HALF-YEAR FINANCIAL REPORT

30 JUNE 2014

At its meeting of 30 July 2014, EDF's Board of Directors approved this Half-year financial report and the condensed consolidated financial statements for the half-year ended on 30 June 2014 included in it.

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the energy sector in France and worldwide, it is possible that this information could turn out to be mistaken or outdated.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

The forward-looking statements contained in this Half-year financial report, notably in section 10 ("Financial Outlook") of the Half-year management report, are based on assumptions and estimates that could evolve or be impacted by risks, uncertainties (relating particularly to the economic, financial, competitive, regulatory and weather environment) or other factors that may cause the future results, performances and achievements of the Group to differ significantly from the objectives expressed and suggested. These factors may include changes in the economic and commercial environment, regulations, and the factors discussed in section 4.1 of the EDF group's 2013 reference document ("Risk Factors").

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

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1. CERTIFICATION BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

I certify that, to the best of my knowledge, the condensed consolidated financial statements at 30 June 2014 are prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income of the company and of all the companies included in the scope of consolidation, and that the attached Half-year management report presents a true and fair view of the important events of the first six months of the financial year and their impact on the financial statements, the main related party transactions and a description of the main risks and uncertainties for the remaining six months of the financial year.

Paris, 30 July 2014

Henri Proglio

Chairman and CEO of EDF

HALF-YEAR MANAGEMENT REPORT

30 JUNE 2014

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1. KEY FIGURES

Pursuant to European regulation 1606/2002 of 19 July 2002 on the adoption of international accounting standards, the EDF group's condensed consolidated financial statements for the half-year ended 30 June 2014 are prepared using the presentation, recognition and measurement rules set forth in the international accounting standards published by the IASB and approved by the European Union for application at 30 June 2014. These international standards are IAS (International Accounting Standards), IFRS (International Financial Reporting Standards), and SIC and IFRIC interpretations.

The accounting methods applied by the Group are presented in note 1 to the condensed consolidated half-year financial statements at 30 June 2014.

The figures presented in this document are taken from the EDF Group's condensed consolidated half-year financial statements at 30 June 2014.

The condensed consolidated half-year financial statements comply with standard IAS 34 on interim financial reporting. They do not therefore include all the information required for full annual financial statements, and are to be read in conjunction with the consolidated financial statements at 31 December 2013.

The comparative figures for 2013 have been restated to reflect the impact of retrospective application of IFRS 10 and IFRS 11. Application of IFRS 11 results in the EDF group's joint arrangements being considered as joint ventures and accounted for under the equity method, except for a few non-significant entities considered as joint operations (in which case the Group consolidates its share of assets and liabilities, income and expenses) (see note 2 to the consolidated financial statements). The principal companies concerned by this move to the equity method are Dalkia, CENG, ESTAG, SSE (which was sold on 27 November 2013) and certain EDF Énergies Nouvelles and Edison subsidiaries.

The new definition of control given by IFRS 10 does not significantly change the Group's scope of consolidation.

The Group's key figures at 30 June 2014 are shown in the following table. Variations in value and percentage are calculated with reference to the restated first-half 2013 figures.

Extract from the consolidated income statements

(in millions of Euros)	H1 2014	H1 2013 restated	Variation	Variation (%)	Organic variation (%)
Sales	36,125	37,552	(1,427)	-3.8	-4.2
Operating profit before depreciation and amortisation (EBITDA)	9,608	9,316	292	+3.1	+2.8
Operating profit (EBIT)	5,875	5,647	228	+4.0	
Income before taxes of consolidated companies	4,588	4,055	533	+13.1	
EDF net income	3,117	2,877	240	+8.3	
Net income excluding non-recurring items(1)	3,153	3,068	85	+2.8	

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

Cash flow after dividends

(in millions of Euros)	H1 2014	H1 2013 restated	Variation	Variation (%)
Cash flow after dividends(1)	(877)	1,018	(1,895)	n.a.

(1) Cash flow after dividends is not an aggregate defined by IFRS as a measure of financial performance, and is not comparable with indicators of the same name reported by other companies. It is equivalent to the operating cash flow after the changes in working capital and net investments as defined in section 4, allocations and withdrawals from dedicated assets, and dividends.

Details of net indebtedness

(in millions of Euros)	30/06/2014	31/12/2013 restated	Variation	Variation (%)
Net indebtedness (1)	30,615	33,433	(2,818)	-8.4
Equity (EDF's share)	40,143	34,207	5,936	+17.4
Net indebtedness/EBITDA	1.9 (2)	2.1		

(1) Net indebtedness is not defined in the accounting standards and is not directly visible in the Group's consolidated balance sheets. It comprises total loans and financial liabilities, less cash and cash equivalents and liquid assets. Liquid assets are financial assets consisting of funds or securities with initial maturity of over three months that are readily convertible into cash and are managed according to a liquidity-oriented policy. It also includes the Group's loan to RTE.

(2) The ratio at 30 June 2014 is calculated based on cumulative EBITDA for the second half-year of 2013 and the first half-year of 2014, using a numerator and denominator based on a comparable scope of consolidation.

2. ECONOMIC ENVIRONMENT AND SIGNIFICANT EVENTS OF FIRST-HALF 2014

2.1. ECONOMIC ENVIRONMENT

2.1.1.TRENDS IN MARKET PRICES FOR ELECTRICITY AND THE PRINCIPAL ENERGY SOURCES

In an increasingly interconnected European market, analysis of market prices in France but also in the rest of Europe, particularly countries where the Group has operating, distribution, optimisation and trading activities, provides essential contextual information. During the first half of 2014, energy prices in Europe were lower than their 2013 levels, principally because of record low demand in the early months of the year when temperatures were particularly mild.

Good water levels in the last few months of the winter and a decline in fuel prices also put downward pressure on prices.

2.1.1.1. Spot electricity prices in Europe[1]

	France	United Kingdom	Italy	Germany	Belgium
Average baseload price for H1 2014 (€/MWh)	34.6	51.1	49.5	32.4	40.0
Variation in average H1 baseload prices, 2014/2013	-21.0%	-15.7%	-18.3%	-13.5%	-22.8%
Average peakload price for H1 2014 (€/MWh)	43.9	57.3	56.1	40.2	48.6
Variation in average H1 peakload prices, 2014/2013	-20.5%	-16.7%	-18.3%	-15.7%	-21.4%

The comments below concern baseload prices.

In **France**, first-half 2014 spot electricity prices stood at an average €34.6/MWh, €9.2 MWh lower than in first-half 2013. This decline is chiefly explained by the mild temperatures observed in the first few months of the year, which led to low demand. French demand stood at an average 54.5 GW in first-half 2014, compared to 59.6 GW for the first half of 2013 which was marked by a harsh late winter.

The first quarter of the year was also marked by well above-normal water levels, while wind and photovoltaic power output was higher than first-half 2013 throughout the first half-year. The slight drop in spot prices for coal and gas added further downward pressure on prices.

The conjunction of these down-trend factors took the average first-half spot price to its lowest level since 2007.

In the **United Kingdom**, spot electricity prices were more than 15% below first-half 2013 levels. The mild temperatures helped to maintain a relaxed supply/demand balance, but also limited demand for gas, leading to a gradual decline in spot gas prices. The downturn in prices was nonetheless less pronounced than in the rest of Europe, due to the increase in the UK's carbon tax effective from 1 April 2014.

[1] France and Germany: Average previous day EPEXSPOT price for same-day delivery;
Belgium: Average previous day Belpex price for same-day delivery;
United Kingdom: Average previous day EDF Trading OTC price for same-day delivery;
Italy: Average previous day GME price for same-day delivery.

In **Italy**, prices were down by more than 20%, principally as a result of significantly higher hydropower and wind power output and lower consumption levels.

In **Germany**, spot prices retreated by an average €5.0/MWh compared to first-half 2013, also as a result of mild temperatures and significant wind and photovoltaic power output. Here too, spot prices hit their lowest first-half level since 2007.

In **Belgium**, spot prices were down by an average €11.8/MWh from first-half 2013, for similar reasons to France and Germany. The decline was mainly concentrated in the first quarter, as two of the country's nuclear power plants (Tihange 2 and Doel 3, with total capacity of approximately 2,000 MW) began temporary outages in late March 2014, placing further constraints on the supply/demand balance. The Belgian spot price for June 2014 was thus €10/MWh higher than in the same period of 2013. It is not yet known when these two units will resume operations.

2.1.1.2. Forward electricity prices in Europe[2]

	France	United Kingdom	Italy	Germany	Belgium
Average forward baseload price under the 2015 annual contract for H1 2014 (€/MWh)	42.4	62.3	54.5	35.3	45.1
Variation in average H1 forward baseload price under the annual contracts, 2014/2013	-3.5%	+2.0%	-14.4%	-13.0%	+2.0%
Forward baseload price under the 2015 annual contract at 30 June 2014 (€/MWh)	41.6	63.4	52.1	34.5	47.5
Average forward peakload price under the 2015 annual contract for H1 2014 (€/MWh)	54.0	71.3	60.7	45.1	56.1
Variation in average H1 forward peakload price under the annual contracts, 2014/2013	-5.1%	+2.2%	-14.3%	-11.6%	-1.6%
Forward peakload price under the 2015 annual contract at 30 June 2014 (€/MWh)	51.5	70.5	58.1	43.4	56.3

Annual contract prices for baseload electricity were lower on average than in first-half 2013 in France, Germany and Italy, mainly due to lower fuel prices. In the United Kingdom, the increase in the carbon tax counterbalanced the trend and led to a slight rise in prices.

In **France**, the annual contract baseload price was 3.5% lower on average than in first-half 2013. The principal reason was the decline in coal and gas prices, although the rise in CO_2 prices mitigated the downturn.

In **Italy**, the annual contract baseload price also registered a marked downturn and was €9/MWh lower on average than in first-half 2013.This significant fall was caused by lower gas prices and the progession of renewable energies.

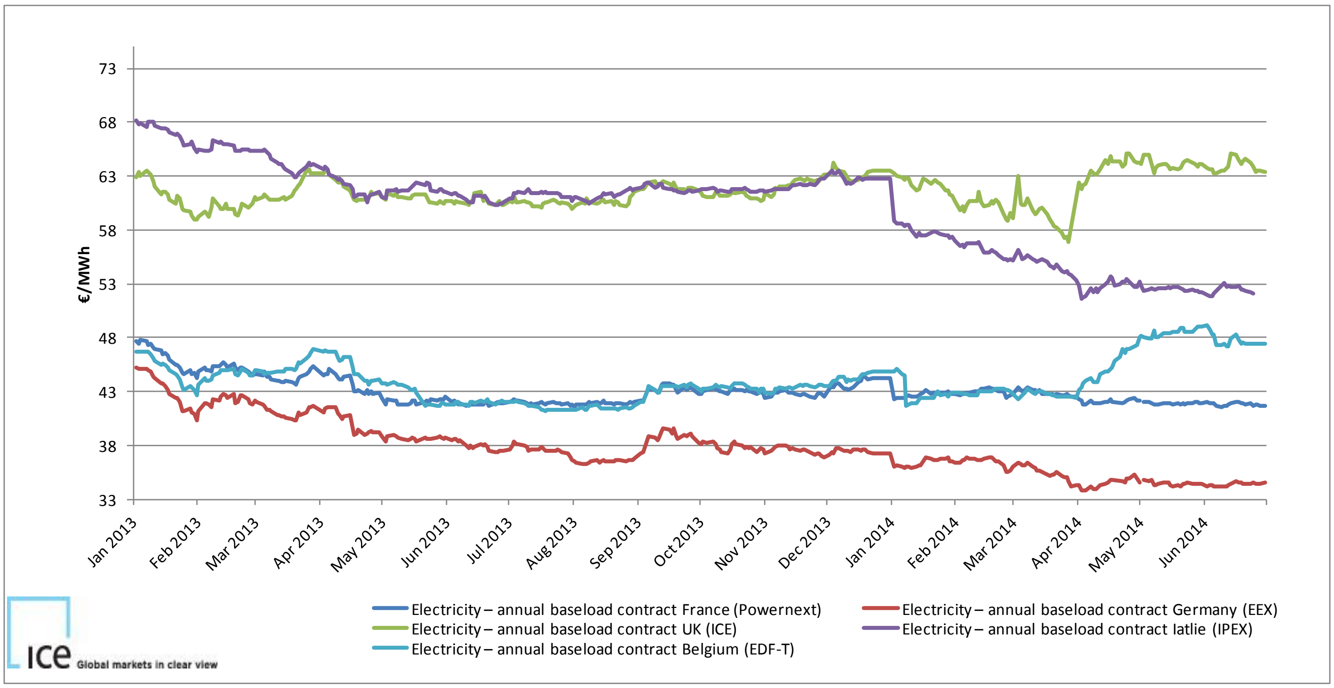
In the **United Kingdom**, the April Ahead contract baseload price for 1 April Y+1 to 31 March Y+2 rose by 2% despite a noticeable decline in gas prices, due to an increase in the carbon tax applied in the United Kingdom for electricity generation. This tax will rise by close to £9/t to £18/t from 1 April 2015, then remain constant until 2020.

[2] France and Germany: Average year-ahead EPD price;
Belgium: average year-ahead EDF Trading price;
Italy: average year-ahead EDF Trading price;
United Kingdom: Average ICE annual contract prices, April 2014 then April 2015 (in the UK, annual contract deliveries take place from 1 April to 31 March).

In **Germany**, the annual contract baseload price was more than €5/MWh below its first-half 2013 level. As well as the decline in fuel prices, this substantial drop in electricity prices is explained by the expansion of wind farms and photovoltaic power plants in Germany.

In **Belgium**, the annual contract baseload price increased by around €1/MWh compared to first-half 2013. Prices showed a marked rise after the outage of two nuclear plants from late March 2014, with no confirmed date as yet for resumption of operations. At 30 June 2014, the "Year-Ahead" contract price was €47.5/MWh, whereas it was just €42.1/MWh at 30 June 2013.

