CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT 30 JUNE 2018

Consolidated income statement

(in millions of euros)	Notes	H1 2018	H1 2017 restated [(1)]
Sales	6	35,175	33,298
Fuel and energy purchases		(16,751)	(16,920)
Other external expenses		(4,038)	(3,733)
Personnel expenses		(6,836)	(6,286)
Taxes other than income taxes		(2,694)	(2,687)
Other operating income and expenses	7	3,375	3,324
Operating profit before depreciation and amortisation		8,231	6,996
Net changes in fair value on energy and commodity derivatives, excluding trading activities		19	(196)
Net depreciation and amortisation		(4,410)	(4,212)
Net increases in provisions for renewal of property, plant and equipment operated under concessions		(66)	(41)
(Impairment)/reversals	8	(68)	(32)
Other income and expenses	9	(56)	1,367
Operating profit		3,650	3,882
Cost of gross financial indebtedness		(785)	(879)
Discount effect	10.1	(1,707)	(1,283)
Other financial income and expenses	2, 10.2	855	1,174
Financial result		(1,637)	(988)
Income before taxes of consolidated companies		2,013	2,894
Income taxes	11	(625)	(712)
Share in net income of associates and joint ventures	14	365	(93)
GROUP NET INCOME		1,753	2,089
EDF net income		1,726	2,005
Net income attributable to non-controlling interests		27	84
Earnings per share (EDF share) in euros:			
Earnings per share		0.46	0.66
Diluted earnings per share		0.46	0.66

(1) The comparative figures at 30 June 2017 have been restated according to IFRS 15 (note 2.1). For IFRS 9, applicable from 1 January 2018, In accordance with the transition measures of IFRS 9, the comparative figures have not been restated. See note 2.2 for more details on transition measures.

Consolidated statement of comprehensive income

(in millions of euros)	H1 2018			H1 2017		
	EDF net income	Net income attributable to non-controlling interests	Total	EDF net income	Net income attributable to non-controlling interests	Total
Group net income	1,726	27	1,753	2,005	84	2,089
Gross change in fair value of hedging instruments (1)	28	3	31	1,067	(8)	1,059
Related tax effect	(46)	(1)	(47)	(265)	3	(262)
Associates' and joint ventures' share of fair value of hedging instruments	(9)	-	(9)	4	-	4
Change in fair value of hedging instruments	*(27)*	*2*	*(25)*	*806*	*(5)*	*801*
Translation adjustments - controlled entities	69	(22)	47	(639)	(126)	(765)
Translation adjustments – associates and joint ventures	82	-	82	(325)	-	(325)
Translation adjustments	*151*	*(22)*	*129*	*(964)*	*(126)*	*(1,090)*
Gross change in fair value of debt instruments (1) (2)	(115)	-	(115)	-	-	-
Related tax effect	40	-	40	-	-	-
Associates' and joint ventures' share of fair value of debt instruments	(6)	-	(6)	-	-	-
Gross change in fair value of available-for-sale financial assets (1)	-	-	-	9	-	9
Related tax effect	-	-	-	(3)	-	(3)
Associates' and joint ventures' share of fair value of available-for-sale financial assets	-	-	-	27	-	27
Change in fair value of debt instruments and available-for-sale financial assets	*(82)*	*-*	*(82)*	*33*	*-*	*33*
Gains and losses recorded in equity with recycling	42	(20)	22	(125)	(131)	(256)
Gross change in fair value of equity instruments (2)	(2)	-	(2)	-	-	-
Related tax effect	-		-	-	-	-
Associates' and joint ventures' share of fair value of equity instruments	-	-	-	-	-	-
Change in fair value of equity instruments	*(2)*	*-*	*(2)*	-	-	-
Gross change in actuarial gains and losses on post-employment benefits (3)	1,209	74	1,283	(150)	13	(137)
Related tax effect	(349)	(10)	(359)	59	(1)	58
Associates' and joint ventures' share of change in actuarial gains and losses on post-employment benefits	24	-	24	-	-	-
Change in actuarial gains and losses on post-employment benefits	*884*	*64*	*948*	*(91)*	*12*	*(79)*
Gains and losses recorded in equity with no recycling	882	64	946	(91)	12	(79)
Total gains and losses recorded in equity	924	44	968	(216)	(119)	(335)
CONSOLIDATED COMPREHENSIVE INCOME	2,650	71	2,721	1,789	(35)	1,754

(1) Gross changes in fair value recycled to profit and loss in respect of debt and equity instruments and hedging instruments are presented in notes 18.4.1 and 18.4.2.

(2) In accordance with the transition measures of IFRS 9, the comparative figures have not been restated. See note 2.2 for more details on transition measures.

(3) Gross changes in actuarial gains and losses are presented in note 19.3.1.2.

Consolidated balance sheet

ASSETS *(in millions of euros)*	Notes	30/06/2018	31/12/2017 restated [1]
Goodwill	12	10,121	10,036
Other intangible assets		9,722	8,896
Property, plant and equipment operated under French public electricity distribution concessions	13	55,437	54,739
Property, plant and equipment operated under concessions for other activities	13	7,561	7,607
Property, plant and equipment used in generation and other tangible assets owned by the Group	13	77,215	75,622
Investments in associates and joint ventures	14	7,618	7,249
Non-current financial assets	15	37,309	36,787
Other non-current receivables	17	1,908	2,168
Deferred tax assets		1,084	1,220
Non-current assets		207,975	204,324
Inventories		13,756	14,138
Trade receivables	16	15,231	16,843
Current financial assets	15	31,716	24,953
Current tax assets		250	673
Other current receivables	17	6,365	7,219
Cash and cash equivalents		3,957	3,692
Current assets		71,275	67,518
TOTAL ASSETS		279,250	271,842

EQUITY AND LIABILITIES *(in millions of euros)*	Notes	30/06/2018	31/12/2017 restated [1]
Capital	18	1,505	1,464
EDF net income and consolidated reserves		42,450	39,893
Equity (EDF share)		*43,955*	*41,357*
Equity (non-controlling interests)		7,967	7,341
Total equity		51,922	48,698
Provisions related to nuclear generation - back-end of the nuclear cycle, plant decommissioning and last cores		47,709	46,410
Provisions for decommissioning		2,028	1,977
Provisions for employee benefits		19,590	20,630
Other provisions		2,240	2,356
Non-current provisions	19.1	*71,567*	*71,373*
Special French public electricity distribution concession liabilities		46,670	46,323
Non-current financial liabilities	20.1	49,084	51,365
Other non-current liabilities	21	4,918	4,864
Deferred tax liabilities		2,788	2,362
Non-current liabilities		175,027	176,287
Current provisions	19.1	5,831	5,484
Trade payables		12,000	13,994
Current financial liabilities	20.1	18,281	11,142
Current tax liabilities		411	187
Other current liabilities	21	15,778	16,050
Current liabilities		52,301	46,857
TOTAL EQUITY AND LIABILITIES		279,250	271,842

(1) The comparative figures at 31 December 2017 have been restated according to IFRS 15 (note 2.1.3.2).

