficient according to the June 28, 2006 law's implementation regulations or by the administrative authority, and lead to adjustment measures (and notably a complementary allocation for the dedicated assets). These dedicated assets can also, prove to be insufficient at the moment of actual payment, if actual costs are appreciably different or if the disassembly and storage costs schedule is modified. This would have a material, negative impact on the Group's financial situation. Moreover, stricter national (in particular those which could have an impact of the basis of the dedicated assets to be constituted by EDF) or European regulatory constraints may lead to increasing demands for the constitution of dedicated assets and have an effect on EDF's financial situation.

Finally, these assets are constituted and managed in accordance with strict, prudential rules (see Section 6.2.1.1.3.6 "The decommissioning of nuclear power plants - Assets available to cover long-term nuclear power-related commitments (operating cycle excluded)" of the 2007 *Document de Référence*). The Group cannot, however, guarantee that variations in the financial markets will not have a material negative impact on the value of these assets (see Section 9.10.6 "Financial risk on EDF's dedicated assets management portfolio" of the 2007 *Document de Référence* for a sensitivity analysis). The sharp drop in financial markets in 2008 has adversely affected the value of these assets and given the decline and the strong volatility in stock markets, it was decided in September 2008 to suspend allocations to the portfolios of dedicated assets until market conditions have stabilized. Once reinitiated, further allocations shall therefore be adjusted in order to comply with current regulations which impose a full coverage, of the relevant commitments by the dedicated assets portfolios by the end of June 2011, instead of by 2010 as contemplated in 2005.

Risks Related to the Structure and Changes Within the Group

It is possible that the Group's development strategy cannot be implemented in accordance with the goals defined by the Group.

The Group may fail to implement international nuclear generation projects to which it is committed or may not be able to implement such projects under satisfactory economic, financial and legal conditions.

The EDF Group is committed through partnerships or equity investments to international projects for the construction and operation of nuclear power plants (in the United States, the United Kingdom, China, etc.). During the development phase, these projects require obtaining administrative authorizations, licenses and permits. These are large-scale construction sites calling for substantial investment (for a description of the current calendar and expected investments required, see section "Recent Developments and Outlook – International – Investment Policy regarding the new nuclear power plants until 2020"). The financing conditions have yet to be confirmed and, given the current economic context, such financing could be delayed. Furthermore, the regulatory framework in some countries is in the process of being updated, which could have an impact on the Group's commitments and liability. Even with the benefit of protective contractual arrangements, the Group cannot guarantee that any or all of these projects will be implemented in accordance with scheduled timeframes, under satisfactory economic, financial or legal conditions or that they will, in the long term, generate the profitability initially anticipated. This could have a negative impact on the Group's image and financial situation.

The implementation of the gas strategy may face significant problems.

Development of the Group's gas business is an important issue, both with respect to the use of gas in electricity generation and the development of dual gas/electricity offers.

Furthermore the competitive environment is evolving in France and in Europe with the emergence of new players or mergers of energy companies.

Demand for gas in Europe is growing and there are significant quantities of untapped reserves throughout the world. However, sources of supply are remote and capacities for gas transport (by gas pipeline or by liquefied natural gas (LNG) tanker), LNG terminals and capacities for storage are still limited. To satisfy its gas needs, the Group must not only have access to competitive sources of supply, but also to logistical infrastructures (such as storage, gas pipelines and LNG terminals) that allow it to transport its gas to areas close to points of consumption and to produce synergies between its different entities (including those which it does not control) while coordinating and interconnecting its positions.

The Group cannot guarantee that it will be able to either access these gas assets, or acquire them or participate in their development, or achieve the expected synergies, under acceptable financial conditions.

Any one of these factors could slow the development of the Group's gas strategy, which would have a negative impact on its activities, its financial results and its prospects.

In addition, the Group intends to develop and consolidate its offer of service integrated solutions, notably its energy eco-efficiency services, to increase sales per customer as the energy market in Europe opens up to competition and to deal with issues relating to energy efficiency and sustainable development.

The energy-related services market is very competitive, and the energy efficiency market, though still an emerging one, possesses a strong potential for development. The Group cannot guarantee that its energy-related services offer will continue to grow successfully.

If the Group cannot implement its development policy in the area of energy-related services, this may have a negative impact on its financial results and prospects.