Forward electricity prices in Europe



2.1.1.3. CO_2 emission rights prices [3]

The price of CO_2 emission rights for delivery in December 2014 stood at an average €5.6/t over the first half-year of 2014. Prices rose by €1.3/t compared to first-half 2013 following adoption, then application of the European Commission's "backloading" plan, which was introduced to reduce supply temporarily as the market for trading CO_2 emission rights was overallocated at European level. After several years of negotiations, the regulation was finally implemented in early 2014. 900 million tonnes of emission rights will be withdrawn from auction between 2014 and 2016 (400 million for 2014 alone), but this volume will be put back on the market in 2019 and 2020.

In the United Kingdom, the Carbon Price Support scheme was amended in March 2014 (see 2.1.4.2).

[3] Average ICE prices for the annual contract, Phase III (2013-2020).

CO_2 emission rights prices

2.1.1.4. Fossil fuel prices [4]

	Coal ($/t)	Oil ($/bbl)	Natural gas (€/MWh)
Average price for H1 2014	82.0	108.8	25.2
Average H1 price variation, 2014/2013	-13.1%	+0.9%	-7.1%
Highest price in H1 2014	86.6	115.1	27.0
Lowest price in H1 2014	78.5	104.8	23.5
Closing price, H1 2013	85.6	102.2	27.0
Closing price, H1 2014	78.8	112.4	23.7

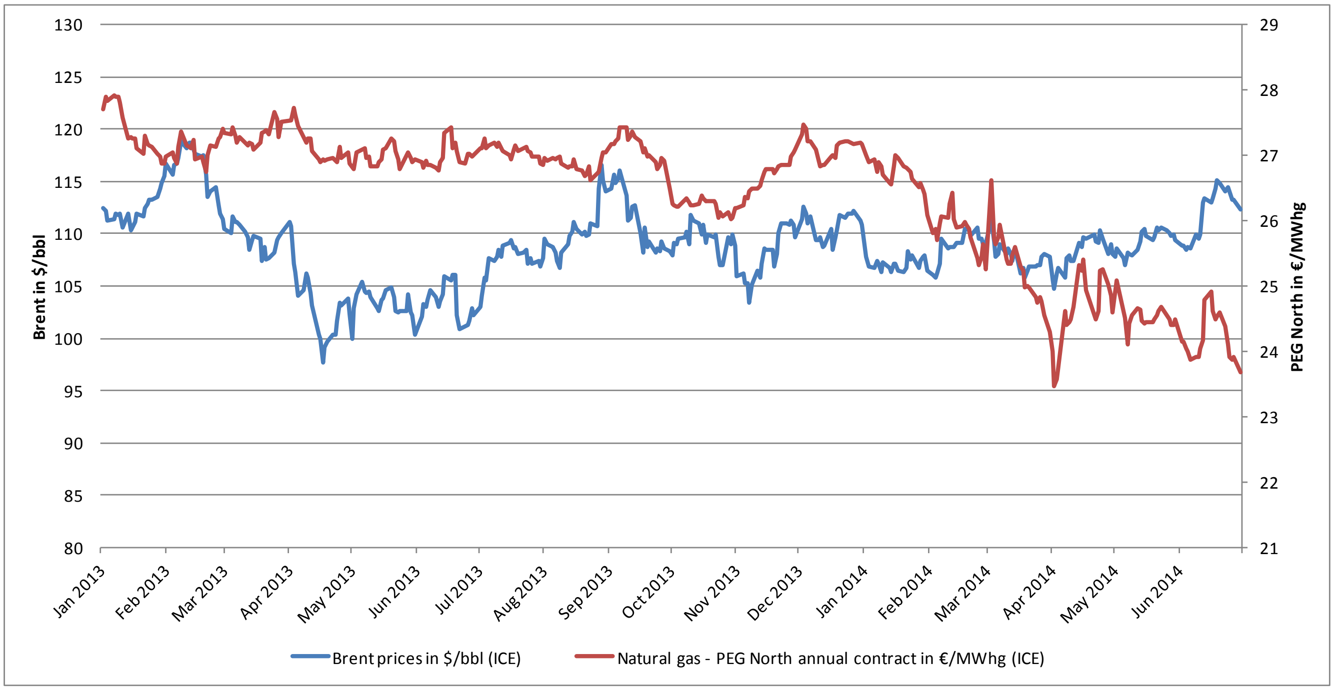
Forward prices for **coal** saw an average decline from first-half 2013 levels due to a very relaxed supply/demand balance worldwide. This situation is the result of plentiful coal supplies in Russia, the US and Colombia at relatively low prices, and lower-than-anticipated demand in Asia. Also, the mild winter weather across Europe led to low coal consumption, meaning that stocks remained high. These high stocks kept up downward pressure on forward prices, and the price per tonne of coal for delivery in 2015 in Europe ended the half-year at around $79 per tonne.

There was little movement in **oil** prices compared to first-half 2013: first-half 2014 saw no notable tensions on the supply side and no major announcements concerning growth prospects for worldwide demand.

[4] Coal: Average ICE prices for delivery in Europe (CIF ARA) for the next calendar year ($/t);
Oil: Brent first reference crude oil barrel, IPE index (front month) ($/barrel);
Natural gas: Average ICE OTC prices, for delivery starting from October of the following year in France (PEG Nord) (€/MWhg).

Natural gas prices under the annual contract in France were down from first-half 2013. As the winter was mild, there was little need to use long-term stocks, and the absence of tension in the supply-demand balance from April to June made it possible to replenish those stocks quickly. Stock levels at storage sites in France and Europe are thus around 10 points above normal (56% at 30 June 2014 in France and 70% in Europe). This situation has resulted in a substantial price downturn for the winter of 2014/2015, and to a lesser extent the summer of 2015. Tensions between Russia and Ukraine, which intensified in first-half 2014, were closely monitored by actors in the sector throughout the second half-year, but their impact on forward prices was only limited. Current stock levels would be sufficient to cover a cutoff in Russian gas deliveries transiting via Ukraine for a large part of the summer.

Natural gas and oil prices



2.1.2. ELECTRICITY[5] AND GAS[6] CONSUMPTION

Overall electricity consumption in **France** in first-half 2014 was 8.4% lower than in first-half 2013 due to a marked weather effect. This downturn in consumption was particularly significant in the first quarter of 2014 (-15.7 TWh, or -10.3%) when temperatures were especially mild (an average 1.3°C above normal levels[7]), in contrast to the first quarter of 2013 which registered temperatures that were an average 1.9°C below normal. Average temperatures returned to normal levels in the second quarter of 2014, and the year-on-year decrease in electricity consumption (-6.4 TWh, or -5.8%) is explained by the fact that temperatures were more than 2°C below normal in the corresponding period of 2013. After correction for weather effects, first-half consumption in France was stable overall between 2013 and 2014.

[5] Sources: France: RTE, unadjusted for weather effects.
United Kingdom: Department of Energy and Climate Change for the first quarter, local subsidiary estimation for the second quarter.
Italy: local subsidiary estimation.
[6] Sources: France: Pégase database, source SOeS (*Service de l'Observation et des Statistiques*). January to April 2014.
United Kingdom: Department of Energy and Climate Change for the first quarter, local subsidiary estimation for the second quarter.
Italy: local subsidiary estimation.
[7] Source: Miréor (data from Météo-France): temperature variance from normal, based on the average temperatures observed in 32 towns, weighted according to electricity consumption.

In the **United Kingdom** domestic electricity consumption is not highly sensitive to temperatures, and first-half 2014 levels were down by 4.9% from first-half 2013. In **Italy**, domestic electricity consumption contracted by 3% compared to first-half 2013.

Natural gas consumption in **France** was down by approximately 23%[8] in first-half 2014 compared to first-half 2013. This fall in consumption was essentially caused by the contrasting temperatures between a very mild first-half 2014 and a particularly cold first-half 2013.

Estimated domestic natural gas consumption was down by 4.6% in the **United Kingdom** as first-half temperatures were higher in 2014 than in 2013. Domestic natural gas consumption in **Italy** was down by 14.4% due to a very mild winter (+4°C compared to 2013) and a 10% decrease in Italy's fossil-fired electricity output.

2.1.3.ELECTRICITY AND NATURAL GAS SALES TARIFFS

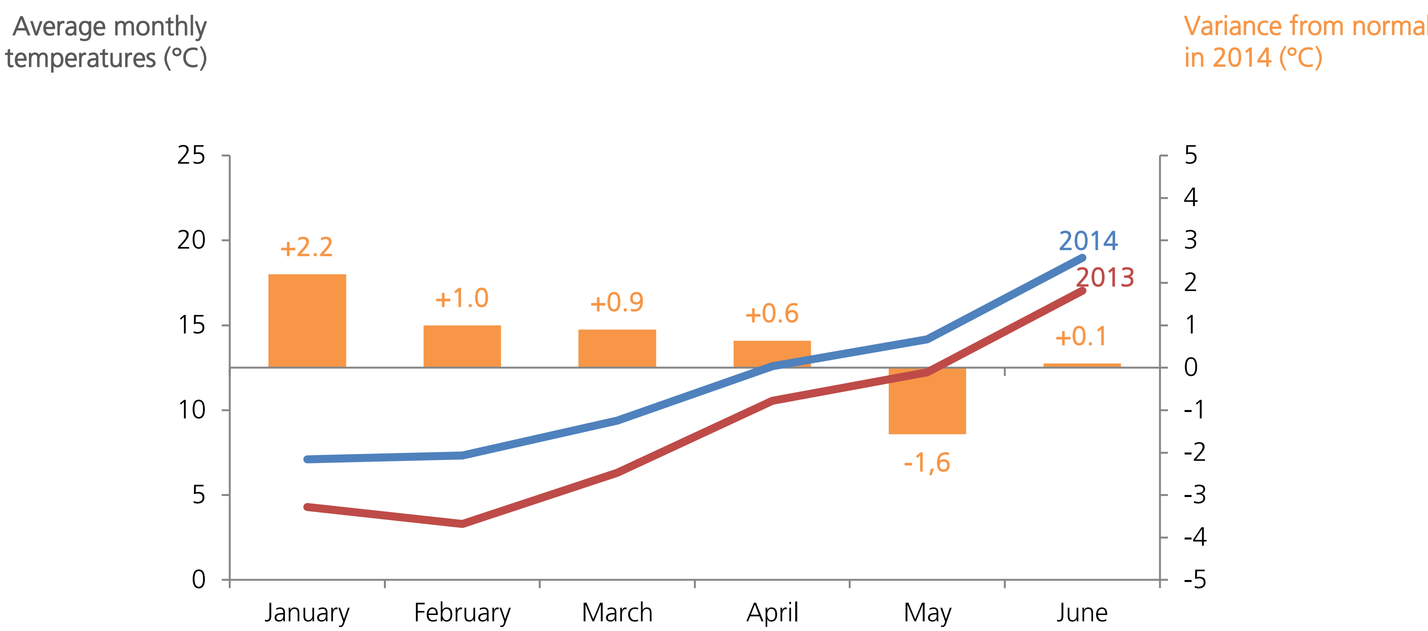
Details of recent developments concerning tariffs in France are provided in sections 2.2.4.1.4 and 2.2.4.1.5.

In the **United Kingdom**, EDF Energy raised its gas and electricity tariffs by 3.9% as of 3 January 2014. This was less than half the increase applied by its main competitors in the final quarter of 2013. EDF Energy was thus acting in anticipation of the downward adjustment to energy efficiency programme costs announced by the British government in December 2013. Of the 6 major energy suppliers in the UK, EDF Energy is the company that gained the most new customers between June 2013 and June 2014: according to the latest available data, 175,000 new customer accounts were opened.

2.1.4.WEATHER CONDITIONS: TEMPERATURES AND RAINFALL

The first half-year of 2014 was marked by above-average temperatures across all of Europe, and particularly in its central regions.

Temperatures in France in first-half 2014 and first-half 2013[9]

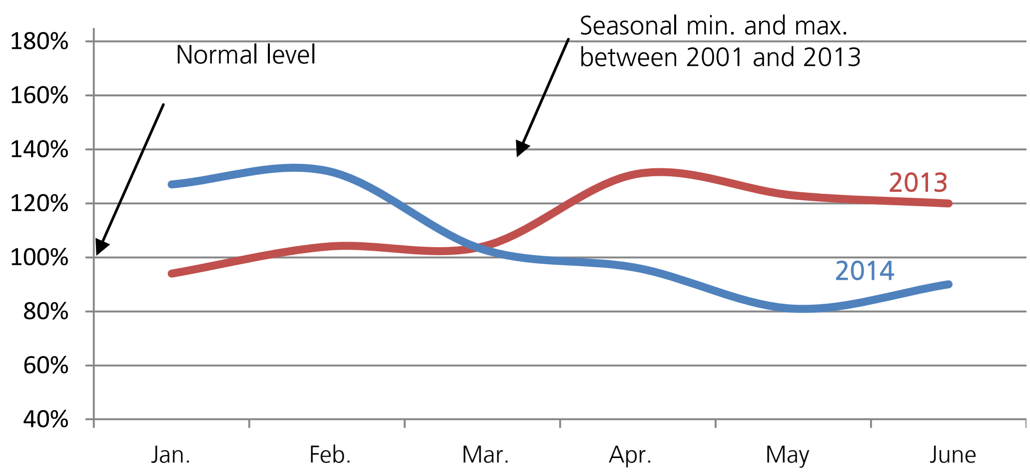


[8] Source: Pégase database, source SOeS (*Service de l'Observation et des Statistiques*). January to May 2014
[9] Source: Miréor (data from Météo-France)

It also saw abundant rainfall, registering above-normal levels in a large portion of western Europe (west France, Portugal, United Kingdom and south Scandinavia) as well as Italy and the Balkans, particularly at the very start of the year. In contrast, there was a shortfall in precipitation in north-east France, Benelux, Switzerland, Spain, Germany and Turkey.

In France more specifically, after a very wet, mild winter building up substantial snow levels in the southern Alps and the Pyrenees, a significant shortfall in precipitation began to develop in early March, except in the Pyrenees. The cumulative hydropower capacity for the whole half-year was close to normal.

Water levels in France first-half 2014 and first-half 2013[10]



[10] Source: weekly OSGE energy observatory monitoring of French reservoir levels (Miréor project) as far as the coast.