Consolidated cash flow statement

(in millions of euros)	Notes	H1 2018	H1 2017
Operating activities:			
Income before taxes of consolidated companies		2,013	2,894
Impairment/(reversals)		68	32
Accumulated depreciation and amortisation, provisions and changes in fair value		5,017	4,420
Financial income and expenses		296	429
Dividends received from associates and joint ventures		124	76
Capital gains/losses		50	(2,039)
Change in working capital		1,434	482
Net cash flow from operations		*9,002*	*6,294*
Net financial expenses disbursed		(730)	(828)
Income taxes paid		140	(827)
Net cash flow from operating activities		8,412	4,639
Investing activities:			
Acquisitions of equity investments, net of cash acquired		(296)	(115)
Disposals of equity investments, net of cash transferred (1)		45	1,822
Investments in intangible assets and property, plant and equipment		(7,713)	(6,535)
Net proceeds from sale of intangible assets and property, plant and equipment		123	487
Changes in financial assets		(479)	(3,276)
Net cash flow used in investing activities		(8,320)	(7,617)
Financing activities:			
EDF capital increase		-	4,005
Transactions with non-controlling interests (2)		1,285	224
Dividends paid by parent company	18.2	(60)	(75)
Dividends paid to non-controlling interests		(113)	(102)
Purchases/sales of treasury shares		-	-
Cash flows with shareholders		*1,112*	*4,052*
Issuance of borrowings		2,299	1,870
Repayment of borrowings		(3,154)	(2,132)
Payments to bearers of perpetual subordinated bonds	18.3	(378)	(394)
Funding contributions received for assets operated under concessions		56	66
Investment subsidies		301	344
Other cash flows from financing activities		*(876)*	*(246)*
Net cash flow from financing activities		236	3,806
Net increase/(decrease) in cash and cash equivalents		328	828
CASH AND CASH EQUIVALENTS - OPENING BALANCE		3,692	2,893
Net increase/(decrease) in cash and cash equivalents		328	828
Effect of currency fluctuations		(22)	(33)
Financial income on cash and cash equivalents		7	11
Effect of reclassifications		(48)	105
CASH AND CASH EQUIVALENTS - CLOSING BALANCE		3,957	3,804

(1) *In 2017, this item includes an amount of €1,282 million relating to the partial sale of the electricity transmission entity Coentreprise de Transport d'Électricité or CTE, the company that holds RTE's shares (see note 3.4.2).*

(2) *Contributions via capital increases or capital reductions and acquisitions of additional interests or disposals of interests in controlled companies.*
In 2018, this item includes an amount of €797 million relating to the sale of 49% of EDF Renewables' wind farms (see note 3.1), and a receipt of €361 million relating to CGN's payment for the NNB Holding Ltd. and Sizewell C Holding Co capital increases (€220 million at 30 June 2017).

Change in consolidated equity

Details of the change in equity between 1 January and 30 June 2018 are as follows:

(in millions of euros)	Capital	Treasury shares	Translation adjustments [1]	Fair value adjustment of financial instruments (OCI with recycling) [2]	Other consolidated reserves and net income [3]	**Equity (EDF share)**	Equity (non-controlling interests)	**Total equity**
Equity at 31/12/2017 published	1,464	(40)	136	(306)	40,103	41,357	7,341	48,698
IFRS 9 restatements (see note 2.2.2.5)	-	-	-	(1,372)	1,372	**-**	-	**-**
Equity restated at 01/01/2018	1,464	(40)	136	(1,678)	41,475	41,357	7,341	48,698
Gains and losses recorded in equity	-	-	151	(109)	882	**924**	44	**968**
Net income	-	-	-	-	1,726	**1,726**	27	**1,753**
Consolidated comprehensive income	**-**	**-**	**151**	**(109)**	**2,608**	**2,650**	**71**	**2,721**
Payments on perpetual subordinated bonds	-	-	-	-	(378)	**(378)**	-	**(378)**
Dividends paid	-	-	-	-	(909)	**(909)**	(121)	**(1,030)**
Purchases/sales of treasury shares	-	(5)	-	-	-	**(5)**	-	**(5)**
Capital increase by EDF SA [4]	41	-	-	-	806	**847**	-	**847**
Other changes [5]	-	-	-	-	393	**393**	676	**1,069**
EQUITY AT 30/06/2018	1,505	(45)	287	(1,787)	43,995	43,955	7,967	51,922

(1) Changes in translation adjustments amount to €151 million at 30 June 2018, mainly relating to the rise of the dollar against the euro.

(2) Changes in reserves recorded in OCI (Other Comprehensive Income) with recycling are shown in the Statement of Comprehensive Income. They correspond to the effects of fair value adjustments of debt securities and financial instruments hedging cash flows and net foreign investments, and amounts recycled to profit and loss in respect of terminated contracts and debt instruments transferred.

(3) Fair value changes recorded in OCI with no recycling are presented in the "Other consolidated reserves and net income" column.

(4) In 2018, the changes in capital and other consolidated reserves (issue premium) relate to EDF's capital and payment of the balance of the scrip dividend for 2017 totalling €847 million (see note 18.1).

(5) In 2018, the changes in consolidated reserves and equity (non-controlling interests) include in particular the effect of the sale of 49% of EDF Renewables' wind farms (see note 3.1). "Other changes" in equity (non-controlling interests) also include the capital increases funded by CGN for NNB Holding Ltd. and Sizewell C Holding Co amounting to €361 million, the capital reduction at Dunkerque LNG amounting to €(280) million (not settled for shareholders at 30 June 2018) and the effects of convertible bond issues in the Dalkia group amounting to €44 million (see note 18.3).

Details of the change in equity between 1 January and 30 June 2017 are as follows:

(In millions of Euros)	Capital	Treasury shares	Translation adjustments (1)	Fair value adjustment of financial instruments (2)	Other consolidated reserves and net income	**Equity (EDF share)**	Equity (non-controlling interests)	**Total equity**
Equity at 01/01/2017	1,055	(29)	1,637	(1,587)	33,362	34,438	6,924	41,362
Gains and losses recorded in equity	-	-	(964)	839	(91)	(216)	(119)	(335)
Net income	-	-	-	-	2,005	2,005	84	2,089
Consolidated comprehensive income	**-**	**-**	**(964)**	**839**	**1,914**	**1,789**	**(35)**	**1,754**
Payments on perpetual subordinated bonds	-	-	-	-	(394)	(394)	-	(394)
Dividends paid	-	-	-	-	(1,100)	(1,100)	(116)	(1,216)
Purchases/sales of treasury shares	-	(1)	-	-		(1)	-	(1)
Capital increase by EDF SA (3)	389	-	-	-	4,640	5,029	-	5,029
Other changes (4)	-	-	-	-	(9)	(9)	313	304
EQUITY AT 30/06/2017	1,444	(30)	673	(748)	38,413	39,752	7,086	46,838

(1) Changes in translation adjustments amount to €(964) million at 30 June 2017, mainly relating to the fall of the pound sterling against the euro.