The Group intends to continue its development in the electricity industry in France and abroad, in line with its industrial project, depending on its business model in each area and in light of any relevant experience (upstream/downstream balance, commercial strategy, development of renewable energy sources or in other production methods: nuclear, hydropo-wer, coal, gas combined-cycle, etc.). It is thus implementing programs for re-organization, increasing profitability, (see risk factor entitled "The Group has implemented programs to improve its operating and financial performance and to reinforce its financial flexibility") and disposals.

More generally, the Group may be confronted with an unexpected change in the regulatory economic and competition framework which may render its decisions inadequate, or may encounter difficulties in implementing or changing its strategy. The Group may be led to acquire or develop assets which ultimately do not generate the profitability initially anticipated. The Group may also find that it has been unable to make the investments, equity investments and disposals it expects to make, or that it has made them at a price different to that desired, due in particular to financial, regulatory or contractual constraints, or even political acts outside France. This may have a negative impact on the Group's financial results, financial situation and prospects.

Risks related to the acquisition of British Energy

On January 5, 2009, the Group acquired, by takeover bid, British Energy for approximately £12.6 billion (see "Recent Developments and Outlook – International – Acquisition of British Energy Group").

The acquisition of British Energy may not, or may take more time than expected, to generate the anticipated synergies, cost savings and operational benefits (see "Recent Developments and Outlook – International – Acquisition of British Energy Group"), which could have a significant adverse impact on the Group's activities, operating profits, financial situation or prospects.

In addition, the Group may experience difficulties in complying with the commitments made to the European Commission in relation with competition issues raised by the acquisition (see "Recent Developments and Outlook – International – Acquisition of British Energy Group"), or such commitments may be implemented under conditions less favorable to the Group than anticipated, which could have a significant adverse impact on the Group's profits or financial situation.

Moreover, if significant difficulties arise with regard to the quality and performance of British Energy's industrial assets or if British Energy's financial situation and/or prospects are not consistent with the assumptions on the basis of which the transaction was valued by the Group, including in particular the anticipated evolution of wholesale power prices in the United Kingdom and of the output of British Energy's existing nuclear fleet, this may have a significant adverse impact on its profits and financial situation, including through impairment costs the Group may have to incur.

Although the Group carried out due diligences (including technical, legal, financial and environmental due diligences) prior to the launch of the tender offer, it cannot be excluded that certain liabilities of British Energy remain unknown or underestimated, which could have a significant adverse impact on the activities, the financial condition, the results and/or the prospects of the Group.

British Energy and its affiliated companies are parties to supply agreements, joint venture agreements, license or concession agreements or other agreements, including agreements entered into with the British Government in 2004 and 2005 as part of the financial restructuring plan of the British Energy group, that could be called into question as a result of the acquisition by the EDF Group (either by the other parties to such agreement, in particular as a result of the implementation of a change of control provision triggered by the acquisition, or by public authorities). Change of control provisions generally allow or permit the termination of the agreement by either party upon a change of control of the other party or, when contained in financing contracts, the early repayment of the outstanding amount or the constitution of guarantees. These provisions may however be waived and the Group is progressively identifying cases in which such waivers will be sought. In the absence of a waiver, the implementation of a change of control provision could lead to the loss of contractual rights and benefits, the termination of joint venture agreements or contracts of license or concession, or to the renegotiation of financing contracts.

Furthermore, the Group incurred a financial debt of approximately £11 billion in order to partially finance the acquisition of British Energy under which it is obliged to allocate significant resources to the reimbursement of its debt. This could limit the Group's financial flexibility and possibilities of obtaining further loans in the context of its development and investment strategy.

Risks related to the contemplated acquisition of certain nuclear activities of Constellation Energy

The Group entered into an agreement on December 17, 2008 with the American electrical company Constellation Energy (CEG), according to the terms of which the Group will acquire 49.99% of Constellation Energy's nuclear generation and operation business for $4.5 billion. In the context of this agreement, the Group will strengthen CEG's liquidity (see "Recent Developments and Outlook – International – Offer for certain assets of Constellation Energy") through this acquisition once it is completed but also immediately in the interim period running until the closing of this transaction.

The agreement entered into with CEG is subject to a certain number of conditions precedent, including in particular the obtaining of the necessary regulatory approvals. The transaction is expected to be completed during the third quarter of 2009. Nevertheless, if these regulatory approvals are not obtained by the anticipated dates or if they are obtained subject to conditions more restrictive for the Group than anticipated, the transaction may not be carried out, or may be carried out on terms that are less favorable to the Group, which could have a significant adverse impact on the Group's prospects and financial situation.