2.2. SIGNIFICANT EVENTS [11/12]

2.2.1. STRATEGIC DEVELOPMENTS

2.2.1.1. European Commission consultation concerning the proposed Hinkley Point C nuclear power plant

On 21 October 2013, the EDF group, as part of a consortium with AREVA and Chinese industrial partners, reached an agreement with the British government on the key commercial terms of their investment contract for Hinkley Point C: the strike price for the Contract for Difference (CfD), the duration of 35 years from the plant's date of commissioning, and the project's eligibility for the British government's Infrastructure UK (IUK) guarantee scheme.

The final investment decision, which is required before these agreements can be implemented and construction of the plant begins, can only be made after completion of key stages including agreement on the overall investment contract, finalisation of agreements with industrial partners, and a European Commission decision concerning State aid. Regarding this last condition, the UK Government formally notified the Commission of the CfD on 22 October 2013. In December 2013, the European Commission announced that it had initiated an in-depth investigation consisting of detailed assessment of the notified measures. This decision was published in the Official Journal of the European Union on 7 March 2014, thus beginning a one-month consultation period for all stakeholders. The assessment is currently ongoing.

2.2.1.2. Finalisation of the agreement between EDF and Veolia Environnement concerning Dalkia

On 25 March 2014 EDF and Veolia Environnement announced that they had finalised the discussions begun in October 2013 and signed an agreement regarding their joint subsidiary Dalkia. Under the terms of this agreement, the EDF group was to take over all the Dalkia group's activities in France (including Citelum), while Dalkia International's activities were to be taken over by Veolia Environnement, and Veolia Environnement would pay the EDF group a net amount of €655 million in compensation for the difference in value between the stakes owned by the two shareholders in the various Dalkia entities. This payment, initially valued at €550 million, was adjusted in accordance with the net financial position of the businesses transferred.

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

This operation will enable the Group to significantly develop its involvement in energy services. It offers great potential for synergies due to the complementary nature of the EDF group and Dalkia's businesses and expertise.

2.2.2. NEW INVESTMENTS AND PARTNERSHIPS

2.2.2.1. Final agreement with Exelon concerning CENG

After receiving the approval of the US Nuclear Regulatory Commission (NRC), on 1 April 2014 EDF finalised the agreement signed with Exelon on 29 July 2013 concerning Constellation Energy Nuclear Group (CENG).

Under the terms of this agreement, EDF delegates operational management of the five nuclear reactors owned by CENG (located in three sites in the United States, with total power of 4.2 GW) to Exelon, the United States' leading nuclear operator.

CENG has also paid the Group an exceptional dividend of US$ 400 million (€290 million), funded by a loan to CENG from Exelon. CENG has given a commitment that once this loan is fully repaid, it will pay Exelon a dividend of

[11] Significant events related to litigation are described in section 8.
[12] The reference document and a full list of press releases are available from the EDF website: www.edf.com.

present value equivalent to US$ 400 million. EDF has also been granted an option to sell its holding in CENG to Exelon at fair value, which can be exercised between January 2016 and June 2022.

Following this operation, CENG is still owned 49.99% by EDF and 50.01% by Exelon, and its Board of Directors has equal numbers of directors appointed by Exelon and EDF. In application of the analysis criteria defined by the new accounting standards IFRS 10 and IFRS 11, CENG continues to be accounted for under the equity method.

2.2.2.2. Extension of a series of existing agreements with EDF's Chinese partners

During a visit to France by the President of the People's Republic of China in March 2014, EDF signed a series of agreements with its Chinese partners.

In nuclear power, EDF reinforced its agreements with its partners: with CGN on their global partnership agreement, and with CNCC on closer cooperation, particularly in engineering, operation and maintenance.

On 18 April 2014 EDF and the electricity operator China Datang Corporation (CDT) signed an agreement for EDF to take a 49% stake in Datang International Fuzhou Power Generation Company Ltd (FPC), a joint venture that will build and operate an ultra-supercritical coal-fired power plant consisting of two 1,000 MW units. Construction work has just started on the Fuzhou site in South-Eastern China's Jiangxi province, and the new plant is scheduled for commissioning in 2016. It will be the first ultra-supercritical coal-fired power plant to be operated by EDF. This technology guarantees high output efficiency combined with a lower environmental impact. Though this agreement EDF will enhance its engineering and thermal plant operating expertise, and establish new industrial synergies with world leaders in fossil-fired power.

This investment marks a new stage in the collaboration between EDF and Datang, which began in 2006, and already in 2009 enabled the two companies to become joint operators of the supercritical coal-fired plant Datang Sanmenxia Power Phase II (DSPC).

2.2.2.3. Memomandum of understanding between EDF and Exeltium

On 21 July 2014 the Exeltium consortium and EDF agreed on a memorandum of understanding to adjust Exeltium's electricity supply contract. Under this agreement, the price paid for electricity supplies will be decreased initially, before a subsequent offsetting raise based on changes in the market price for electricity. The whole mechanism thus makes the contract more flexible and has been carefully planned so as not to jeopardize its overall economic balance.

2.2.2.4. Signature of a LNG import agreement with the Cheniere Group

Cheniere Energy Inc. announced on 17 July 2014 that its subsidiary Corpus Christi Liquefaction LLC had signed a sales agreement for liquefied natural gas (LNG SPA) with EDF. The LNG deliveries, which are due to begin between 2019 and 2020, will represent a volume of approximately 1 Gm^3 per year after the start-up of the third train in Corpus Christ's liquefaction project. Until then, 0.5 Gm^3 per year will be supplied between the start-ups of trains 2 and 3. The term of the contract will run for twenty years after the date of the first commercial delivery by the third liquefaction train, with an option for extension by a further 10 years.

2.2.3.INVESTMENT PROJECTS

2.2.3.1. France

2.2.3.1.1. Launch of the rollout of "Linky" smart meters

The rollout of smart meters complies with European and French regulations on electricity metering systems (EU directive 2009-072; French decree of 31 August 2010; the French ministerial decision on metering of 4 January 2012). It follows a 300,000-meter pilot scheme conducted by ERDF from 2009 to 2011. After carrying out an assessment of this scheme, the French energy regulator CRE recommended generalising the smart meter system in its decision of 7 July 2011.

At the initiative of France's Minister for Ecology, Sustainable Development and Energy, a working party with representatives of all stakeholders was formed in late 2012. The work done during 2013 led the Prime Minister to announce on 9 July 2013 that ERDF would install 3 million smart meters by 2016.

ERDF then launched a call for tenders in October 2013 for supply of the first meters. The results are not yet finalised.

Following the public consultation that began on 30 April 2014, the CRE's deliberations of 17 July 2014, including a decision on the tariff regulation framework for the Linky project, was published in France's Official Journal on 30 July 2014. Given the unusually large scale of this industrial project (€5 billion will be invested between 2014 and 2021 to install 35 million meters), a specific rate of remuneration for assets has been established. It is designed to ensure stable, adequate financing through a premium rate that is guaranteed over the assets' entire operating life, and also acts as an incentive to achieve the projects' objectives (in terms of cost, timing and service quality) by inclusion of a tariff penalty system.

2.2.3.1.2. Commissioning of new facilities by EDF PEI

In keeping with the objective of implementing guaranteed-power electricity generation facilities for Corsica and French overseas territories, the subsidiary EDF PEI (standing for *Production Electrique Insulaire* or Island Electricity Generation) commissioned the final 6 diesel generators of the Bellefontaine power plant in Martinique, and the first 6 diesel generators for the Lucciana plant in Upper Corsica, with a total combined generation capacity of close to 210 MW.

2.2.3.2. United Kingdom

The Teesside offshore wind farm and the West Burton combined cycle gas turbine Power plant were both officially opened on 16 April 2014.

The Teesside wind farm off the coast near Redcar has 27 turbines with total installed capacity of 62 MW. Following its commissioning EDF now operates 462 MW of electricity from onshore and offshore wind power facilities in the UK, and has 1,500 MW of projects in development in the country.

The West Burton B power station in Nottinghamshire is the EDF Group's largest single capital investment project in the UK so far, with installed capacity of 1,300 MW.

2.2.3.3. Other activities

2.2.3.3.1. Commissioning of wind and photovoltaic power facilities

On 13 March 2014 EDF Énergies Nouvelles announced the commissioning of its first, 30 MWp solar energy project in India's Madhya Pradesh state, and the development of five additional solar projects in Rajasthan with total capacity of 120 MWp, which it was awarded after a call for tenders launched by the Indian government. Development in India's solar photovoltaic market is being led by ACME Solar Energy Private Limited in which EDF Énergies Nouvelles holds a 25% interest.

On 12 May 2014 EDF Énergies Nouvelles announced the commissioning of the Geycek wind farm in Turkey (capacity 150 MW), where the EDF Énergies Nouvelles group has so far installed eight wind farms (with total capacity of over 500 MW). This confirms EDF Énergies Nouvelles' interest in the wind power potential of Turkey, which benefits from favourable natural conditions and strong political backing for wind power development from the Turkish government.

Continuing its expansion in Canada, EDF Énergies Nouvelles announced the commissioning of the Blackspring Ridge wind farm on 4 June 2014. This facility is jointly owned 50% each by its local subsidiary EDF EN Canada and the Enbridge group, and will be the most powerful in west Canada, with installed capacity of 300 MW. EDF Énergies

Nouvelles is continuing to develop its Canadian portfolio of wind and solar power projects, which should reach total installed capacity of 1,374 MW by 2015.

As part of its expanding solar power activity in the United States, on 2 July 2014 EDF announced that the Lepomis and Lancaster power plants had begun commercial operation by local subsidiary EDF Renewable Energy . Their combined installed capacity is close to 12 MWp. EDF Renewable Services, a US subsidiary of the EDF Énergies Nouvelles group, handles operation and maintenance of these two solar plants. These projects demonstrate the EDF group's solar power ambitions, with 350 MWp of projects developed in North America.

2.2.3.3.2. Allocation of Green Bond funds

In November 2013, the EDF group successfully undertook the first "Green Bond" issue in Euros by a large corporate, totalling €1.4 billion, to finance future renewable energy projects by EDF Énergies Nouvelles.

By 30 June 2014 €550 million[13] had been allocated to ten eligible projects: nine onshore wind farms and one biomethane plant, located in the United States, Canada and France.

2.2.4. REGULATORY ENVIRONMENT

2.2.4.1. France

2.2.4.1.1. The NOME law and the ARENH system

Supplies of electricity to EDF's competitors under the ARENH scheme for regulated access to nuclear power supplies concerned a volume of 64.4 TWh for 2013. The annual volume cannot exceed 100 TWh, plus a progressive increase from 1 January 2014 by the amounts sold to network operators to compensate for their power losses, according to a timetable set by government decision. The estimated volumes for 2014 total 71.3 TWh (36.8 TWh of which concern the first half-year).

The ARENH price was set at €42/MWh from 1 January 2012, and will subsequent reflect the economic conditions of generation by the existing nuclear fleet. The draft decree stipulating the valuation method for costs making up the ARENH price was on the agenda of a meeting of France's Higher Energy Board (CSE) on 19 June 2014. France's Competition Authority and the CRE must also give an opinion on this draft decree.

2.2.4.1.2. CSPE

The Contribution to the Public Electricity Service (*Contribution au Service Public de l'Électricité* or CSPE) is intended to compensate for certain public service charges assigned to EDF in particular[14]. The CSPE is based on electricity consumption and collected directly from the end-user.

Under the agreement signed in early 2013 by EDF and the French authorities, EDF is to be progressively reimbursed over the period to 31 December 2018 for the receivable consisting of the CSPE shortfall at 31 December 2012 and the costs of bearing this shortfall for the Group (a total amount of some €5.1 billion at 30 June 2014). France's amended finance law for 2013 also recognised the costs of bearing the shortfall in the CSPE mechanism as a public service expense entitling EDF to compensation through the CSPE system.

[13] Including €192 million at 30 December 2013 covered by an attestation from one of the Statutory Auditors, presented in appendix F of the 2013 reference document.

[14] Local distribution companies and Électricité de Mayotte also make small contributions to the system.

The key developments of first-half 2014 concerned the legislative environment of purchase obligations:

- Following a formal injunction from the European Commission, the photovoltaic tariff bonus system was cancelled by a decision dated 25 April 2014. This system, introduced in early 2013, applied additional bonuses for power plants using photovoltaic solar panels assembled in Europe.

- The French government awarded the second contact for offshore wind farms (1,000 MW); the excess cost over market price on this facility will be compensated by the CSPE.

- On 17 June 2014, France's Ministry for Ecology, Sustainable Development and Energy signed a decision setting the terms for purchases of electricity from onshore wind farms. This decision, published in France's Official Journal of 1 July 2014, replaced the previous terms laid down in 2008, which were cancelled by the Council of State on 28 May 2014 following legal action by the association *Vent de Colère,* for non-compliance with the procedure for notifying the European Commission of State aid. The new decision adopts the wind power purchase terms of the 2008 decision and the impact on the CSPE is unaffected.

The amount of expenses to be offset for first-half 2014 is €3,027 million, 18% more than in first-half 2013. The main explanation for this rise is the lower market prices, and to a lesser degree, the rise in the volume of renewable energies produced by wind and photovoltaic facilities. The cash amounts received during the first half of 2014 totalled €2,837 million, up by 19% from 30 June 2013 following the CSPE rise applicable from 1 January 2014 (increase of €3/MWh from 2013 taking the CSPE to €16.5/MWh). At 30 June 2014 the expenses were €190 million higher than the income recorded by EDF.

2.2.4.1.3. TURPE 4 Network access tariffs

The decision of 12 December 2013 by the French Energy regulator (CRE) setting the distribution tariffs from 1 January 2014 was published in France's Official Journal on 20 December 2013. These tariffs were raised by an average 3.6% at 1 January 2014 and will be reduced by 1.3% from 1 August 2014. The reduction reflects the clearance of the income and expenses adjustment account (CRCP)[15] (2%, offset by a 0.7% inflation effect)[16].

The French government also announced in a letter of 12 November 2013 to the President of the CRE that it intended shortly to propose a law laying down a secure legal framework for setting the TURPE network access tariff, so that a normative economic regulation method can be implemented. This point is addressed in an article of the bill on the energy transition for green growth whose main lines were presented to the Council of Ministers on 18 June 2014.