(2) These changes correspond to the effects of fair value adjustments, changes in the fair value of available-for-sale financial assets recycled to profit and loss, the effects of fair value adjustment of financial instruments hedging cash flows and net foreign investments, and amounts recycled to profit and loss in respect of terminated contracts. For details see the statement of consolidated comprehensive income.

(3) In 2017, the changes in capital and other consolidated reserves (issue premium) relate to EDF's capital increase amounting to €4,005 million net of expenses and payment of the balance of the scrip dividend for 2016 totalling €1,024 million.

(4) "Other changes" in equity (non-controlling interests) include the effect of capital increases funded by CGN for NNB Holding Ltd. and Sizewell C Holding Co.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The condensed consolidated financial statements (hereafter called "the consolidated financial statements") reflect the accounting position of the Company and its subsidiaries (which together form the "Group") and the Group's interests in associates, joint arrangements classified as joint operations, and joint ventures for the half-year to 30 June 2018.

The Group is an integrated energy operator engaged in all aspects of the energy business: generation, transmission, distribution, supply, trading, energy services, equipment production, nuclear fuel assembly and reactor services.

The Group's consolidated financial statements at 30 June 2018 were prepared under the responsibility of the Board of Directors and approved by the Directors at the Board meeting held on 30 July 2018.

NOTE 1 GROUP ACCOUNTING POLICIES

1.1 DECLARATION OF CONFORMITY AND GROUP ACCOUNTING POLICIES

Pursuant to European regulation 1606/2002 of 19 July 2002 on the adoption of international accounting standards, the EDF group's consolidated financial statements at 30 June 2018 are prepared under the international accounting standards published by the IASB and approved by the European Union for application at 30 June 2018. These international standards are IAS (International Accounting Standards), IFRS (International Financial Reporting Standards), and SIC and IFRIC interpretations.

The consolidated half-year financial statements comply with standard IAS 34 "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 2017.

Apart from the methods specific to interim financial reporting described in note 1.4 and changes resulting from the standards IFRS 15 and IFRS 9 described in note 1.6, the accounting principles and valuation methods are identical to those applied and described in note 1 to the consolidated financial statements at 31 December 2017.

1.2 CHANGES IN ACCOUNTING STANDARDS

1.2.1 IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments"

These two new standards adopted by the European Union are applicable for financial years beginning on or after 1 January 2018. The information required by IAS 8 concerning the effects of their application by the Group is given in note 2.

1.2.2 IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IFRIC 22, applicable for financial years beginning on or after 1 January 2018, was adopted by the European Union on 28 March 2018. This interpretation requires payment or receipt of a non-monetary advance in a foreign currency to be translated at the exchange rate of the transaction date, with no subsequent adjustment. Prospective application of IFRIC 22 will not have a significant impact on the EDF group's consolidated financial statements.

1.2.3 Other amendments and improvements to standards applicable from 1 January 2018

The following IASB publications have no impact on the Group's consolidated financial statements:

- Amendments to IAS 40 "Investment property" entitled "Transfers of investment property", adopted on 14 March 2018;
- Amendments to IFRS 2 "Share-based Payment" entitled "Classification and measurement of share-based payment transactions", adopted on 26 February 2018;
- Amendments to IFRS 4 "Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'", adopted on 3 November 2017;
- Annual improvements to IFRS, 2014-2016 cycle, adopted on 7 February 2018.

1.2.4 Standards and amendments adopted by the European Union but only applicable after 31 December 2018

1.2.4.1 IFRS 16 – Leases

IFRS 16, "Leases" was adopted by the European Union on 31 October 2017 and will be mandatory for financial years beginning on or after 1 January 2019.

IFRS 16 requires all leases other than short-term leases and leases of low-value assets to be recognised in the lessee's balance sheet in the form of a "right-of-use" asset, with a corresponding financial liability. Contracts classified as "operating leases" are currently reported as off-balance sheet items (see note 23.1.1.3).

The EDF Group's lease contracts essentially concern real estate assets (office and residential properties), industrial installations (land, wind farms) and to a lesser extent vehicles and IT equipment.

The Group has identified the potential impacts of the application of IFRS 16 via questionnaires sent to all its subsidiaries to collect information about the features of operating leases in existence at 31 December 2017. The Group intends to apply this standard retrospectively from 1 January 2019 without restating the figures for the comparative periods (modified retrospective approach).

On the basis of this work, application of IFRS 16 to the Group's financial statements at 31 December 2017 would have a positive impact on EBITDA (excluding Framatome) of around €0.5 billion and increase net indebtedness (including Framatome) by €4.3 billion. The Group net income would not be significantly affected.

The final impacts will only be determined at 1 January 2019, and will notably depend on changes in contracts and the discount rates applicable at the transition date, which are currently unknown.

The choice of appropriate IT systems to enable the Group to implement IFRS 16 is under consideration.

1.2.4.2 Amendments to IFRS 9

Amendments to IFRS 9 entitled "Prepayment Features with Negative Compensation", adopted on 22 March 2018 by the European Union, will be applicable from 1 January 2019. Based on the operations completed to date, no impact is anticipated for the Group.

1.2.5 Standards, amendments and interpretations published by the IASB but not yet adopted by the European Union

The following IASB publications have not yet been adopted by the European Union but are expected to be applicable for financial years beginning on or after 1 January 2019. Analysis are in process to estimate their potential impact on the Group's financial statements, which is expected to be limited:

- IFRIC 23, "Uncertainty over Income Tax Treatments" which clarifies the application of IAS 12 "Income Taxes" regarding recognition and measurement of taxes when there is uncertainty over the income tax treatment;
- Amendments to IAS 28, "Investments in Associates and Joint Ventures" entitled "Long-term Interests in Associates and Joint Ventures";
- Amendments to IAS 19, "Plan Amendment, Curtailment or Settlement";
- Annual improvements to IFRS, 2015-2017 cycle.

1.3 MANAGEMENT JUDGMENTS AND ESTIMATES

The preparation of the financial statements requires the use of judgments, best estimates and assumptions in determining the value of assets and liabilities, income and expenses recorded for the period, considering positive and negative contingencies existing at the closing date. The figures in the Group's future financial statements could differ from current estimates due to changes in these assumptions or economic conditions.

The principal operations for which the Group uses estimates and judgments are the same as those described in note 1.3.2 to the consolidated financial statements at 31 December 2017.

1.4 VALUATION METHODS SPECIFIC TO INTERIM FINANCIAL STATEMENTS

The following valuation methods specific to interim financial statements have been applied.

1.4.1 Employee benefits

The amount of the obligation corresponding to post-employment benefits and other long-term benefits at 30 June is calculated by projecting the prior year obligation over one half-year, taking into account the benefits paid out and the changes in fund assets, adjusted due to plan modifications where relevant.

The actuarial assumptions used to calculate employee benefits for interim financial statements differ from those used for the previous annual financial statements if significant developments arise for certain parameters, for example the discount rate.