In addition, even if the acquisition is successfully completed, the performance and operational advantages related to the acquisition may prove to be inferior to those anticipated by the Group. If significant difficulties arise with regard to the quality and performance of the assets to be acquired, or if the value of such assets is not consistent with the assumptions on the basis of which the transaction was valued by the Group, this may have a significant adverse impact on its profits and financial situation, including through impairment costs the Group may have to incur.

The various reorganizations rendered necessary by opening up of the market could have operational and financial repercussions for EDF.

Opening up of the market has notably, resulted in a transfer of distribution activities to subsidiaries and the reorganization of the joint entities through which EDF and GDF Suez (previously Gaz de France) manage sales, billing, customer services and distribution networks.

The various reorganizations could have an impact on the operation of sales and distribution activities and on the relationships with local authorities.

Furthermore, they could generate substantial costs, associated notably with adapting organizational structures and support functions, in particular, information systems.

Risks relating to information systems.

The Group operates multiple and highly complex information systems (such as servers, networks, applications and databases) which are essential for the everyday operations of its commercial and industrial business, which must adapt to a rapidly changing environment. A problem with one of these systems may have material, negative consequences for the Group. In particular, if the information systems put in place or still to be adapted following the total opening up of the market on July 1, 2007 are lacking in terms of reliability or performance, this may have material, negative consequences for EDF.

Finally, as a general matter, the Group cannot guarantee that the policy of reinforcing information back-up systems will not meet with technical difficulties and/or delays in implementation, which could – in the event of a serious incident – have a material, negative impact on the activity, financial results and financial position of the Group.

EDF is controlled by the French State, which is its principal shareholder.

Pursuant to the Law of August 9, 2004, the French State is EDF's principal shareholder and must remain the holder of more than 70% of its share capital. Under French Law, a majority shareholder controls most corporate decisions relating to the company, including those that must be passed by the Shareholders' Meeting (in particular, appointment and dismissal of members of the Board of Directors, distribution of dividends and amendments to the by-laws). In addition, the legal dilution limit for the French State holding may limit EDF's capacity to resort to the capital markets or carry out external growth operations.

Much of the Group's workforce belongs to organizations common to EDF and GDF Suez; the Group therefore depends in part on management mechanisms implemented in these common structures.

At the end of the year 2007, approximately 51,800 people employed by the Group belonged to organizations common to EDF and GDF Suez (almost all belonging to ERDF and GRDF's common service, distribution subsidiaries of EDF Group and GDF Suez Group). Some decisions made in the context of these common organizations may accordingly have an impact on EDF, in particular on costs and on the conditions of management of its resources. Moreover, in consequences, EDF and GDF Suez may have divergent interests concerning these common organizations, which may have a negative impact on the Group's labor relations climate, financial results and financial structure.

The Group does not own a controlling majority of some of its strategic subsidiaries and holdings, or shares control of these entities with other shareholders.

As described in Section 6.3.1.2.2 "Detail of EDF's holding in EnBW" of the 2007 *Document de Référence*, the EDF Group shares control of EnBW with OEW. This shared control is exercised through a shareholders' agreement. The Group cannot, however, guarantee that it will always be in agreement with OEW on its policy towards EnBW.

This may also be the case with respect to Edison, where the two shareholders, EDF and A2A (formerly AEM Milan) and its partners, have joint control, and whose relationships are governed by a shareholders' agreement (see Section 6.3.1.3.1.2 "Joint takeover of Edison by EDF and AEM Milan (now A2A)" of the 2007 *Document de Référence*). In addition, advantages which must result from the joint takeover of Edison by EDF and A2A, in particular as regards the Group's gas strategy, depend, in part, on the possibility to combine successfully and effectively Edison's activities with those of the Group.

Other Group businesses are, or will be in the future, exercised within other entities in which the Group shares control, or in which the Group is a minority shareholder. In these situations, the Group may find itself confronted with an impasse when partners disagree or decisions are made which are contrary to its interests.

This may limit the Group's ability to implement defined strategies and may have a material adverse impact on its business, financial situation or prospects.

Shareholders in some of the Group's subsidiaries and holdings have put options allowing them to require a buyback of their shares by the Group, which, accordingly, may be forced into re-purchasing these shares at an unfavorable time or under unfavorable conditions.

The structure and conditions of the put options that the shareholders, in particular, of EnBW and EDF Energies Nouvelles, have over the Group are described in Section 6.3.1.2 "Germany – EnBW" and Section 6.4.1.1.2 "EDF Energies Nouvelles" of the 2007 *Document de Référence*.