Transmission tariffs will also be reduced by 1.3% from 1 August 2014, again corresponding to 2% for the clearance of the income and expenses adjustment account (CRCP), offset by 0.7% inflation. On 27 May 2014, the CRE decided to apply an exceptional 50% reduction to the electricity transmission bills of industrial sites that are large electricity consumers. This measure will apply from 1 August 2014 to 31 July 2015, for a total amount in the region of €60 million. This loss of income for RTE will automatically become a tariff-related receivable through the CRCP system, to be compensated through the tariff changes of 1 August 2015 and 2016.

2.2.4.1.4. Cancellation of regulated sales tariffs by the Council of State

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

[15] A mechanism that balances differences between actual operations and the forecasts on which tariffs are based.
[16] Percentage change in the average value of the monthly consumer price index (excluding tobacco) between 2012 and 2013.

The Council of State ordered the ministers concerned to release a new retroactive tariff decision within two months, incorporating the principles laid down in its decision. In response to this order, a draft tariff decision was submitted to France's Higher Energy Board (CSE) then sent to the CRE for its opinion in July 2014. This draft decision sets a new tariff scale for the period 23 July 2012 to 31 July 2013, and on that basis EDF will examine the practicalities of billing for the additional amount. The amount of revenues concerned (excluding taxes), estimated at some €850 million, will be recorded in EDF's financial statements once the decision is published in the Official Journal.

2.2.4.1.5. Regulated electricity sales tariffs in France

The tariff decision of 26 July 2013 provided for an average 5% rise in the "blue" regulated sales tariffs from 1 August 2014.

On 4 July 2014, the French government announced that this rise was to be cancelled. A draft decision to this end was submitted to the CSE and CRE on 10 July.

The government also declared that a smaller increase than the initially planned increase should take effect during the second half of 2014.

A proposed decree aiming to amend decree 2009-975 of 12 August 2009 was submitted to the CSE on 10 July 2014 in order to introduce a method for constructing regulated sales tariffs before 31 December 2015. The proposal would be to calculate the tariff by "stacking", totalling the price of regulated access to nuclear energy, the cost of the complement to electricity supply which includes the capacity guarantee, electricity delivery costs and selling costs, and a normal level of remuneration. France's Competition Authority and the CRE must also give an opinion on this draft decree.

2.2.4.1.6. Court of Auditors report on the cost of nuclear electricity generation

On 27 May 2014, the French Court of Auditors released a report on the cost of generating nuclear electricity in connection with the French parliament's commission investigating the costs of nuclear power, updating its previous report of January 2012. The document discusses the rises in operating expenses for the nuclear fleet between 2010 and 2013, forecast investments in the existing nuclear fleet, future costs for the nuclear fleet, and the issues of accidents and civil liability in nuclear operation.

The January 2012 report estimated investment expenditure for the existing nuclear fleet at €55 billion$_{2010}$ for the period 2011-2025, including additional expenses to implement the recommendations issued by the French Nuclear Safety authority ASN after the Fukushima accident. This cost trajectory corresponds to a vast industrial overhaul programme encompassing standard and non-standard maintenance operations and safety improvements for the plants, in order to ensure a stable operating lifespan for nuclear facilities.

The 2014 report by the Court of Auditors estimates the total cost of this programme at €62.5 billion$_{2010,}$ including €55 billion$_{2010}$ for the period 2014 to 2025. This corresponds to a forecast estimated cost of €56.4$_{2012}$/MWh to €61.6$_{2012}$/MWh for the period 2011-2025, depending on how the extension of plants' operating lifespan to 50 years is taken into account. This cost is coherent with the cost estimated by EDF based on the assumption that plants will have a 50-year operating lifespan (approximately €55$_{2011}$/MWh), and remains below the cost of any kind of new electricity generation facility.

2.2.4.1.7. Report by the parliamentary commission on the costs of nuclear power

On 5 June 2014, the French parliamentary commission mentioned above, set up to investigate the past, present and future costs of nuclear power, the operating lifespan of reactors and various economic and financial aspects of nuclear power generation and supply, also remitted its report.

This report is based on the work by the Court of Auditors and the commission's analyses after interviews with various stakeholders between January and June 2014, and contains a series of recommendations.

The recommendations are intended to inform the parliamentary debate due to take place in autumn 2014 on the bill on the energy transition for green growth.

2.2.4.2. United Kingdom

On 19 March 2014, the British government confirmed that it was setting up a capacity market with the first auction due to take place in 2014. EDF Energy welcomes the approval of this system, which should support the security of power supply. A law should come into force during summer 2014.

In 2011, to meet its objectives in the fight against climate change, the British government introduced a Carbon Price Support mechanism intended to guarantee a minimum price for carbon, consisting of a tax added to the price of CO_2 emission rights. The aim of this mechanism is to bring the overall carbon price (emission right and tax) to £30/t in 2020, a target set when the price of CO_2 stood at around £15/t. In March 2014, in view of the significant decline in CO_2 prices on the markets, the British government decided to cap the carbon tax at £18/tonne from April 2016 until the end of the decade.

2.2.4.3. Belgium

The law of 18 December 2013 amending the law of 2003 on the timetable for withdrawal from nuclear energy laid down the principles of a three-party agreement between Electrabel, EDF and the Belgian government defining the terms for extension of operation by Tihange 1 (in which EDF Belgium directly owns a 50% stake) to 2025, particularly the fees due by the owners to the State. The agreement was signed on 12 March 2014 and defines the operating, financial and legal conditions of this extension.

The Belgian government is preparing a strategic reserve through a call for tenders from fossil-fired power plants that have announced their temporary or permanent shutdown, to secure the country's energy supply during the winter periods. Industrial operators who agree to reduce consumption during peak consumption periods could also take part in this tender procedure. The most attractive proposals will be selected after approval by the CREG (*Commission de Régulation de l'Electricité et du Gaz*, Belgium's electricity and gas regulator) as to the reasonable nature of the prices. The plants included in this reserve will then receive payment to cover their fixed costs. The Seraing plant has been officially qualified by ELIA, the electricity transmission network operator, to contribute to the strategic reserve from winter 2014.

After 10 months of outage for the Doel 3 and Tihange 2 nuclear power stations for inspections of their core tanks, which had been found to have micro-cracks during the summer of 2012, the Federal Nuclear Control Agency (AFCN) gave its authorisation on 17 May 2013 for both nuclear reactors to resume operation. The operator Electrabel had agreed on a battery of additional tests with the AFCN to evaluate the long-term behaviour of the core tanks. Since one of the tests conducted did not give the results experts had expected, Electrabel took the initiative on 25 March 2014 to shut both plants down temporarily as a precautionary measure until further test results are available. Due to its importance and complexity, this programme of tank tests will continue until autumn 2014. The EDF group holds 10.2% of these two plants, carried at the book value of €287 million in its financial statements.

The proceedings related to Belgium's nuclear tax are described in section 8.3.

2.2.4.4. Hungary

In early 2014 the regulator announced a further reduction in regulated tariffs for supplies of gas, electricity and heat to domestic customers from September 2014. This reduction should amount to 5.7% for domestic electricity customers, and follows two previous reductions applied in January (-10%) and November 2013 (-11.1%).

2.2.5. GOVERNANCE – BOARD OF DIRECTORS

Sidonie Delalande joined EDF's Board of Directors on 1 February 2014 as an employee-elected director sponsored by the CGT union, replacing Philippe Maissa.

On 15 May 2014 the General Shareholders' Meeting ratified the Board of Directors' provisional appointment on 11 April 2014 of Colette Lewiner, a professional director, to replace Mireille Faugere who had been appointed Senior Advisor to the Court of Auditors. The Ethics Committee and the Appointments and Remuneration Committee met jointly on 14 May 2014 to examine Ms Lewiner's individual situation. The same day, after hearing the opinion of these committees, the Board of Directors assessed her independence in the light of the criteria defined by the AFEP-MEDEF code of corporate governance to which EDF is a signatory. The Board decided that since Colette Lewiner has no relations of any kind with EDF, its group or its management that could compromise her freedom of judgement, she is considered as an independent director. On 24 June 2014, the Board also appointed Ms Lewiner a member of the Ethics Committee.

The terms of office of these two new directors run until midnight on 22 November 2014, when the entire Board is due to be renewed.

3. ANALYSIS OF THE BUSINESS AND THE CONSOLIDATED INCOME STATEMENTS FOR THE FIRST HALF-YEARS OF 2013 AND 2014

Presentation and analysis of the consolidated income statements for the first half-years of 2013 and 2014 is shown at two levels of analysis for Sales and EBITDA: a first focusing on the Group, then a second reporting on the different business segments (France, United Kingdom, Italy, Other International and Other activities). EBIT (operating profit) and net income are analysed from a general standpoint.

The comparative figures for first-half 2013 have been restated to reflect the impact of retrospective application of IFRS 10 and IFRS 11 (-€382 million impact EBITDA, no impact on EDF net income).

(in millions of Euros)	H1 2014	H1 2013 restated
Sales	**36,125**	**37,552**
Fuel and energy purchases	(18,293)	(19,877)
Other external expenses	(3,676)	(3,685)
Personnel expenses	(5,644)	(5,677)
Taxes other than income taxes	(1,833)	(1,760)
Other operating income and expenses	2,929	2,763
Operating profit before depreciation and amortisation (EBITDA)	**9,608**	**9,316**
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities	122	(1)
Net depreciation and amortisation	(3,753)	(3,391)
Net increases in provisions for renewal of property, plant and equipment operated under concessions	(86)	(126)
(Impairment)/Reversals	(19)	(129)
Other income and expenses	3	(22)
Operating profit (EBIT)	**5,875**	**5,647**
Financial result	**(1,287)**	**(1,592)**
Income before taxes of consolidated companies	**4,588**	**4,055**
Income taxes	(1,558)	(1,486)
Share in net income of associates and joint ventures	209	391
Group net income	**3,239**	**2,960**
EDF net income	**3,117**	**2,877**
Net income attributable to non-controlling interests	122	83
Earnings per share (EDF share) (in Euros)		
Earnings per share	**1.56**	**1.56**
Diluted earnings per share	**1.56**	**1.56**

3.1. SALES

Consolidated sales declined by 3.8% (organic decline of 4.2%).

3.1.1. CHANGE IN GROUP SALES

(in millions of Euros)	H1 2014	H1 2013 restated	Variation	Variation (%)	Organic variation (%)
Sales	36,125	37,552	(1,427)	-3.8	-4.2

3.1.2. CHANGE IN SALES BY SEGMENT

(in millions of Euros)	H1 2014	H1 2013 restated	Variation	Variation (%)	Organic variation (%)
France	**20,352**	**21,294**	**(942)**	**-4.4**	**-4.4**
United Kingdom	5,167	4,990	177	+3.5	-0.6
Italy	6,292	6,392	(100)	-1.6	-2.1
Other International	2,863	3,336	(473)	-14.2	-12.7
Other activities	1,451	1,540	(89)	-5.8	-3.1
Total excluding France	**15,773**	**16,258**	**(485)**	**-3.0**	**-3.9**
Group sales	**36,125**	**37,552**	**(1,427)**	**-3.8**	**-4.2**

Sales outside France segment for the first half-year of 2014 represented 43.7% of total consolidated sales, compared to 43.3% in first-half 2013.

3.1.2.1. France

Change in sales in the "France" segment

France's contribution to Group sales amounted to €20,352 million, corresponding to an organic decline of 4.4% compared to first-half 2013.

This decline mainly results from lower electricity sales volumes. The volumes sold to final customers were down by 18.9 TWh, essentially due to a strong weather effect (-19.8 TWh or -€1.5 billion): the first half-year of 2014 saw mild temperatures, in marked contrast to the particularly low temperatures of the same period in the previous year (see 2.1.4).

This volume effect was partly offset by the positive €527 million impact of the rises in regulated tariffs that took effect in August 2013.

At 30 June 2014, EDF's market share for electricity sales to all final customers was 79.4%, 0.5 points down from 30 June 2013. EDF's share of the natural gas market at 30 June 2014 was 4.5%, stable compared to 30 June 2013 (4.4%).

Breakdown of sales for the "France" segment between deregulated activities[17], network activities[18] and island activities[19]

(in millions of Euros)	H1 2014	H1 2013 restated	Variation	Variation (%)
Sales	20,352	21,294	(942)	-4.4
Deregulated activities	19,256	20,214	(958)	-4.7
Network activities	6,910	7,345	(435)	-5.9
Island activities	523	456	67	+14.7
Eliminations	(6,337)	(6,721)	384	

The 4.7% decrease in sales by the **deregulated activities** is principally explained by the unfavourable impact of the weather in the first half-year of 2014.

Sales by the **network activities** were down by 5.9%, as the tariff increase only partly offset the negative weather effect on volumes sold.

Sales by the **island activities** were up by 14.7% (€67 million), boosted by recently-commissioned facilities (see 2.2.3.1.2).

Electricity generation

Nuclear generation produced 208.8 TWh in first-half 2014, compared to 207.2 TWh for first-half 2013. Despite the mild weather in France which led to modulation of plant capacities, nuclear power output was up by 1.6 TWh, reflecting the initial effects of the action taken to control the duration of planned outages extensions.

Hydropower output stood at 21.8 TWh, 3.5 TWh less than in first-half 2013. This decrease relates to the lower water levels in the second quarter of 2014 compared to the same period of 2013 which was particularly favourable.

Fossil-fired generation produced 3.3 TWh, down by 5.1 TWh from first-half 2013. This movement is primarily explained by the lower cost-efficiency of plant operation in a lower market price environment than in first-half 2013 (see 2.1.1), and the progressive decommissioning of the highest-pollution power plants.

Sales volumes to final customers, including Eurodif and local distribution firms, were down by 18.9 TWh. The year-on-year temperature differential alone accounts for a decrease of 19.8 TWh, as the winter of 2013/2014 was much milder than the previous winter. These downturns were only partly offset by a moderate rise in demand (impact of 1.1 TWh).

[17] Generation, Supply and Optimisation in mainland France, and sales of engineering and consulting services.
[18] Network activities now only include Distribution, as a result of application of the equity method to the Transmission activity from 31 December 2010. In mainland France, network activities are regulated via the network access tariff TURPE (*Tarifs d'Utilisation des Réseaux Publics d'Électricité*). Sales for the regulated activities include the delivery cost included in integrated tariffs.
[19] EDF's generation and distribution activities in the island energy systems (IES and PEI).