1.4.2 Income taxes

For interim financial statements, income tax (current and deferred) is generally calculated by applying the last known estimated effective tax rate for the current year, for each entity or tax group, to the consolidated companies' pre-tax income.

1.5 SEASONAL NATURE OF THE BUSINESS

Interim sales and operating profit before depreciation and amortisation are affected by significant seasonal factors in the calendar year, principally in France. The variations observed are mainly associated with weather conditions and tariff structures specific to each period.

1.6 CHANGES IN THE PRINCIPAL ACCOUNTING AND VALUATION METHODS

Due to application of IFRS 15 and IFRS 9, the Group's accounting principles have been updated as described below.

1.6.1 Sales

Sales essentially comprise income from energy sales (to final customers and as part of trading activities), delivery services related to use of the transmission and distribution network, and connection services. They also comprise income from other services and deliveries of goods, mainly engineering, operating and maintenance services, services related to energy sales, design, delivery and commissioning services for power plants or their major components.

Income on energy sales is recognised as deliveries are made to customers.

The quantities of energy supplied but not yet measured and billed are calculated using consumption statistics and selling price estimates, and are recognised in sales on that basis.

In accordance with the provisions of IFRS 15 on the principal/agent distinction, energy delivery services are recognised in sales in the following cases:

- Either when these services are not distinct from the energy supply service;
- Or when they are distinct from the energy supply service and the entity concerned is acting as principal, notably because it bears the risk of execution of the service or is able to set the tariff for delivery to the final customer.

Energy trading operations and optimisation transactions carried out by certain group entities under its risk management policy are recognised net of purchases.

The sales revenue from other services or deliveries of goods is recognised over time in the three following cases, based on a contractual analysis:

- When the customer simultaneously receives and consumes all the benefits generated as the service is performed by the Group (this is notably the case of operations and maintenance services);
- When the good or service to be supplied cannot be reallocated to another customer, and the Group is entitled to payment for the work done so far (this is notably the case of certain design, delivery and commissioning activities for power plants or major components designed specifically for a customer);
- When the service creates or enhances an asset (good or service) for which the customer acquires control as performance of the service progresses.

1.6.2 Financial assets and liabilities

Classification and measurement of financial instruments depend on the business model and the instruments' contractual characteristics. In application of IFRS 9, upon initial recognition, financial assets are carried at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit and loss.

In the Group, financial assets comprise non-consolidated investments, debt securities, loans and receivables at amortised cost including trade receivables, and the positive fair values of derivatives.

Financial instruments allocated to dedicated assets are presented in note 22.

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

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

1.6.2.1 Valuation and classification of financial assets and liabilities

Financial instruments are stated at fair value, which corresponds to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the principal or most advantageous market at the measurement date.

The valuation methods for each level are generally as follows:

- level 1 (unadjusted quoted prices): prices accessible to the entity at the measurement date on active markets, for identical assets or liabilities;
- level 2 (observable data): data concerning the asset or liability, other than the market prices included in initial level 1 input, which are directly observable (such as a price) or indirectly observable (*i.e.* deducted from observable prices);
- level 3 (unobservable data): data that are not observable on a market, including observable data that have been significantly adjusted. In the EDF group this chiefly concerns certain non-consolidated investments.

1.6.2.1.1 Financial assets carried at fair value through OCI

Financial assets carried at fair value through OCI comprise:

- Certain non-consolidated investments for which the Group has elected the irrevocable option to recognise subsequent fair value changes in OCI, with no recycling to profit and loss in the event of sale. Only dividends received from these investments are recognised in the income statement, under "Other financial income";
- Debt securities (such as bonds) invested under a mixed "collect and sell" business model for which contractual cash flows consist entirely of principal and interest payments reflecting the time value of money and the credit risk associated with the instrument (the IFRS 9 "SPPI" test - Solely Payment of Principal and Interest). Changes in fair value are recorded directly in OCI with recycling and transferred to profit and loss when the securities are sold. For these debt securities, interest income is calculated at the effective interest rate and credited to the income statement under the heading "Other financial income".

Upon initial recognition, these financial assets are recorded at fair value plus transaction costs attributable to their acquisition. They are subsequently adjusted at each reporting date to fair value based on quoted prices where possible or using the discounted future cash flow method, or by reference to external sources otherwise.

1.6.2.1.2 Financial assets carried at fair value through profit and loss

Financial assets carried at fair value through profit and loss are classified as such at the inception of the operation when they are:

- assets acquired from inception with the intention of resale in the short term;
- derivatives not classified as hedges (derivatives held for trading);
- equity instruments (non-consolidated investments) for which the Group has not made the irrevocable option to classify them as at fair value through OCI with no recycling;
- debt securities that are not managed under the "collect and sell" business model and do not meet the requirements of the SPPI test. This chiefly concerns shares in investment funds, which are debt securities that do not pass the SPPI test regardless of the business model.

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

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

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

Changes in the fair value of certain non-trading commodity transactions are reported separately on a specific line of the income statement, "Net changes in fair value on Energy and Commodity derivatives, excluding trading activities" below the operating profit before depreciation and amortisation. These are transactions in the scope of

IFRS 9, which for accounting purposes are not eligible for hedge accounting or the IFRS 9 "own use" exemption (see note 1.3.16.1.6 to the consolidated financial statements at 31 December 2017).

1.6.2.1.3 Loans and financial receivables

Loans and financial receivables are carried at amortised cost if the business model involves holding the instrument in order to collect contractual cash flows which consist entirely of principal and interest.

Interest received is calculated under the effective interest rate method and recorded in "Other financial income" in the income statement.

Loans and financial receivables that do not qualify for classification at amortised cost are classified as at fair value through profit and loss, via "Other financial income" in the income statement.

1.6.2.1.4 Loans and financial liabilities

When specific hedge accounting treatments are not applied (see note 1.6.2.3) loans and financial liabilities are recorded at amortised cost with potential separation of embedded derivatives. Interest expenses are calculated at the effective interest rate and recorded in the income statement under the heading "Cost of gross financial indebtedness" over the duration of the loan or financial liability.

1.6.2.2 Impairment of financial assets carried at fair value through OCI or amortised cost

IFRS 9 establishes an impairment model based on expected credit loss (ECL).

For securities in the bond portfolio, the Group applies a rating-based approach for counterparties with low credit risk. In application of the risk management policy, the Group's bond portfolio consists almost entirely of instruments issued by low-risk counterparties rated "Investment Grade".

In this situation, the ECL is estimated over a 12-month horizon following the closing date.

The threshold marking a significant increase in credit risk is reached when the counterparty ceases to be rated "Investment Grade". In such situations, the significant increase in the default risk may lead to reassessment of ECLs over the instrument's residual life.

For loans and receivables, the Group has chosen an approach based on the probability of default by the counterparty and assessment of changes in the credit risk.

1.6.2.3 Derivatives

1.6.2.3.1 Scope

The scope of derivatives applied by the Group corresponds to the principles set out in IFRS 9.