If put options are exercised, the Group may be forced to purchase the underlying securities at prices, set by the terms of the agreements in force, which could exceed their market value. In addition, the financing of these purchases could interfere with other Group acquisition or investment expenses, delay them, or oblige the Group to seek financing under less favorable conditions, which could have a negative financial impact on the Group.

The Group may find itself forced to launch a tender offer for the acquisition of listed companies in which it has holdings.

The Group has holdings in a number of listed companies for which current legislation may require, under certain conditions, a shareholder exceeding certain thresholds to launch a tender offer to purchase all of the existing share capital. The Group may, therefore, be forced to launch such an offer under unfavorable conditions, especially with respect to price, which may have a negative impact on its financial situation.

Risks due to the international dimension of the Group's activities.

Some Group investments and commitments are exposed to the risks and uncertainties associated with doing business in countries which may have, or have recently had, a period of political or economic instability. Several countries in which the Group operates have less developed regulations providing less protection, maintain or could initiate controls or restrictions on repatriation of profits and capital invested, fix or could fix taxation and fees affecting the Group's activities, and impose or could impose restrictive rules with regards to the business of international groups. In these countries, the electricity sector is also subject to sometimes rapidly changing regulations which could be influenced by political, social or other considerations, which may have an effect on activities or financial results of the Group's subsidiaries and thus not be in its interest. The occurrence of any of these events may have a negative impact on the Group's activities, financial results and financial situation.

Finally, the Group has developed or built a portfolio of "Independent Power Plants" ("**IPP**") in different parts of the world, especially in Brazil, Vietnam, Laos and China, in which it plays one or more roles (engineering, project management, project manager, investor or operator). In these different capacities, the Group may find itself liable or the Group's financial performance may be affected, especially if the return on capital employed for the IPP is lower than expected, if long-term electricity contracts or "pass-through" clauses are questioned, or in the event of major changes to electricity market rules in the country concerned.

The Group must continually adapt its skills in a rapidly changing environment and renew much of its workforce and transfer experience and skills to new employees.

The challenges associated with achieving the Group's strategic objectives in a rapidly changing environment (notably, the total opening up of markets to competition, international expansion of electricity generation (nuclear or clean coal), growth of the gas business, development of renewable energy sources etc.) require a continuous adaptation of its areas of competence, in particular functional and geographic.

A large number of EDF employees is each year at the retirement age, despite the impact the reform of the special retirement program for gas and electricity industry employees have on the average retirement age. For example, in nuclear generation and network maintenance, approximately 40% to 45% of the workforce could retire during the next ten years. Although this situation may represent an opportunity to adapt the expertise of employees to the Group's new challenges, the renewal of this workforce requires anticipating the knowledge transfer and managing competition to recruit skilled talent.

The EDF Group will do its utmost to recruit, retain, redeploy or renew these staff and skills in time and under satisfactory conditions. However, it cannot guarantee the measures adopted will always prove totally adequate, which may have an impact on its business and financial results.

EDF may be required to satisfy significant obligations related to pensions and other employee benefits.

In France, the financing of the pension system for the electricity and gas industries ("**IEG**") was reformed by French Law of August 9, 2004 (the "Law of August 9, 2004") (see Section 17.8 "Pension system and complementary healthcare benefits system" of the 2007 *Document de Référence*, which came into force on January 1, 2005.

The provisions for the special pension system correspond to specific rights of agents linked to services not covered by the general system.

The evaluation also takes into account the portion of CNIEG management fees for which the company is responsible, the CNIEG carrying out the management and payment of pensions to the inactive population.

As of December 31, 2007, the pension provision amounted to €8,790 million.

Furthermore, the reform of the special retirement programs, including those of IEG, seeking notably to extend the contribution periods, came into force in July 1, 2008. This reform is backed-up by specific measures (concerning wages, changes in the social welfare system, career planning, etc. – see Section 17.8.1 "Special pension system" of the 2007 *Document de Référence* and note 41 to the 2007 Consolidated Financial Statements. Sectoral agreements were signed in 2008 regarding the social protection system (pension, provident schemes). The negotiations that began in relation with certain matters specific to certain occupations (regarding the appropriate contribution period) will continue throughout the first half of 2009.