Net volumes sold on the wholesale markets were down by approximately 1 TWh compared to first-half 2013, as the rise in ARENH sales (+3.9 TWh, in line with requirements to cover network losses) were more than counterbalanced by the end of deliveries under long-term contracts (mainly connected to the VPP auction system: -3.5 TWh).

EDF was a net seller on the markets (excluding VPP auctions) to the extent of 11.6 TWh in first-half 2014; in first-half 2013 it was a net purchaser (excluding VPP auctions) to the extent of 2.1 TWh.

3.1.2.2. United Kingdom

Sales in the United Kingdom segment amounted to €5,167 million in first-half 2014, an increase of 3.5% from first-half 2013 mainly reflecting an organic decline of 0.6% and favourable foreign exchange effects of +4.2%.

The main factor behind the organic decline was the lower level of gas sales, caused by less favourable weather than in first-half 2013.

3.1.2.3. Italy

Italy contributed €6,292 million to consolidated sales, down by 1.6% from first-half 2013, or -2.1% in organic terms.

In an environment marked by declining demand for electricity and gas, affected by exceptionally mild winter temperatures and lower prices on the gas and electricity markets, the downturn in Edison’s sales was limited to €84 million (-1.4%), or -€117 million (-1.9%) in organic terms.

In the electricity business, sales rose by 13% due to the strong progression in volumes sold on the wholesale markets and to final users, largely offsetting the negative effects of the fall in market prices.

In the hydrocarbon business, in contrast, sales were adversely affected by a markedly negative weather effect which had a significant impact on sales volumes to residential customers and fossil-fired power plants. Sales to industrial customers progressed well over the half-year.

3.1.2.4. Other International

The Other International segment principally covers operations in Europe (excluding France, the United Kingdom and Italy), and operations in the United States[20], Brazil and Asia (China, Vietnam and Laos).

This segment contributed €2,863 million to Group sales in the first half-year of 2014, €473 million or 14.2% less than in first-half 2013. Excluding foreign exchange and scope effects, sales showed an organic decline of 12.7% compared to first-half 2013.

Most of this decrease relates to **Belgium**, where the lower level of sales was chiefly explained by lower sales volumes caused by milder weather in the first half-year of 2014, **Poland**, where the downturn related to lower market prices, and **Hungary**, where sales were affected by an unfavourable regulatory context concerning tariffs for regulated activities and falling market prices.

However, sales rose in **Brazil**, with electricity sales on the spot market at exceptionally high prices as water levels were particularly low during the period.

[20] In application of IFRS 10 and IFRS 11, CENG continues to be accounted for by the equity method.

3.1.2.5. Other activities

Other activities[21] comprise, among other entities, EDF Énergies Nouvelles, EDF Trading and Electricité de Strasbourg.

The contribution by the **Other activities** segment to Group sales in first-half 2014 was €1,451 million, down by €89 million or 5.8% compared to first-half 2013, or an organic decline of 3.1%.

EDF Énergies Nouvelles' contribution to Group sales showed organic growth of 7.4% from first-half 2013. This growth essentially results from expanding business in the Generation activity due mainly to the higher capacities in operation (5.0 GW at 30 June 2014 compared to 4.6 GW at 30 June 2013).

EDF Trading's[22] sales registered an organic decline of €28 million from first-half 2013 (-6.1%). This resulted from a poorer trading margin in Europe associated with low market volatility, partly counterbalanced by a good performance on the US market due to high market prices.

[21] In application of IFRS 10 and 11, Dalkia group entities are now accounted for by the equity method.
[22] EDF Trading sales consist of its trading margin.

3.2. EBITDA

EBITDA rose by 3.1%, with organic growth of 2.8%.

(in millions of Euros)	H1 2014	H1 2013 restated	Variation	Variation (%)	Organic variation (%)
Sales	**36,125**	**37,552**	**(1,427)**	**-3.8**	**-4.2**
Fuel and energy purchases	(18,293)	(19,877)	1,584	-8.0	-8.4
Other external expenses	(3,676)	(3,685)	9	-0.2	-0.6
Personnel expenses	(5,644)	(5,677)	33	-0.6	-0.9
Taxes other than income taxes	(1,833)	(1,760)	(73)	+4.1	+4.1
Other operating income and expenses	2,929	2,763	166	+6.0	+6.1
EBITDA	**9,608**	**9,316**	**292**	**+3.1**	**+2.8**

3.2.1.CHANGE IN CONSOLIDATED EBITDA AND ANALYSIS

Consolidated EBITDA for first-half 2014 amounted to €9,608 million, up by 3.1% from first-half 2013, corresponding to organic growth of 2.8%.

The Group's **fuel and energy purchases** amounted to €18,293 million in first-half 2014, €1,584 million (-8.0%) lower than for first-half 2013, reflecting an organic decline of 8.4%. This is basically correlated with the decrease in volumes sold.

The Group's **other external expenses** amounted to €3,676 million, stable compared to first-half 2013 (-€9 million or -0.2%).

The Group's **personnel expenses** totalled €5,644 million, down by €33 million or 0.6% from first-half 2013 (-0.9% in organic terms). This change essentially relates to **France**, where personnel expenses showed an organic improvement of €74 million (-1.6%) as a result of lower pension expenses (mainly due to the 2013 pension reform); this effect was partly offset by a rise in personnel numbers (in nuclear generation and distribution). In the **United Kingdom**, the organic rise of €15 million in personnel expenses is essentially explained by inflation.

Taxes other than income taxes amounted to €1,833 million for first-half 2014, up by €73 million from the equivalent period of 2013 (+4.1%, with identical organic growth).

Other operating income and expenses generated net income of €2,929 million for the first half-year of 2014, up by 6.0% from first-half 2013 (an organic rise of +6.1%). In **France**, other operating income and expenses increased by €366 million in organic terms, principally because of the €457 million rise in the CSPE. **Italy** recorded an organic decrease of €257 million in other operating income and expenses, mainly resulting from income recorded in 2013 corresponding to the prior periods' shares of renegotiations of long-term gas supply contracts, which had no equivalent in 2014. The rise in other operating income and expenses in the **Other activities** segment compared to first-half 2013 is mostly attributable to EDF Énergies Nouvelles thanks to a busy schedule in the Development and Sales of Structured Assets activity over the first half-year of 2014.

3.2.2.CHANGE IN CONSOLIDATED EBITDA AND ANALYSIS BY SEGMENT

(in millions of Euros)	H1 2014	H1 2013 restated	Variation	Variation (%)	Organic variation (%)
France	6,856	6,473	383	+5.9	+5.9
United Kingdom	1,174	1,031	143	+13.9	+9.3
Italy	456	654	(198)	-30.3	-31.2
Other International	298	377	(79)	-21.0	-17.8
Other activities	824	781	43	+5.5	+6.8
Total excluding France	2,752	2,843	(91)	-3.2	-4.3
Group EBITDA	9,608	9,316	292	+3.1	+2.8

3.2.2.1. France

Change in EBITDA for the France segment

France segment contributed €6,856 million to consolidated EBITDA for first-half 2014, corresponding to organic growth of 5.9% compared to first-half 2013. This contribution accounted for 71.4% of Group EBITDA, against 69.5% in first-half 2013.

Breakdown of EBITDA for the France segment between deregulated activities, network activities and island activities

(in millions of Euros)	H1 2014	H1 2013 restated	Variation	Variation (%)
EBITDA	6,856	6,473	383	+5.9
Deregulated activities	4,425	4,284	141	+3.3
Network activities	2,085	2,025	60	+3.0
Island activities	346	164	182	+111.0

EBITDA for the **deregulated activities** rose by +3.3%. This increase is essentially explained by the tariff increases of 1 August 2013, which were partly offset by the unfavourable impact of the weather and the lower hydropower output after 2013 which was an exceptional year in terms of water levels.

EBITDA for the **network activities** registered a 3.0% increase, principally resulting from tariff increases and a decline in operating expenses, which was partly offset by the impact of the milder weather compared to 2013.

EBITDA for the **island activities** progressed by €182 million, notably due to new power plants commissioned by the subsidiary EDF PEI, as well as indexing of the TURPE network access tariff.

3.2.2.2. United Kingdom

The **United Kingdom's** contribution to Group EBITDA for first-half 2014 was €1,174 million, up by 13.9% from first-half 2013, corresponding to organic growth of +9.3% compared to first-half 2013.

EBITDA benefited from the 2.0 TWh rise in nuclear output to 30.9 TWh (+6.9%) thanks to a good operating performance, since the annual programme of scheduled outages was less concentrated in the first half of the year than in 2013. The Group's ambition is to repeat its 2013 performance in terms of annual volumes produced. EBITDA was also supported by an increase in EDF Energy's market share: it gained 175,000 new customer accounts over the year to 30 June 2014, bringing the portfolio of customer accounts to 5.6 million. This partly offset the lower gas sales volumes caused by less favourable weather.

3.2.2.3. Italy

The Italy segment contributed €456 million to the Group's consolidated EBITDA, €198 million less than in first-half 2013. This decrease essentially concerned Edison, which registered a €419 million contribution to Group EBITDA in first-half 2014 after €612 million in first-half 2013, corresponding to an organic decline of €197 million. Excluding the retroactive effect in first-half 2013 of renegotiations of long-term Algerian and Qatari supply contracts, which had no equivalent in first-half 2014, EBITDA for the Italy segment rose by 30.4%.

EBITDA for the hydrocarbon activities was down by €249 million. Operating results in the gas sector improved despite a noticeably shrinking market due to mild weather over the period. Exploration and production activities made a significant contribution to Edison's EBITDA, accounting for more than half of the total over the half-year.

EBITDA for the electricity activities was stable, benefiting as in first-half 2013 from favourable water levels and good use of power plants' potential for flexibility in energy management activities.

The second round of renegotiations concerning Russian and Libyan gas contracts is expected to be completed in 2014/2015.

3.2.2.4. Other International

EBITDA for the **Other International** segment declined by €79 million or 21.0%, corresponding to an organic decline of 17.8%.

EBITDA in **Belgium** registered an organic decline of €59 million, having been adversely affected by lower volumes resulting from unfavourable weather effects, and the fall in electricity margins. But in contrast to first-half 2013 when the Doel 3 and Tihange 2 plants were out of operation for the entire period, EDF Luminus' EBITDA benefited from the nuclear output of those plants in the first quarter of 2014. The two plants were again shut down from the end of the first quarter 2014 (see 2.2.4.3).

EBITDA in **Poland** registered an organic decline of €39 million, principally related to contracting margins caused by unfavourable developments in dark spreads over the period.

Brazil achieved organic growth of €19 million in EBITDA, largely due to an improvement in electricity margins thanks to favourable market conditions.

3.2.2.5. Other activities

Other activities contributed €824 million to Group EBITDA for first-half 2014, €43 million more than in first-half 2013, with organic growth of +6.8%.

EDF Énergies Nouvelles' contribution to consolidated EBITDA totalled €340 million for first-half 2014. The organic growth of 25.4% compared to first-half 2013 was driven by good levels of business in Development and Sales of Structured Assets in the first half-year of 2014, with almost 400MW sold over the year.

EBITDA at **EDF Trading** was down by €10 million (organic change of -3.0%) compared to first-half 2013, as a result of changes in the trading margin (see 3.1.2.5).

3.3. EBIT

EBIT rose by 4.3%.

(in millions of Euros)	H1 2014	H1 2013 restated	Variation	Variation (%)
EBITDA	**9,608**	**9,316**	**292**	**+3.1**
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities	122	(1)	123	n.a.
Net depreciation and amortisation	(3,753)	(3,391)	(362)	+10.7
Net increases in provisions for renewal of property, plant and equipment operated under concessions	(86)	(126)	40	-31.7
(Impairment) / reversals	(19)	(129)	110	-85.3
Other income and expenses	3	(22)	25	-113.6
Operating profit (EBIT)	**5,875**	**5,647**	**228**	**+4.0**

The Group's consolidated EBIT amounted to €5,875 million for the first half-year of 2014, up by 4.0% from the first half-year of 2013. This increase is explained by the higher EBITDA and a favourable movement in net changes in fair value on Energy and Commodity derivatives (excluding trading activities), as well as the lower impairments booked in first-half 2014 compared to first-half 2013. The increase in net depreciation and amortisation, especially in France, partly counterbalanced these favourable effects.

3.3.1. NET CHANGES IN FAIR VALUE ON ENERGY AND COMMODITY DERIVATIVES, EXCLUDING TRADING ACTIVITIES

The net changes in fair value on Energy and Commodity derivatives, excluding trading activities, rose from -€1 million in first-half 2013 to +€122 million in first-half 2014. The favourable developments were mostly located in **Italy**, where they concerned economic hedging of the industrial gas portfolio, with a significant downturn over the half-year in forward contracts on the European gas markets.

3.3.2. NET DEPRECIATION AND AMORTISATION

Net depreciation and amortisation was up by 10.7% from first-half 2013.

France registered a €296 million increase in net depreciation and amortisation, largely explained by maintenance investments in the generation fleet (nuclear maintenance and, to a lesser extent, gradual commissioning of new plants by EDF PEI) and in distribution assets.

In the **United Kingdom**, the €62 million rise in net depreciation and amortisation (€47 million in organic terms) is essentially attributable to the commissioning of the West Burton 8 combined cycle gas turbine (CCGT) plant from the second quarter of 2013.

3.3.3. NET INCREASES IN PROVISIONS FOR RENEWAL OF PROPERTY, PLANT AND EQUIPMENT OPERATED UNDER CONCESSIONS

Net increases in provisions for renewal of property, plant and equipment operated under concessions were down by €40 million between the first half-year of 2013 and the first half-year of 2014. This change is mainly attributable to ERDF.

3.3.4. IMPAIRMENT / REVERSALS

Impairment losses for first-half 2014 totalled €19 million, substantially lower than in first-half 2013 when impairment principally concerned **Belgium** (€104 million) for an EDF Luminus gas-fired generation plant.

3.3.5. OTHER INCOME AND EXPENSES

In the first half-year of 2014 as in the corresponding period of 2013, other income and expenses were not significant.