In particular, forward purchases and sales for physical delivery of energy or commodities are considered to fall outside the scope of application of IFRS 9 when the contract has been entered into as part of the Group's normal business activity ("own use"). This is demonstrated to be the case when all the following conditions are fulfilled:

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

The Group considers that transactions negotiated with a view to balancing the volumes between electricity purchase and sale commitments are part of its business as an integrated electricity operator, and are outside the scope of IFRS 9.

The Group analyses all its contracts concerning financial liabilities or non-financial items, to identify any "embedded" derivatives. Any component of a contract that affects the cash flows of that contract in the same way as a stand-alone derivative corresponds to the definition of an embedded derivative and is recognised separately at fair value from the contract's inception date.

1.6.2.3.2 Measurement and recognition

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

Changes in the fair value of these derivatives are recorded in the income statement, unless they are designated as hedging instruments in a cash flow or net investment hedge (see note 1.6.2.3.3).

In the specific case of financial instruments entered into as part of the trading business, realised and unrealised gains and losses are reported net under the heading "Sales".

In application of IFRS 13, the fair value of derivatives incorporates the counterparty credit risk for derivative assets and the own credit risk for derivative liabilities.

1.6.2.3.3 Derivatives classified as hedges

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

The Group applies the criteria defined by IFRS 9 to identify operations subject to hedge accounting:

- the hedging relationship must only concern eligible hedging instruments and hedged items;
- the hedging relationship must be formally designated as such and have structured documentation from its inception;
- the hedging relationship must meet hedging efficiency requirements, particularly respect of a hedging ratio.

In the case of cash flow hedges, the future transaction being hedged must be highly probable.

The hedging relationship ends when it ceases to satisfy the above criteria. This includes situations in which the hedging instrument expires or is sold, terminated or exercised, or when the risk management objectives initially documented are no longer met.

Only derivatives external to the Group, and internal derivatives that are matched with similar transactions external to the Group, qualify for hedge accounting.

The Group uses the following categories for hedges:

(A) Fair value hedges

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

Some loans and financial liabilities are covered by a fair value hedge. In application of hedge accounting, their balance sheet value is adjusted for changes in fair value attributable to the hedged risks (foreign exchange and interest rate risks).

(B) Cash flow hedges

These instruments hedge exposure to variability in cash flows associated with an asset or liability, or a highly probable future transaction, for which variations in cash flows generated by the hedged item are offset by changes in the value of the hedging instrument.

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

When the hedged cash flows materialize, the amounts previously recognised in equity are recycled to profit and loss in the same way as for the hedged item, or are treated as an adjustment to the value of the asset acquired.

(C) Hedges of a net investment

These instruments hedge exposure to the foreign exchange risk related to a net investment in an entity which does not have the same functional currency as the Group. The effective portion of accumulated changes in the hedge's fair value is recorded in equity until the disposal or liquidation of the net investment, when it is included in the gain or loss on disposal. The ineffective portion (defined in the same way as for cash flow hedges) is recorded directly in the income statement.

1.6.2.4 Derecognition of financial assets and liabilities

The Group derecognises a financial asset when:

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

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

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

1.6.2.5 Assignment of receivables

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

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

1.6.3 Trade receivables

Trade receivables are initially recognised at the fair value of the consideration received or receivable, and subsequently carried at amortised cost.

Trade receivables also include the value of unbilled receivables for energy already supplied, which are presented net of advances received from customers who pay in regular monthly instalments.

The Group applies IFRS 9's simplified approach to measure expected credit losses on trade receivables, using provision matrices established on the basis of credit loss histories.

NOTE 2 COMPARABILITY

2.1 IFRS 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 "Revenue from Contracts with Customers" became applicable on 1 January 2018 (see note 1.6.1).

The Group has applied the full retrospective approach, which has no impact on opening equity.

As a result of these changes, sales and energy purchases reported at 30 June 2017 have been reduced by €2,425 million, with no impact on Operating profit before depreciation and amortisation. In the balance sheet, due to the new practice of netting unbilled receivables for energy deliveries with advances received from customers (see note 2.1.3.2), the trade receivables, other current receivables and other current liabilities reported at 31 December 2017 have been reduced by €6,568 million, €2,342 million and €8,910 million respectively.

In association with implementation of IFRS 15, the Group is monitoring changes in international standards that could affect the current accounting treatment of regulated-tariff activities.

The operations concerned by changes of accounting treatment are the following:

2.1.1 Recognition of income from energy delivery (the principal-agent distinction)

In France and Belgium, the Group concluded that delivery is a distinct service from the supply of energy, and that the energy supplier is acting as an agent in providing this delivery service.

In Italy and the UK, however, the energy supplier is classified as a principal for delivery services.

In France, the vast majority of electricity delivery services are performed by the French distribution network operator Enedis, which is a regulated subsidiary of the Group. Consequently the principal-agent distinction concerning electricity delivery in France only has an impact on presentation of sales in the operating segment reporting.

These changes have led to a reduction in reported sales for the first half of 2017 from gas and electricity delivery in Belgium and gas delivery in France of a total €799 million, and a corresponding reduction in delivery expenses (included in fuel and energy purchases).

2.1.2 Recognition of market energy purchase and sale transactions that are part of optimisation activities

The analyses conducted have led the Group to consider that accounting on a net basis provides a more relevant reflection of the economic reality of optimisation transactions. As some Group entities (in Italy, Belgium and in France for Dalkia) previously reported such sales on a gross basis and booked a corresponding entry in energy purchases, this change results in a €1,429 million reduction in the sales and energy purchases reported at 30 June 2017.

2.1.3 Other impacts

2.1.3.1 Other impacts on the consolidated income statement

Other transactions previously recognised on a gross basis are also now presented on a net basis in application of IFRS 15: agency transactions in Italy and settlements made under the balancing mechanism for the French electricity network, totalling €197 million. These restatements have no impact on the Group's Operating profit before depreciation and amortisation as published at 30 June 2017.

2.1.3.2 Impacts on the consolidated balance sheet

Trade receivables, which include the amount of unbilled receivables for energy already delivered, are now presented net of advances received from customers who pay in regular monthly instalments.

This change causes a €6,568 million reduction in the Trade receivables and Other current liabilities at 31 December 2017. The related netting of taxes on these amounts causes a decrease of €2,342 million at 31 December 2017 (reduction in "tax liabilities" in Other current liabilities, with a corresponding change in "tax receivables" in Other current receivables).

2.1.4 Summary of impacts on Group EBITDA and segment reporting

(in millions of euros)	30/06/2017 as published	Impacts of IFRS 15	30/06/2017 restated
Sales	35,723	(2,425)	33,298
Fuel and energy purchases	(19,345)	2,425	(16,920)
Other external expenses	(3,733)	-	(3,733)
Personnel expenses	(6,286)	-	(6,286)
Taxes other than income taxes	(2,687)	-	(2,687)
Other operating income and expenses	3,324	-	3,324
Operating profit before depreciation and amortisation	6,996	-	6,996

The table below summarises the segment information reported at 30 June 2017 and the restatements resulting from application of IFRS 15.