Outside of France, the main pension obligations relate to EDF Energy and EnBW. On the basis of the last actuarial survey carried out on November 10, 2008, the pension funds established by EDF Energy have been considered insufficient by approximately £ 588 million. An official financial review is conducted after each three-year period. The last review was conducted in March 2007 and led EDF Energy to pay, on a yearly basis, additional contributions in order to compensate for the shortage of funds observed at this date (see Section 6.3.1.1.3 “Financing and Pensions” of the 2007 *Document de Référence*). EnBW’s commitments are fully provisioned and assets have been specially allocated to face such commitments.

In addition to these pension obligations, there are also commitments related to post-employment benefits (benefits in kind (electricity/gas), retirement gratuity, exceptional additional pension, and bereavement benefits) and long-term benefits for employees currently in service (annuities following industrial accidents and work-related illness, long-service awards, invalidity benefits, etc.) (see note 31.6 of the 2007 Consolidated Financial Statements).

The amounts of these obligations, the provisions and, for EDF Energy, the additional contributions to compensate for the shortage of funding for its pension scheme are calculated on an estimated basis using certain hypotheses, in particular, actuarial forecasts and a discount rate, which may be modified in relation to market conditions as well as by regulations governing retirement benefits paid out by the general system and those paid out by the Group. These hypotheses and rules may be adjusted in the future and may increase the provisions under pensions and other employee benefits (and additional contributions by EDF Energy). This could have a negative impact on the financial situation or the financial results of the Group.

Furthermore, the Law of August 9, 2004 imposed joint and several liability among the companies in the IEG branch in regards to financing the specific rights for which they are responsible. In the event that one company in the IEG branch fails to pay, EDF may be forced to finance a portion of the obligations of such company. This may also have a negative impact on the financial situation and the financial results of the Group.

Employee conflicts could have a negative impact on the Group’s activity.

The Group cannot ensure that its employee relationships will not deteriorate or that employee unrest will not occur. Strikes, stoppages, claims or other social problems may harm its business. The Group has not taken out any insurance for losses due to interruptions to business caused by employee demonstrations. As a result, its financial situation and operating results may be adversely affected by employee unrest.

The Group has implemented programs to improve its operating and financial performance and to reinforce its financial flexibility. The objectives set for these programs may not be achieved.

The Group has implemented programs to improve its operating and financial performance and to reinforce its financial flexibility. After the achievement of the *Altitude* program in 2007, the Group implemented a new program, the program *Excellence Opérationnelle* (see Section 12.1 “Performance improvement: “*Altitude*” and “*Excellence Opérationnelle*” programs” of the 2007 *Document de Référence*). The implementation of such program within the Group was initiated in 2008 on a long-term basis. It aims to improve the Group’s results by achieving synergies and continuous progress on its operational processes and supports, its purchasing methods, its conversion and expansion programs.

The Group cannot guarantee that these programs will produce the expected results within the established timeframe. This may have a material adverse impact on the Group's financial results, financial situation and outlook.

Risks due to changes to the IFRS standards applicable to the Group.

2007 Consolidated Financial Statements have been prepared, as for the two previous years, in accordance with international accounting standards published by the IASB as approved by the European Union on December 31, 2007 (see note 1.1 to the 2007 Consolidated Financial Statements).

These references are evolving and new standards and interpretations are currently in the process of being drafted and/or approved by the qualified international bodies. The Group is studying the potential impact of standards or interpretations in the process of being approved or authorized by the qualified international bodies on its financial situation. In relation to standards or interpretations in the process of being drafted by the qualified international bodies, the Group cannot predict the possible evolutions that these standards or interpretations could entail, or the impact that they could have on its consolidated financial statements.

Risks Related to the Capital Structure of EDF and the Listing of its Shares

Significant volatility of the market price of shares.

Stock markets have experienced significant fluctuations in recent years, in particular in 2008, which have not always been related to the performance of the specific companies whose shares are traded. Such fluctuations may materially affect EDF share price.

EDF share price may also be materially affected by a number of factors, including factors relating to the EDF Group, its competitors, general economic conditions and, in particular, the energy industry.

Fluctuation in exchange rates.

The shares will be quoted only in euros and any future payments of dividends on the shares will be denominated in euros. The share price and any dividends paid to an EDF shareholder in other currencies could be adversely affected by a depreciation of the euro.

Risks related to future sales of shares by the French State.

As of December 31, 2008, the French State was holding 84.66% of EDF's share capital. If the French State decided to reduce further its holding in EDF capital, such sales by the French State, or the perception that such sales could occur, could adversely affect EDF share price.