3.4. FINANCIAL RESULT

(in millions of Euros)	H1 2014	H1 2013 restated	Variation	Variation (%)
Cost of gross financial indebtedness	(1,173)	(1,107)	(66)	+6.0
Discount effect	(1,495)	(1,456)	(39)	+2.7
Other financial income and expenses	1,381	971	410	+42.2
Financial result	**(1,287)**	**(1,592)**	**305**	**-19.2**

The financial result for first-half 2014 is a financial expense of €1,287 million, an improvement of €305 million from first-half 2013. This change is explained by:

- a 6.0% increase in interest expenses, associated with the increase in gross financial indebtedness;
- a €39 million rise in discount expenses, particularly resulting from the higher nuclear provisions in France and an increase in provisions for long-term and post-employment benefits in France and the United Kingdom;
- a €410 million improvement in other financial income and expenses, primarily relating to the increase in gains on sales of dedicated assets.

3.5. INCOME TAXES

Income taxes amounted to €1,558 million in the first half-year of 2014, corresponding to an effective tax rate of 34.0% (compared to an expense of €1,486 million corresponding to an effective tax rate of 36.6% for the first half-year of 2013). They are calculated by applying the forecast effective tax rate for 2014 to the pre-tax income at 30 June 2014.

The main explanation for the lower effective tax rate in first-half 2014 compared to first-half 2013 is the deduction of payments made during the first half of 2014 to bearers of perpetual subordinated bonds (which had no equivalent in the first half of 2013).

3.6. SHARE IN NET INCOME OF ASSOCIATES AND JOINT VENTURES

The Group's share in net income of associates and joint ventures was a positive €209 million in first-half 2014, down by €182 million from first-half 2013, mainly due to recognition of €83 million of impairment on the investment in joint venture Estag, the decrease in RTE's net income as a result of the mild weather in the early part of 2014 compared to 2013, and a scope effect relating to the sale of SSE in November 2013.

3.7. NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Net income attributable to non-controlling interests[23] amounted to €122 million at 30 June 2014, €39 million higher than at 30 June 2013. This increase is essentially explained by favourable changes in EDF Luminus' net income, and the results of nuclear generation activities in the United Kingdom (partly owned by Centrica).

3.8. EDF NET INCOME

EDF net income totalled €3,117 million at 30 June 2014, up by 8.3% compared to first-half 2013.

3.9. NET INCOME EXCLUDING NON-RECURRING ITEMS

The Group's net income excluding non-recurring items[24] stood at €3,153 million for first-half 2014, up by €85 million or 2.8% compared to first-half 2013.

[23] Formerly called "minority interests".
[24] Group net after-tax income excluding non-recurring items and net changes in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax.
Non-recurring items and net changes in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax:
- -€104 million for miscellaneous risks and impairment in first-half 2014, compared to -€188 million in first-half 2013,
- +€68 million of net changes in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax in first-half 2014, compared to -€3 million for first-half 2013.

4. NET INDEBTEDNESS, CASH FLOWS AND INVESTMENTS

Net indebtedness comprises total loans and financial liabilities, less cash and cash equivalents and liquid assets. Liquid assets are financial assets consisting of funds or securities with initial maturity of over three months that are readily convertible into cash regardless of their maturity and are managed according to a liquidity-oriented policy. It also includes the Group's loan to RTE.

The Group changed its analysis of changes in net indebtedness in 2013. In the course of its business the Group carries out investments and sales concerning tangible assets, intangible assets and securities. All these transactions are managed as a whole and their impact on the Group's debt is identified as "net investments excluding strategic operations". Operations related to changes in the Group's business portfolio and investments in the Linky project are identified as "net investments in strategic operations". Allocations to and withdrawals from dedicated assets are a key component of the change in net indebtedness, and are therefore analysed separately. The new analysis format thus shows an intermediate total named "cash flow before dividends", which includes net operating investments together with allocations to and withdrawals from dedicated assets.

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

In millions of Euros	H1 2014	H1 2013 restated	Variation	Variation (%)
Operating profit before depreciation and amortisation (EBITDA)	**9,608**	**9,316**	**292**	**+3.1**
Cancellation of non-monetary items included in EBITDA	(1,048)	(31)	(1,017)	
Net financial expenses disbursed	(859)	(954)	95	
Income taxes paid	(1,264)	(965)	(299)	
Other items including dividends received from associates and joint ventures	631	340	291	
Operating cash flow (1)	**7,068**	**7,706**	**(638)**	**-8.3**
Change in working capital	(829)	(2,727)	1,898	
Net investments excluding strategic operations (2)	(5,615)	(6,332)	717	
Cash flow after net operating investments (excluding strategic operations) and changes in working capital	**624**	**(1,353)**	**1,977**	
Net investments in strategic operations (3)	(27)	179	(206)	
Dedicated assets	110	2,376	(2,266)	
Cash flow before dividends(4)	**707**	**1,202**	**(495)**	
Dividends paid in cash	(1,584)	(184)	(1,400)	
Cash flow after dividends	**(877)**	**1,018**	**(1,895)**	
Issuance of perpetual subordinated bonds	3,970	6,125	(2,155)	
Other monetary changes	(14)	(102)	88	
(Increase) / decrease in net indebtedness, excluding the impact of changes in exchange rate	**3,079**	**7,041**	**(3,962)**	
Effect of change in exchange rate	(310)	371	(681)	
Effect of other non-monetary changes	49	270	(221)	
(Increase)/Decrease in net indebtedness	**2,818**	**7,682**	**(4,864)**	
Net indebtedness at beginning of period	**33,433**	**39,552**		
Net indebtedness at end of period	**30,615**	**31,870**		

The notes to this table are on the next page.

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

[2] Net investments excluding strategic operations are operating investments (excluding Linky) and financial investments for growth, net of disposals. They also include net debts acquired or transferred in acquisitions or disposals of securities, investment subsidies received, loans and financial receivables related to investments, and non-Group partner investments.

[3] Net investments in strategic operations are operations related to the Linky project and changes in the Group's business portfolio.

[4] Cash flow before dividends is not an aggregate defined by IFRS as a measure of financial performance, and is not comparable with indicators of the same name reported by other companies. It is equal to the operating cash flow defined in note (1) after the changes in working capital, net investments excluding strategic operations (note (2)), net investments in strategic operations (note (3)) and allocations and withdrawals from dedicated assets.

4.1. OPERATING CASH FLOW

The operating cash flow amounted to €7,068 million in first-half 2014 compared to €7,706 million in first-half 2013, a decline of €638 million (-8.3%).

This change was mainly driven by elimination of non-monetary items with a favourable effect on EBITDA. This mainly concerns reversals from provisions that were higher in first-half 2014 than first-half 2013 (particularly on CO_2 emission rights, with no equivalent in 2013) and a favourable change in 2014 in fair value on financial instruments related to trading activities that contrasted with the unfavourable change in 2013. Other factors were an increase in income taxes paid (-€299 million), principally due to the higher advance instalments paid due to the rise in EDF's taxable income in France. These effects were partly offset by the exceptional dividend received from CENG (+€290 million) in the first half-year of 2014.

4.2. CHANGE IN WORKING CAPITAL

The change in working capital over the first half-year of 2014 amounted to -€829 million, and is mainly explained by:

- a -€301 million increase in inventories, essentially concentrated on uranium stocks in France and the United Kingdom;
- a +€1,768 million decrease in trade receivables, particularly in France due to seasonal effects and the particularly mild weather in first-half 2014;
- a -€1,540 million decrease in trade payables, mostly located in France and resulting from higher sales volumes in the final quarter of 2013 for both maintenance and work on the generation fleet, but also transmission network access fees and purchases to cover network losses;
- a -€949 million change in other receivables and liabilities included in working capital, mainly attributable to tax and social security debts, which are lower at 30 June in France because of the payment schedules for such liabilities;
- a change of +€192 million in the working capital for optimisation and trading activities, principally resulting from lower gas stocks in the United States due to a cold winter, and optimisation of coal stocks in Europe.

The change in working capital (+€1,898 million) compared to first-half 2013 is essentially explained by volumes driven by weather factors in France, as the first half-year of 2013 was marked by very cold temperatures whereas the first half-year of 2014 was unusually mild, and renegotiation of gas supply contracts by Edison in 2013 which had not yet been received at 30 June and had no equivalent in 2014.

4.3. NET INVESTMENTS EXCLUDING STRATEGIC OPERATIONS

Net investments excluding strategic operations amounted to €5,615 million at 30 June 2014 compared to €6,332 million at 30 June 2013, a decline of €717 million (-11.3%). Details are as follows:

In millions of Euros	H1 2014	H1 2013 restated	Variation	Variation (%)
Generation and Supply (deregulated activities)	2,820	2,673	147	+5.5
Network activities (excluding Linky)	1,384	1,532	(148)	-9.7
Island activities	208	194	14	+7.2
France	**4,412**	**4,399**	**13**	**+0.3**
United Kingdom	677	667	10	+1.5
Italy	144	147	(3)	-2.0
Other International	276	230	46	+20.0
International	**1,097**	**1,044**	**53**	**+5.1**
Other activities	**106**	**889**	**(783)**	**-88.1**
Net investments excluding strategic operations	**5,615**	**6,332**	**(717)**	**-11.3**

There was a €13 million (+0.3%) increase in net investments in France.

- In Generation and Supply (deregulated activities), the €147 million increase mainly resulted from payments made during the first half-year of 2014 for significant investments in the nuclear power plant fleet during the second half-year of 2013.
- In the network activities, the lower level of net investments (-€148 million) was essentially caused by a fewer customer connections and a slower start-up than in 2013 by investments to improve network coverage quality and network reinforcement.

In the International segment, net investments excluding strategic operations rose by €53 million or +5.1%. This increase principally results from the acquisition of a further 10% in Norte Fluminense in Brazil, and expansion in wind power in Belgium.

In the Other activities segment, there was a €783 million or -88.1% fall, mainly due to the lower level of net investments excluding strategic operations at EDF Énergies Nouvelles. High volumes of sales of structured assets in the first half-year more than offset the operating investments of the subsidiary over the period.

4.4. NET INVESTMENTS IN STRATEGIC OPERATIONS

Net investments in strategic operations concern operations relating to Linky smart meters and changes in the Group's portfolio of businesses. In first-half 2013, they principally concerned the sale of the Sutton Bridge plant in the United Kingdom for €196 million. In first-half 2014, no net investment in strategic operations took place except for investments in the Linky project.

4.5. DEDICATED ASSETS

In compliance with the French Law of 28 June 2006 on the sustainable management of radioactive materials and waste, EDF has built up a portfolio of dedicated assets for secure financing of its long-term nuclear obligations which amounted to €22,311 million at 30 June 2014.

Changes in dedicated assets reflect:

- allocations to reach full coverage of obligations;
- reinvestment of financial income (dividends and interest) generated by these assets;
- withdrawals of assets corresponding to the costs incurred over the period in application of long-term nuclear obligations falling within the scope of the Law of 28 June 2006;
- exceptional withdrawals proposed to the governance bodies in charge of managing dedicated assets when the value of the portfolio exceeds the amount of the obligations to be financed; such withdrawals must be validated by these bodies.

The net change of €2,376 million in first-half 2013 mainly reflected the exceptional withdrawal of +€2,407 million and the allocation of the total CSPE receivable to dedicated assets on 13 February 2013; these two operations brought coverage of EDF's nuclear liabilities concerned by the Law of 28 June 2006 to 100%. In first-half 2014, the changes observed correspond to the second and third types of change described above.

4.6. CASH FLOW BEFORE DIVIDENDS

Cash flow before dividends in first-half 2014 was positive at €707 million (compared to +€1,202 million at 30 June 2013) and is mainly explained by the following factors:

- operating cash flow of €7,068 million (see 4.1);
- a change in working capital of -€829 million (see 4.2);
- net investments excluding strategic operations of -€5,615 million (see 4.3).

The -€495 million difference from 30 June 2013 is essentially due to the exceptional withdrawal from dedicated assets in 2013 which had no equivalent in 2014, partly offset by a less unfavourable change in working capital (see 4.2).

4.7. DIVIDENDS PAID IN CASH

Dividends paid in cash (-€1,584 million) comprise:

- the balance of the 2013 dividends (-€1,268 million);
- the payments made in January 2014 to bearers of perpetual subordinated bonds for the "hybrid" issues of 2013 (-€223 million);
- dividends paid by Group subsidiaries to their minority shareholders (-€93 million).

4.8. CASH FLOW AFTER DIVIDENDS

The cash flow after dividends amounted to -€877 million, €1,895 million below first-half 2013. This reflects the change in cash flow before dividends, but also the fact that the balance of the dividends was paid in first-half 2014, whereas it was paid in the second half-year in 2013.

4.9. "HYBRID" BOND ISSUE

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

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

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

4.10. FOREIGN EXCHANGE EFFECTS

The foreign exchange effect has an unfavourable impact of -€310 million on the Group's net indebtedness during the first half-year of 2014, principally related to the rise of the pound sterling against the Euro[25].

4.11. NET INDEBTEDNESS

The Group's net indebtedness stood at €30,615 million at 30 June 2014 compared to €33,433 million at 31 December 2013. The €2,818 million decrease is principally explained by the "hybrid" bond issue in January 2014 (€3,970 million), which was partly offset by negative cash flow after dividends (-€877 million – see 4.8).

4.12. FINANCIAL RATIOS

	30 June 2014	31 Dec 2013 restated	31 Dec 2012 proforma (1)
Net indebtedness / EBITDA	1.9 (2)	2.1	2.4 (3)
Net indebtedness / (Net indebtedness + equity) (4)	40%	46%	56%

(1) The 2012 proforma ratios have been restated to reflect allocation of the CSPE receivable to dedicated assets on 13 February 2013 and withdrawal of €2.4 billion of assets such that 100% of EDF's eligible nuclear liabilities were covered by the dedicated assets.
(2) The ratio at 30 June 2014 is calculated based on cumulative EBITDA for the second half-year of 2013 and the first half-year of 2014, with comparable scopes for the numerator and denominator.
(3) The denominator for the 2012 net indebtedness/EBITDA ratios includes 100% of Edison's restated EBITDA and the restatement resulting from application of IAS 19 revised.
(4) Equity including non-controlling interests, restated following application of IFRS 10 and 11 at 31 December 2013 and IAS 19 revised at 31 December 2012.