Published at 30 June 2017 *(in millions of euros)*	France – Generation and Supply	France – Regulated activities	United Kingdom	Italy	Other international [1]	Other activities [2]	Inter-segment eliminations	Total
External sales	18,051	2,851	4,424	4,960	2,477	2,960	-	35,723
Inter-segment sales	513	5,323	3	8	60	851	(6,758)	-
SALES AS PUBLISHED	18,564	8,174	4,427	4,968	2,537	3,811	(6,758)	35,723
IFRS 15 restatements								
External sales	(5,554)	5,255	-	(1,148)	(831)	(147)	-	(2,425)
Inter-segment sales	-	(5,287)	-	-	-	-	5,287	-
SALES	(5,554)	(32)	-	(1,148)	(831)	(147)	5,287	(2,425)
Restated at 30 June 2017								
External sales	12,497	8,106	4,424	3812	1,646	2,813	-	33,298
Inter-segment sales	513	36	3	8	60	851	(1,471)	-
SALES AFTER RESTATEMENTS	13,010	8,142	4,427	3,820	1,706	3,664	(1,471)	33,298

(1) IFRS 15 restatements only concern EDF Luminus (Belgium).
(2) Including EDF Énergies Nouvelles (€620 million) and Dalkia (€1,787 million after IFRS 15 restatements).

The segment reporting is also modified from 1 January 2018, and the comparative figures at 30 June 2017 have been restated accordingly (see note 5.2).

2.2 IFRS 9 – FINANCIAL INSTRUMENTS

IFRS 9 "Financial Instruments" became mandatory on 1 January 2018. It introduces new principles for classification and measurement of financial instruments, impairment for credit risk on financial assets, and hedge accounting, as presented in note 1.6.2.

2.2.1 Transition measures

In application of the simplified approach allowed by IFRS 9, the comparative figures for the first year of application have not been restated. Consequently:

- Any difference between the book value of financial assets and liabilities at 31 December 2017 and at 1 January 2018 is recorded in the opening balance of consolidated reserves;
- Financial assets are not reclassified under IFRS 9 categories in the comparative balance sheet. Consequently, the "Available-for-sale financial assets" category is still shown in the 2017 comparative information (see note 15.1);
- Impairment for the comparative period has not been restated;
- The hedge accounting rules of IFRS 9 are applied prospectively. The transition has not resulted in disqualification of any hedging relationship.

The main impacts of application of IFRS 9 are described in more detail below. The impacts on income statement figures published at 30 June 2017 are provided for information and comparability with the income statement at 30 June 2018.

2.2.2 Principal implications of IFRS 9 for the Group

2.2.2.1 Classification and measurement

The Group's financial assets classified as "Available For Sale" (AFS) under IAS 39 are now carried at fair value through Other comprehensive income (OCI with recycling or with no recycling) or at fair value through profit and loss.

The main impacts of application of IFRS 9 in the Group concern financial assets held in the form of shares in investment funds, and to a lesser degree the equity instruments (shares) held.

- For shares in investment funds, unrealised gains or losses, which were previously recognised in OCI with recycling to profit and loss upon derecognition, will now be recorded directly in the Group's income statement in accordance with their IFRS 9 classification.
  - ➢ These instruments were stated in the balance sheet at 31 December 2017 at the value of €18,382 million. The change in fair value at 1 January 2018, amounting to a total €1,807 million before tax (€1,133 million after tax), which was previously recognised in OCI with recycling under IAS 39, is reclassified in full to other consolidated reserves with no future recycling to profit and loss.
- For equity instruments not held for trading, the Group records fair value changes on most of the instruments in the portfolio at 31 December 2017 in profit and loss. However, for some of the securities in the portfolio at 31 December 2017, the Group has exercised the irrevocable option to recognise fair value changes in OCI with no recycling.
  - ➢ These instruments were stated in the balance sheet at 31 December 2017 at the value of €1,679 million. The change in fair value at 1 January 2018, amounting to a total €135 million before tax (€84 million after tax), is reclassified in full to other consolidated reserves with no future recycling to profit and loss.
- The portfolio of debt securities, particularly bonds, was stated in the balance sheet at 31 December 2017 at the value of €20,863 million.

  Of this total, €20,828 million is managed under the "collect and sell" business model and pass the SPPI test. As a result, fair value changes on this section of the portfolio are recorded in OCI with recycling, continuing the previous accounting treatment.
  - ➢ The change in the fair value of these instruments remaining in OCI with recycling amounts to €245 million before tax (€203 million after tax) at 1 January 2018.

The balance of the portfolio (€35 million at 31 December 2017) is now carried at fair value through profit and loss.

- ➢ On these instruments, the change in fair value at 1 January 2018, amounting to a total €3 million before tax (€2 million after tax), is reclassified in full to other consolidated reserves with no future recycling to profit and loss.

A large portion of the financial assets affected by these changes belongs to dedicated asset portfolio (amounting to a total €20,848 million at 31 December 2017 – see note 15.2) held to cover future expenses for the back-end of EDF's nuclear cycle in France (see note 22).

In general, application of IFRS 9 causes greater volatility in the Group's income statement. Meanwhile, dedicated assets are held to cover provisions for the back-end of the nuclear cycle, which give rise to a recurring cost of unwinding the discount, which is included in the financial result.

The table below summarises changes in the classification of financial assets held by the Group at 31 December 2017 between IAS 39 and IFRS 9, and the impacts on the Group's financial statements.

(in millions of euros)	Balances at 31/12/2017 restated [(1)]	IFRS 9 classification				Gross fair value reserve at 01/01/2018	Net fair value reserve (after tax) at 01/01/18 [(2)]
IAS 39 classification		Amortised cost	Fair value through OCI with recycling	Fair value through OCI with no recycling	Fair value through P&L		
Available-for-sale financial assets	40,924	-	20,828	444	19,652	2,190	1,423
EDF's dedicated assets	20,848	-	4,992	-	15,856	2,114	1,347
EDF's liquid assets	18,963	-	15,815	-	3,148	73	73
Other assets	1,113	-	21	444	648	3	3
Loans and receivables	14,622	14,330	-	-	292	-	-
Trade receivables [(3)]	16,843	15,187	1,656	-		-	-

(1) See notes 36.2.2 and 36.3 respectively to the 2017 consolidated financial statements for details of available-for-sale financial assets and loans and receivables. The amount of trade receivables has been restated for the impacts of IFRS 15 (see note 2.1.3.2 to the consolidated financial statements at 30 June 2018).

(2) Corresponding to the cumulative changes in fair value, after tax, on unrealised gains and losses on shares in investment funds (€1,133 million), equity instruments (€84 million) and debt securities, notably bonds (€206 million).

(3) Trade receivables of Edison (Italy) are managed under the "collect and sell" model and are therefore classified in the "Fair value through OCI with recycling" category.

2.2.2.2 Impairment

Retrospective application of the IFRS 9 impairment model to all the financial assets concerned leads to recognition of an impact of €(34) million (net of tax) in opening reserves.