25 The pound sterling rose by 4.1% against the Euro, from €1.199/£1 at 31 December 2013 to €1.248/£1 at 30 June 2014.

5. MANAGEMENT AND CONTROL OF MARKET RISKS

This chapter sets forth the policies and principles for management of the Group's financial risks defined in the Financial Management Framework (liquidity, interest rate, foreign exchange rate and equity risks), and the Group counterparty risk management policy set up by the EDF group. These principles apply only to EDF and operationally controlled subsidiaries or subsidiaries that do not benefit by law from specific guarantees of independent management such as ERDF. In compliance with IFRS 7, the following paragraphs describe the nature of risks resulting from financial instruments, based on analyses of sensitivities and credit (counterparty) risks.

Since 2002, a dedicated body – the Financial Risks Control department *(département Contrôle des Risques Financiers et Investissements* – CRFI) – has been in charge of financial risk control at Group level by ensuring correct application of the principles of the Financial Management Framework. This department, which reports to the Group's Risk Control Division, is an independent unit that also has the task of carrying out a second-level check (methodology and organisation) of EDF entities and operationally controlled Group subsidiaries (excluding ERDF), and a first-level check of financing activities at parent company level, including Trading room activities.

The CRFI issues daily monitoring reports of risk indicators relevant to activities in EDF's Trading room.

Regular internal audits are carried out to ensure controls are actually applied and are effective.

5.1. MANAGEMENT AND CONTROL OF FINANCIAL RISKS

5.1.1. LIQUIDITY POSITION AND MANAGEMENT OF LIQUIDITY RISKS

5.1.1.1. Liquidity position

At 30 June 2014, the Group's liquidities, consisting of liquid assets, cash and cash equivalents, totalled €24,051 million and available credit lines amounted to €10,574 million.

5.1.1.2. Management of liquidity risk

During first-half 2013, EDF undertook new bond issues.

On 13 January 2014 EDF launched a "senior" bond issue in several tranches in US dollars:

- US$750 million with 3-year maturity and a floating rate;
- US$1,000 million with 3-year maturity and a 1.15% coupon;
- US$1,250 million with 5-year maturity and a 2.15% coupon;
- US$1,000 million with 30-year maturity and a 4.875% coupon;
- US$700 million with 100-year maturity and a 6% coupon.

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

These issues enable the Group to prepare for redemptions of bonds maturing in 2014 by taking advantage of good market conditions, and to continue its financing policy aiming to extend the average maturity of debt and bring it closer to the operating lifespans of its long-term industrial assets.

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

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

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

Given their characteristics, in compliance with IAS 32 these issues were recorded in equity from reception of funds, in the amount of €3,946 million (net of transaction costs).

The average maturity of Group debt was thus 12.4 years at 30 June 2014, compared to 8.9 years at 31 December 2013. For EDF SA, the average maturity of debt was 13.6 years against 9.9 years at 31 December 2013.

No drawings were made on EDF SA's syndicated loan or bilateral credit lines during the first half-year of 2014.

EDF's controlled subsidiaries are managed in compliance with EDF's Financing and Treasury Guide. Their cash is included in the Group's cash pooling. They may benefit from a stand-by credit line from the parent company EDF SA to cover intrayear liquidity requirements. They may also benefit from long-term credits from EDF IG to finance investments.

At 30 June 2014 Edison had credit lines with the EDF group that can be used in the event of liquidity difficulties, and in July 2013 it subscribed a €600 million credit line with a pool of banks (with maturities between 1 and 5 years). No drawing was made on this facility.

5.1.2.CREDIT RATINGS

The financial ratings agencies Standard & Poor's, Moody's and Fitch Ratings attributed the following long-term and short-term ratings to EDF group entities at 30 June 2014:

Company	Agency	Long-term rating	Short-term rating
EDF	Standard & Poor's	A+, stable outlook	A-1
	Moody's	Aa3, negative outlook	P-1
	Fitch Ratings	A+, negative outlook	F1
EDF Trading	Moody's	A3, negative outlook	n.a.
EDF Energy	Standard & Poor's	A, negative outlook	A-1
Edison	Standard & Poor's	BBB+, stable outlook	A-2
	Moody's	Baa3, stable outlook	n.a.

n.a.: not applicable

5.1.3. MANAGEMENT OF FOREIGN EXCHANGE RISK

The Group's gross debt at 30 June 2014 breaks down as follows by currency after hedging as defined by IFRS: 70% in Euros, 6% in US dollars and 20% in pounds sterling. The balance of 3% includes the Swiss franc, the Hungarian forint, the Polish zloty, the Canadian dollar, the Brazilian real, and the Japanese yen.

Gross debt structure by currency, before and after hedging

30 June 2014 *(In millions of Euros)*	Initial debt structure	Impact of hedging instruments [1]	Debt structure after hedges	% of debt
EUR	32,545	6,817	39,363	70
USD	11,496	(7,977)	3,519	6
GBP	9,967	1,286	11,253	20
Other currencies	1,951	(126)	1,824	3
TOTAL DEBT	**55,959**		**55,959**	**100%**

[1] Hedges of liabilities and net assets of foreign subsidiaries.

The table below presents the impact of an unfavourable variation in exchange rates on the Group's gross debt at 30 June 2014.

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

30 June 2014 *(In millions of Euros)*	Debt after hedging instruments converted into Euros	Impact of a 10% unfavourable variation in exchange rates	Debt after a 10% unfavourable variation in exchange rates
EUR	39,363	-	39,363
USD	3,519	352	3,871
GBP	11,253	1,125	12,378
Other currencies	1,824	182	2,006
TOTAL DEBT	**55,959**	**1,659**	**57,618**

The table below sets forth the foreign exchange position relating to net non-operating investments in foreign currencies of the Group's principal subsidiaries at 30 June 2014.

Net asset position

(In millions of currency units)	Net position after management (Assets) at 30 June 2014 [1]	Net position after management (Assets) at 31 December 2013
USD	1,234	333
CHF (Switzerland)	410	648
HUF (Hungary)	46,120	33,028
PLN (Poland)	1,556	1,020
GBP (United Kingdom)	6,476	4,547
BRL (Brazil)	786	717
CNY (China)	7,098	7,019

[1] Net asset positions as at 31 March 2014 (figures at 30 June 2014 were unavailable at the date of publication)

The assets in the above table are the net assets of the Group's foreign subsidiaries in foreign currencies at 31 March 2014, adjusted for changes in the fair value of cash flow hedges and available-for-sale financial assets recorded in equity, and changes in the fair value of financial instruments recorded in income at 30 June 2014.

5.1.4. MANAGEMENT OF INTEREST RATE RISK

The Group's debt after hedging instruments at 30 June 2014 was structured as follows: 64.4% of debt bore interest at fixed rates and 35.6% at floating rates (75.8% at fixed rates and 24.2% at floating rates at 31 December 2013).

A 1% uniform rise in interest rates would generate an increase of approximately €199 million in financial expenses at 30 June 2014, based on gross floating-rate debt after hedging.

The average coupon on Group debt (weighted interest rate on outstanding amounts) was 3.51% at 30 June 2014 against 3.8% at 31 December 2013.

The table below sets forth the structure of Group debt and the impact of a 1% variation in interest rates at 30 June 2014.

Group debt structure and sensitivity to interest rate

30 June 2014 *(In millions of Euros)*	Initial debt structure	Impact of hedging instruments	Debt structure after hedges	Impact on net income of a 1% variation in interest rates
Fixed rate	50,636	(14,616)	36,020	-
Floating rate	5,323	14,616	19,939	199
TOTAL DEBT	**55,959**	**-**	**55,959**	**199**

5.1.5. MANAGEMENT OF EQUITY RISKS

The equity risk is concentrated in the following areas:

Coverage of EDF's nuclear obligations

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

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

31.4% of the assets covering EDF's employee benefit obligations were invested in equities at 30 May 2014, corresponding to a total amount of €2.7 billion of equities[26].

At 30 June 2014, the two pension funds set up by EDF Energy (*EEGSG: EDF Energy Generation & Supply Group* and *EEPS: EDF Energy Pension Scheme*) were invested to the extent of 45.2% in equities, representing an amount of £460 million of equities.

33.5% of the British Energy funds were invested in equities at 30 June 2014, corresponding to an amount of £1,517 million.

EDF's long-term cash management

As part of its long-term cash management policy, EDF has continued its strategy to reduce the portion of equity-correlated investments, resulting in a non-significant position well below €1 million at 30 June 2014.

Direct investments

At 30 June 2014, EDF's investment in AREVA amounted to €132.9 million, with estimated volatility of 41.49% (annualised volatility of monthly returns observed over three years).

[26] Figures at 30 June 2014 were unavailable at time of publication

5.1.6. MANAGEMENT OF FINANCIAL RISK ON EDF'S DEDICATED ASSET PORTFOLIO

Content and performance of EDF's dedicated asset portfolio

At 30 June 2014, the total value of the dedicated asset portfolio was €22,311 million compared to €21,737 million at 31 December 2013. Details of portfolio content are shown below.

	30 June 2014	31 December 2013
Equities sub-portfolio	37.8%	36.4%
Bonds sub-portfolio	24.2%	23.7%
Cash sub-portfolio	2.2%	3.7%
CSPE after funding	22.8%	23.2%
Real assets (EDF Invest)	13.0%	13.0%
TOTAL	**100%**	**100%**

The table below presents the performance by portfolio at 30 June 2014 and 31 December 2013:

(In millions of Euros)	Stock market or realisable value	Performance at 30/06/2014		Stock market or realisable value	Performance at 31/12/2013	
		Portfolio	Benchmark index [1]		Portfolio	Benchmark index [2]
Equities sub-portfolio	8,438	5.0%	6.2%	7,918	21.1%	20.5%
Bonds sub-portfolio	5,396	5.5%	6.1%	5,147	1.0%	2.2%
Total financial portfolio	**13,834**	**5.2%**	**6.2%**	**13,065**	**11.6%**	**10.9%**
Cash sub-portfolio	488	0.5%	0.1%	790	0.7%	0.1%
Total financial and cash portfolio	**14,322**	**5.0%**	**6.2%**	13,855	11.1%	**10.9%**
CSPE after funding	5,095	0.9%		5,049	1.4%	
Real assets (EDF Invest)[3]	2,894	5.6%		2,833	11.1%	
Total Dedicated Assets	**22,311**	**4.1%**		**21,737**	**9.4%**	

[1] Benchmark index in 2014: MSCI World AC DN hedged in Euros 50% (excluding emerging country currencies) for the equities sub-portfolio, composite index of 60% Citigroup EGBI and 40% Citigroup EuroBIG corporate for the bonds sub-portfolio, Eonia Capitalisé for the cash sub-portfolio, 49% equities index + 51% bonds index for the total financial portfolio.
[2] Benchmark index in 2013: MSCI World AC DN hedged in Euros 50% (excluding emerging country currencies) for the equities sub-portfolio, Citigroup EGBI for the bonds sub-portfolio, Eonia Capitalisé for the cash sub-portfolio, 49% equities index + 51% bonds index for the total financial portfolio.
[3] For real assets, performance is calculated solely on the basis of assets included in the portfolio at the start of the half-year.

The first half-year of 2014 was very eventful in macroeconomic terms. Growth in the United States was significantly impacted by the exceptionally cold winter weather, such that instead of the expected rate of close to 2.5%, actual growth was -2%. After a period of uncertainty over the durability of growth inherent to publication of mediocre figures, all the indicators for the 2nd quarter were reassuring. This confirms the US Federal Reserve in its aim to gradually reduce monetary stimuli through "tapering" (cutting back securities purchases). In China, after a period of great uncertainty over the risks of a sudden economic slowdown, the PMI (Purchasing Managers Indexes) published in recent months suggest that the situation is becoming stable, and even that growth is picking up again.

In the Euro zone, however, the economic recovery remained very modest. It even appeared to slow down, most visibly in France where PMIs fell significantly back below 50. Inflation also remained very low, and while it is not appropriate to talk of deflation, the most recently published annual rates of 0.5% drew the attention of the ECB. The ECB responded to this situation by continuing to relax its monetary policy: adopting a negative refinancing rate (-0.10%), launching a new LTRO[27] scheme to support the real economy (TLTRO[28]), discontinuing the sterilisation of bonds purchased under the SMP[29], and studying the feasibility of purchasing asset-backed securities (ABS).

Worldwide, the markets were very good over the half-year. The world equities markets were up by 6.20%, in line with many analysts' forecasts. The 6.12% rise in the European bond index, however, was more surprising. Rates were down considerably in the Euro zone in both core and peripheral countries: -0.70% in Germany, -0.85% in France, -1.30% in Italy and -1.50% in Spain (10-year rate).

Against this background, the financial portfolio performance was very positive at +5.2%. This should be compared with the composite benchmark, which rose by +6.2%. Half of the difference is explained by the below-benchmark performance of the equities pocket managers. Since the start of the year, they have generally underperformed the benchmark index, particularly in April and May due to very fast sectoral rotation. The other half is explained by allocation decisions: bond under-sensitivity was continued in core and peripheral counties, and there was under-weighting in the Pacific and Emerging countries equities pockets.

As part of the regular revision of strategic allocation and the ongoing diversification of assets, a new long-term target structure for the bonds sub-portfolio was decided, replacing the sovereign index previously used (100% Citigroup EGBI) by a more diversified sovereign and corporate benchmark index (60% Citigroup EGBI and 40% Citigroup EuroBIG corporate). This change was validated by the Board of Directors on 12 February 2014 for application from 1 January 2014.

The market value of the "equities" sub-portfolio in the dedicated assets was €8,438 million at 30 June 2014. Its volatility was 9.0% based on 52 weekly performances at that date. Applying this volatility to the value of equity assets at the same date, the Group estimates the annual volatility of the equities portion of dedicated assets at €760 million. This volatility could affect consolidated equity.

At 30 June 2014, the sensitivity of the "bonds" sub-portfolio (€5,396 million) was 5.18, i.e. a uniform 100 basis point rise in interest rates would result in a €280 million decline in market value, which would be recognised in Group equity. This bond sub-portfolio sensitivity was 4.70 at 31 December 2013.

5.1.7. MANAGEMENT OF COUNTERPARTY / CREDIT RISK

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

The Group has a counterparty risk management policy which applies to the parent company and all operationally controlled subsidiaries. This policy defines the organisation of counterparty risk management and monitoring, and reporting procedures and circuits. It involves monthly consolidation of the exposures on financial and energy markets and originally incorporated half-yearly consolidation for all activities. The policy also includes close supervision of Group counterparties (daily review of alerts, special cautionary measures for certain counterparties).

[27] Long Term Refinancing Operations
[28] Targeted Long Term Refinancing Operations
[29] Securities Market Program

In 2008 the Group moved to a more frequent (quarterly) consolidation of all counterparty risks. Risk calculation methodologies were also revised in June 2013[30] to better reflect the losses the Group could bear, and this led to a substantial decline in exposure related to insurance activity.

The table below gives details, by rating, of the EDF group's consolidated exposure to counterparty risk. At 31 March 2014, 88% of the Group's exposure concerns "Investment Grade" counterparties, 2% more than in the previous half-year, mainly as a result of the higher level of cash invested in low-risk assets.

	AAA	AA	A	BBB	BB	B	CCC/C	Unrated	Total
31/03/2014	3%	18%	41%	26%	1%	1%	0%	10%	100%
30/09/2013	6%	20%	39%	21%	3%	0%	1%	10%	100%

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

	Purchases	Insurance	Distribution and sales	Cash and asset management	Fuel purchases and energy trading	Total
31/03/2014	4%	0%[31]	8%	78%	10%	100%
30/09/2013	4%	0%[31]	10%	72%	14%	100%

Exposure in the energy trading activities is concentrated at the level of EDF Trading. Each counterparty of this subsidiary is assigned a limit, depending on its financial robustness. A range of means are used to reduce counterparty risk at EDF Trading, primarily position netting agreements, cash-collateral agreements and establishment of guarantees from banks or affiliates.

For counterparties dealing with EDF's Trading room, the CRFI has drawn up a framework specifying counterparty authorisation procedures and the methodology for calculation of allocated limits. The level of exposure can be consulted in real time and is systematically monitored on a daily basis. The suitability of limits is reviewed without delay in the event of an alert or unfavourable development concerning a counterparty.

As the situation in the Euro zone was still unstable, EDF continued to apply a prudent management policy for its cash investments in non-core countries. Purchases of sovereign debt are restricted to Italy and Spain (no exposure in Portugal, Greece, Cyprus, etc.) for maximum maturities of three years. Only "investment grade" banking counterparties are authorised, for limited amounts and maturities.

[30] For the Insurance activity, the exposure now includes existing receivables and the annual contract premium (no longer the value of insured goods), since the premium reflects the insurer's estimation of the expectancy of claims.
[31] 0.61% and 0.47% respectively at 30 September 2013 and 31 March 2014.

5.2. MANAGEMENT AND CONTROL OF ENERGY MARKET RISKS

This section presents the main changes in energy market risks affecting the Group since 31 December 2013.

The principles for management and control of energy market risks are presented in section 9.5.2 of the 2013 reference document. They have not been changed since 31 December 2013.

At entities not operationally controlled by EDF, the risk management framework is reviewed by the governance bodies. The Group's energy market risk management principles apply for CENG to the share of energy belonging to EDF. At Edison, which has been operationally controlled by EDF since 2012, application of the energy market risk policy began in 2012 with consolidation of Edison's positions in the Group's risk profile.

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

In 2013, EDF Trading's commitment on the markets was subject to a daily VaR limit of €45 million (with a daily confidence interval of 97.5%), and a stop-loss limit of €225 million. The VaR and stop-loss limits were not exceeded during the year 2013, and EDF Trading's risks remained within the limits of the mandate from EDF at all times. The stop-loss has never been triggered since its introduction.

6. TRANSACTIONS WITH RELATED PARTIES

The types of transaction undertaken with related parties are detailed in note 25 to the condensed consolidated half-year financial statements at 30 June 2014.

7. PRINCIPAL RISKS AND UNCERTAINTIES FOR THE SECOND HALF-YEAR OF 2014

The principal risks and uncertainties to which the EDF Group considers itself exposed are described in section 4.1 of the 2013 Reference Document.

The Group's policies for risk management and control are described in section 4.2 of the 2013 Reference Document.

This presentation of the major risks remains valid at the date of publication of this report for assessment of the principal risks and uncertainties for the second half-year of 2014, and the Group remains subject to the usual risks specific to its business.

8. SIGNIFICANT EVENTS RELATED TO LITIGATION IN PROCESS

Litigations concerning the EDF group are described in section 20.5 of the 2013 reference document. This chapter reports on litigations which have seen significant developments since the release of the 2013 reference document.

8.1. PROCÉDURES CONCERNING EDF

Solaire Direct

On 19 May 2008, Solaire Direct filed a complaint and an application for protective measures with France's Competition Council (*Conseil de la Concurrence)* concerning the EDF group's activity on the emerging comprehensive services market for shared photovoltaic electricity, which it alleged was hindering the entry of new competitors on that market.

On 17 December 2013, the Competition Authority (*Autorité de la Concurrence)* imposed a €13.5 million fine on EDF for practices constituting abuse of a dominant position which in the Authority's view enabled EDF to favour its subsidiaries operating in the photovoltaic sector, to the detriment of other market actors. The Authority criticised EDF for having provided its subsidiaries with tangible and intangible resources that were non-reproducible by competitors (notably the Bleu Ciel® brand, the EDF brand and logo, the customer file), thus maintaining a confusion in the minds of consumers between its business as electricity supplier subject to regulated sales tariffs and the business of its subsidiaries operating in the photovoltaic sector. EDF filed an appeal against this decision before the Paris Court of Appeal.

In parallel, following the Competition Authority's decision, on 13 May 2014 Solaire Direct instigated action before the Paris Commercial Court against EDF SA, EDF EN, EDF ENR and EDF ENR Solaire, seeking compensation for the prejudice it claims to have suffered due to the alleged anti-competition practices.

Vent de colère

Following an appeal by the association "Vent de Colère" against the decision of 17 November 2008 setting the purchase tariffs for wind power, the French Council of State suspended judgment and submitted a preliminary question to the Court of Justice of the European Union, on the point of whether the purchase obligation financing system based on the CSPE should be considered as intervention by the State or through State resources as defined by the EU treaty provisions on State aid, for the purposes of application of the treaty.

On 19 December 2013, the Court ruled that "a new mechanism for offsetting in full the additional costs imposed on undertakings because of an obligation to purchase wind-generated electricity at a price higher than the market price that is financed by all final consumers of electricity (…) constitutes an intervention through State resources".

On 28 May 2014 the Council of State issued its decision on the substance of the case. It formally noted the Court's decision and cancelled the decisions of 17 November and 23 December 2008 on the grounds that they constituted State aid that should have been notified to the European Commission.

In a decision of 27 March 2014, the European Commission considered that French wind power purchase tariffs were compatible with State aid rules, following retroactive notification of the French government's onshore wind power support arrangements.

Following the Council of State's decision, a new governmental decision setting purchase tariffs for wind power was published in France's Official Journal of 1 July 2014.

Packaging and interim storage installation for radioactive waste ("ICEDA")

A decree of 23 April 2010 authorised EDF to build a regulated nuclear installation, a conditioning and interim storage installation for radioactive waste (ICEDA), in the town of Saint-Vulbas in the Ain *département* of France. Two petitions for cancellation of the decree were filed with the French Council of State in June 2010, one by Roozen, a horticultural company operating near the site, and the other by a group of environmental protection associations. Both were rejected by the Council of State in a decision of 1 March 2013.

A third petition for cancellation of the decree was filed in April 2012 before the Council of State by the city of Geneva. This petition was rejected by the Council of State in a decision of 24 March 2014.

Roozen also filed a petition on 21 April 2010 seeking cancellation of the building permit. In a judgment of 13 December 2011, Lyon Administrative Court cancelled the building permit due to violation of the local zoning plan. EDF lodged an appeal with the Lyon Administrative Court of Appeal. After this court confirmed cancellation of the building permit in a ruling of 19 June 2012, EDF filed a further appeal before the Council of State. In a decision of 24 March 2014, the Council of State upheld this appeal, cancelled the relevant ruling and referred the case to the Lyon Administrative Court of Appeal. The investigation is due to close on 30 July 2014.

Meanwhile, the town of Saint-Vulbas initiated a review of its local zoning plan together with the stakeholders, and EDF filed a new building permit application which is still being processed.

Roozen applied for an emergency injunction to suspend the zoning plan. The Judge at the Lyon Administrative Court dismissed this application on 16 January 2013 on the grounds that there was no urgency.

On 17 December 2012 Roozen filed an appeal against the revised zoning plan, and the association SDN and the Republic and Canton of Geneva did the same on 3 and 5 April 2013. In a decision of 22 April 2014 Lyon Administrative Court overturned the decision approving revision of the zoning plan.

On 21 August 2013, after the public inquiry was closed and an unreservedly favourable opinion had been issued by the investigating commission, the Prefect of the Ain issued a new building permit.

On 22 October 2013, Roozen lodged an appeal against this second building permit. The Republic and Canton of Geneva, and an association of private individuals, also filed an appeal against this building permit before the Lyon Administrative Court on 20 December 2013. In three judgements issued on 2 July 2014, the administrative court rejected the association's appeal but concluded that the building permit should be cancelled due to a non-updated cross-section plan. It also considered that "the irregularity in the building permit application can be regularised by an amended permit".

8.2. PROCEDURES CONCERNING ERDF

Litigation with photovoltaic producers

Announcements made during 2010 of lower tariffs for purchases of photovoltaic electricity caused an upsurge in the volume of applications for connection received by ERDF's units, particularly in August 2010 (at the time, the applicable tariff depended on the application filing date). Three months later, a "moratorium decree" of 9 December 2010 suspended conclusion of new contracts for a three-month period and stipulated that applications for which the technical and financial proposals had not been adopted by 2 December 2010 would have to be resubmitted after that three-month period.

When the moratorium ended, new arrangements for electricity purchases were introduced. A system of tender offers developed, and a further decision set the new tariff for compulsory purchases of photovoltaic power.

This decision was issued on 4 March 2011 and significantly reduced the purchase price applicable to photovoltaic power.

A Council of State decision of 16 November 2011 rejecting appeals against the moratorium decree of December 2010 generated a large volume of legal proceedings against ERDF in November and December 2011, which continued, although at a slower pace, throughout 2012. New summonses were also received in 2013 and early 2014. Most actions were initiated by generators who found themselves forced to abandon their projects because the new electricity purchase tariffs made operating conditions less favourable; they consider ERDF responsible for this situation on the grounds that it did not issue the technical and financial connection proposals in time for them to benefit from more advantageous electricity purchase terms. ERDF considers that it cannot be held liable.

The Conflict Tribunal ruled on 8 July 2013 that the ordinary judicial courts were competent to handle litigations between ERDF and electricity producers concerning delays in issuing technical and financial proposals..

On the substance of the matter, Montpellier Court of Appeal has found in favour of ERDF in nine cases, indicating that ERDF was only subject to a best-efforts obligation regarding issuance of a technical and financial proposal within three months.

The Versailles Court of Appeal, however, issued a ruling against ERDF in two cases in February 2014. ERDF has taken this case to the Court of Cassation.

Appeal against the TURPE 4 tariff decision

Electricity company Direct Énergie submitted an appeal to the Council of State on 17 February 2014 requesting cancellation of the French Energy Regulator CRE's decision of 12 December 2013 setting the tariffs for using a public high-voltage (HTA) and low-voltage electricity network (the TURPE 4 decision).

Among the points of complaint in Direct Énergie's appeal was the method used by the CRE, which are alleged to be partly economic and therefore incompatible with the applicable French and European rules, as well as the Council of State's decision of 21 December 2012 concerning the TURPE 3 tariff.

Request to the CoRDiS by *UFC Que Choisir*

On 25 June 2014 the consumer association *UFC Que Choisir* submitted a request to the CRE's Settlement of Disputes and Sanctions Committee, CoRDIS *(Comité des Règlements des Différends et des Sanctions*) to stop alleged "breaches by ERDF of its obligations as regards independence".

The CRE notified this request to ERDF on 15 July 2014, asking the company to respond.

8.3. PROCEDURES CONCERNING OTHER GROUP SUBSIDIARIES

Confirmation by the Constitutional Court of Belgium's nuclear tax

The nuclear tax levied on operators and owners of nuclear power-generating installations in Belgium was raised from €250 million in 2011 to €550 million in 2012, then reduced to €481 million in 2013. EDF Luminus and EDF Belgium filed an appeal against this tax before Belgium's Constitutional court, in late June 2013 for the year 2012 and late June 2014 for the year 2013.

On 17 July 2014 the Belgian Constitutional Court rejected the appeals lodged in 2013 by EDF Luminus and EDF Belgium against the nuclear tax adopted by Parliament for 2012. The two companies, which contributed a total of €70 million, are considering whether it is appropriate to appeal against this decision at European level.

EDF Luminus and EDF Belgium are continuing the appeal lodged in June 2014 against the nuclear tax adopted by the Belgian Parliament for 2013, in view of the worsening situation on the electricity market. The two companies paid a total of €59 million in 2013.

9. SUBSEQUENT EVENTS

Events arising since 30 June 2014 are described in note 26 to the condensed consolidated half-year financial statements at 30 June 2014.

10. FINANCIAL OUTLOOK

With a sound industrial and financial performance and tighter control of operating expenditure in this first half-year, the EDF group confirms the Group's financial targets for 2014 as announced on 13 February 2014, which do not include the impact of adjustments to regulated sales tariffs for the period 23 July 2012 to 31 July 2013:

- organic growth of at least 3% in EBITDA excluding Edison
- a net indebtedness/EBITDA ratio of between 2 and 2.5
- a dividend distribution rate of between 55% and 65% of net income from ordinary activities after the hybrid bond issue[32]

The target for Edison has been improved: EBITDA of over €600 million in 2014, excluding the effect of gas contract renegotiations.

Edison still aims to achieve recurrent EBITDA of €1 billion.

The EDF group intends to make net investments of €13-13.5 billion in 2014.

The Group is also continuing its ambition to achieve positive cash flow after dividends in 2018 (excluding the Linky project).

[32] Net income excluding non-recurring items, adjusted for the remuneration of hybrid bonds recorded in equity