2.2.2.3 Hedge accounting

Retrospective application of the IFRS 9 hedge accounting rules had no impact on opening reserves since all hedging relationships were continued at 1 January 2018.

2.2.2.4 Debt modification

The accounting treatment under IFRS 9 of debt modifications that do not result in derecognition was clarified by the IASB in July 2017. This standard requires the change in amortised cost of the debt at the modification date to be recorded in profit and loss, in contrast to the current practice of spreading the adjustment over the residual term of the modified debt.

The impact of retrospective application at 1 January 2018 of this clarification of IFRS 9 on the Group's opening reserves amounts to €28 million (net of tax).

2.2.2.5 Summary of impacts in terms of changes in Group equity (after tax) at 1 January 2018

Impacts in millions of euros (net of tax)	Revaluation differences on financial instruments (OCI with recycling)	Other consolidated reserves and net income (1)
Equity as published at 31/12/20217	(306)	40,103
- Fair value adjustments to financial instruments that no longer transit via OCI with recycling (2)	(1,219)	1,219
- Associates' and joint ventures' share of these fair value adjustments	(159)	159
- Impairment (see note 2.2.2.2)	6	(34)
- Debt modification (see note 2.2.2.4)	-	28
	(1,372)	*1,372*
Equity after restatements at 01/01/2018	(1,678)	41,475

(1) Fair value changes recorded in OCI with no recycling are presented in the column "Other consolidated reserves and net income".
(2) At 31 December 2017, the cumulative changes in fair value, after tax, on unrealised gains and losses on shares in investment funds (€1,133 million), equity instruments subject to the OCI with no recycling option (€84 million) and debt securities, notably bonds (€2 million) (see note 2.2.2.1).

2.2.2.6 Information regarding the impacts on net income for the first half of 2017 of IFRS 9 on financial assets

The impact of application of IFRS 9 instead of IAS 39 on the Group's net income at 30 June 2017 is provided for information and comparability purposes. The main impacts concern financial assets carried at fair value through OCI with no recycling or through profit and loss. On those instruments, all other things being equal, the impact on the financial result would have been €92 million (€87 million on the net income), consisting of:

- Non-recognition of the gains or losses on sale realised in the first half of 2017, principally shares in investment funds, in the amount of €(442) million, including €(453) million related to shares in investment funds comprised in dedicated assets (see note 10.2);
- Recognition in income of changes in the fair value of these instruments during the first half of 2017, representing the volatility over the period of €534 million including €540 million related to dedicated assets.

(in millions of euros)	H1 2017 as published	IFRS 9 restatements	H1 2017 restated
Operating profit before depreciation and amortisation	6,996	-	6,996
Operating profit	3,882	-	3,882
Cost of gross financial indebtedness	(879)	-	(879)
Discount effect	(1,283)	-	(1,283)
Other financial income and expenses	1,174	92	1,266
Financial result	(988)	92	(896)
Income taxes	(712)	(32)	(744)
Share in net income of associates and joint ventures (1)	(93)	27	(66)
GROUP NET INCOME	2,089	87	2,176

(1) Relates to the investment in CENG.

NOTE 3 SIGNIFICANT EVENTS AND TRANSACTIONS

3.1 A NEW PARTNER FOR EDF RENEWABLES IN TWENTY-FOUR UK WIND FARMS

On 29 June 2018, EDF Renewables sold a 49% minority stake in twenty-four of its UK wind farms (around 550MW), for the price of £701 million.

The new partnership with Dalmore Capital Limited and Pensions Infrastructure Platform, with investments from large UK local authority pension schemes, will enable EDF Renewables to continue to develop renewable energy.

EDF Renewables continues to own a 51% share in this portfolio of wind farms. It will also continue to run the sites and to provide operations and maintenance and asset management services.

EDF Energy will also continue to purchase all of the electricity and ROCs (Renewables Obligation Certificates) generated by the wind farms, on market standard terms.

The sale of this investment, considered as a transaction between shareholders with no change of control, is recognised in equity and has no impact on the Group's income statement (see the statement of Change in consolidated equity).

3.2 SIGNATURE OF BINDING AGREEMENTS FOR THE SALE OF EDF'S STAKE IN THE DUNKERQUE LNG METHANE TERMINAL

Following a competitive auction process launched in early 2018, the EDF group announced on 29 June 2018 that it had entered into exclusive negotiations with two groups of investors for the disposal of its 65.01% interest in the share capital of Dunkerque LNG, owner and operator of the liquefied natural gas (LNG) terminal in Dunkirk.

A consortium composed of Fluxys, AXA Investment Managers – Real Assets, on behalf of its clients, and Crédit Agricole Assurances undertook to acquire a stake of 31%, and a consortium of Korean investors, led by IPM Group (comprised of InfraPartners Management Korea Co. Ltd. in Seoul and InfraPartners Management LLP in London) in collaboration with Samsung Asset Management Co., Ltd and consisting of Samsung Securities Co. Ltd., IBK Securities Co. Ltd. and Hanwha Investment & Securities Co. Ltd., undertook to acquire a stake of 34.01%.

Based on the prices paid by the two consortia, the average enterprise value for 100% of Dunkerque LNG amounts to €2.4 billion.

This transaction will allow current 25% shareholder Fluxys, with the support of Axa Investment Managers – Real Assets and Crédit Agricole Assurances, to take control of and consolidate Dunkerque LNG in line with its global growth strategy in gas infrastructures.

EDF, as a client of Dunkerque LNG, is still committed in the long term to the terminal, which will continue serving the Group's gas strategy.

On 12 July 2018, the EDF group signed the binding agreements for this sale with the same consortia.

The terms of the transaction remain unchanged and completion is expected for the second half of 2018, once the required regulatory approvals have been granted by the French authorities.

Following this sale, the long-term agreement between EDF and Dunkerque LNG for reservation of LNG regasification capacities should lead to recognition of a provision for an onerous contract. The gain on the sale, net of the provision to be recognised, is thus expected to be limited.

3.3 CONFIRMATION OF THE EUROPEAN COMMISSION DECISION ON THE TAX TREATMENT OF PROVISIONS ESTABLISHED BETWEEN 1987 AND 1996 FOR RENEWAL OF GENERAL NETWORK FACILITIES

On 16 January 2018, the General Court of the European Union rejected EDF's appeal against the European Commission's decision of 22 July 2015 classifying the tax treatment of provisions established between 1987 and 1996 for renewal of General Network facilities as state aid, and ordering that it be recovered by the French State.

Following this decision by the Commission, on 13 October 2015 EDF repaid €1.383 billion, corresponding to the amount of state aid including interest. Enedis and RTE contributed their respective shares.

In its latest ruling, the General Court upheld the European Commission's decision of 22 July 2015 classifying the tax treatment of provisions established for renewal of the General Network as state aid. As EDF had already repaid €1.383 billion on 13 October 2015, the execution of this ruling will not entail any additional payment.

On 27 March 2018, EDF submitted an appeal against the General Court's decision of 16 January 2018 to the Court of Justice of the European Union. The announcement of this appeal was published in the Official Journal of the European Union on 28 May 2018.

3.4 SIGNIFICANT EVENTS AND TRANSACTIONS OF 2017

3.4.1 Acquisition of 75.5% of Framatome

AREVA SA, AREVA NP and EDF signed definitive binding agreements on 22 December 2017 setting the terms for the sale to EDF of an interest giving EDF exclusive control over "New NP" (which was renamed Framatome on 4 January 2018), a 100% subsidiary of AREVA NP.

Under the terms of these agreements, EDF's acquisition of 75.5% of New NP's capital was based on an adjusted valuation of €2.47 billion (for 100% of the capital), with no transfer of financial debt. This price was equivalent to a 2017 forecast EBITDA multiple of 8x [1].

This amount may be adjusted upwards or downwards at 31 December 2018 based on the accounts at the completion date of 31 December 2017, once they have been finalised (see note 3.2 to the consolidated financial statements at 31 December 2017).

Framatome's provisional opening balance sheet at 31 December 2017 for 100% of the capital was presented in note 3.2.4.1 to the consolidated financial statements at 31 December 2017. These values have not been significantly modified at 30 June 2018.

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

In application of IFRS 3 (revised), the Group has until 31 December 2018 to finalise recognition of the business combination in its accounts.

3.4.2 Sale of 49.9% of CTE

On 31 March 2017, EDF finalised the sale to Caisse des Dépôts and CNP Assurances of a 49.9% stake in the electricity transmission entity *Coentreprise de transport d'électricité* (CTE, formerly C25), which has held 100% of RTE since December 2016.

The sale was based on a valuation of €8.2 billion for 100% of RTE.

This operation had an impact of €1,462 million in 2017 on other income and expenses (€1,289 million on consolidated net income), and contributed to a decrease of approximately €4 billion in the EDF group's net indebtedness.

Following this operation, EDF's 50.1% investment in CTE, stated at historic value, is accounted for under the equity method and entirely allocated to the dedicated asset portfolio.

1 Normalised pro forma EBITDA for the activities acquired, excluding large projects.

3.5 REGULATORY CHANGES IN FRANCE

3.5.1 Regulated electricity sales tariffs in France – "Blue" tariffs

Tariff changes

The CRE, in accordance with the NOME Law on organisation of the French electricity market (Articles L337-4 and L337-13 of the French Energy Code) issued a decision on 11 January 2018 proposing that the Government should raise the "blue" regulated tariffs for residential customers by +0.7% and for non-residential customers by +1.6%. This proposal was confirmed by a government tariff decision of 31 January 2018 published in the *Journal Officiel* of 1 February 2018, and implemented at that date.

Also, in anticipation of the TURPE adjustment of 1 August 2018 and in application of the French Energy Code, in a decision of 12 July 2018 the CRE proposed a -0.5% reduction in the "blue" regulated tariffs for residential customers and a +1.1% increase in the "blue" tariffs for non-residential customers.

Citing the Council of State's decision of 18 May 2018, the CRE decision of 12 July 2018 included the phasing out of "blue" tariffs for non-residential customers for all large business sites, suggesting a definition for determining the scope of large businesses based on "decree 2008-1354 of 18 December 2008 on the criteria that will determine the category to which a business belongs for the purposes of economic and statistical analysis".

The tariff decision should be published in the *Journal Officiel* on 31 July 2018 for application from 1 August 2018.

Council of State decision of 18 May 2018

Legal challenges against the tariff changes of 2016 and 2017 were brought before France's Council of State by Anode (the national association of retail energy operators) and Engie, on the grounds that the "blue" regulated electricity sales tariffs for residential and non-residential customers were contrary to European Union law.

In its decision of 18 May 2018, the Council of State validated the principle of regulated electricity sales tariffs, notably acknowledging that they serve the public economic interest objective of guaranteeing consumers an electricity price that is more stable than market prices. The Council of State confirmed that this objective cannot be achieved by softer State intervention and that regulation of sales tariffs, which guarantees electricity firms equal access to consumers, is not discriminatory.

However, the Council of State considered that the tariff regulation is disproportionate in its duration, which is permanent, and its scope of application, which currently covers large business sites with subscribed power levels below 36kVA. These facts were cited as justification for partial cancellation of the tariff decision of 27 July 2017.

The French government must now take the necessary legislative steps for implementation of this decision.

3.5.2 "TURPE" network access tariffs

On 17 November 2016, the CRE published its decisions for the TURPE 5 Transmission (high voltage) and TURPE 5 Distribution (medium voltage and low voltage) tariffs for the period 2017-2020. The new TURPE 5 tariff frame took effect on 1 August 2017.

TURPE 5 Transmission tariffs

The TURPE 5 Transmission tariff came into force with a 6.76% tariff increase effective from 1 August 2017, to be followed by subsequent rises on 1 August in the years 2018 to 2020, based on average inflation observed over the previous calendar year, adjusted by a correcting factor to balance the income and expenses adjustment account (CRCP)[1]. The TURPE 5 Transmission tariff sets the weighted average cost of capital (WACC) at 6.125% for the return on RTE's asset base versus 7.25% for TURPE 4. On 17 May 2018 the CRE adopted a decision concerning the TURPE 5 tariff for the high voltage network and its revision at 1 August 2018. The tariff scale will be increased by +3% from 1 August 2018, comprising +1% for inflation and +2% to balance the CRCP.

TURPE 5 and TURPE 5 bis Distribution tariffs

The TURPE 5 Distribution tariff came into force with a 2.71% tariff increase, which took effect on 1 August 2017, to be followed by subsequent rises on 1 August in the years 2018 to 2020, based on average inflation observed

1 A mechanism to measure and offset differences between the actual figures and the forecasts on which tariffs are based.

over the previous calendar year, adjusted by a correcting factor to balance the CRCP. The TURPE 5 continues to use the previous method for calculating cost of capital, setting the margin on assets at 2.6% and the return on regulated equity at 4.1%.

By a decision of 12 January 2017 published in the *Journal Officiel* of 17 January 2017; the French Minister for Energy, acting within the two-month response period, requested a new decision from the CRE as in her opinion the decision of 17 November 2016 had not taken national energy policy orientations into consideration. In a new decision of 19 January 2017, the CRE reiterated its initial decision of 17 November 2016. Both decisions were published in the *Journal Officiel* of 28 January 2017.

On 2 February 2017, Enedis filed an application before the Council of State for cancellation of these two CRE decisions.

On 3 February 2017, EDF, in its capacity as the shareholder of Enedis, also filed an application before the Council of State for cancellation of the same CRE decisions.

By a decision of 9 March 2018, the Council of State partly cancelled the TURPE 5 decisions since the regulator "did not, in determining the cost of capital invested, apply, in addition to the 'risk premium', the 'risk-free rate' to the assets corresponding to items funded, at the time of renewal of installations, by recovery of the remaining portion of the provisions established during the tariff period covered by the 'TURPE 2' tariffs, and the corresponding portion of the installations handed over by the concessionary authorities to the network operator during the same period".

On 28 June 2018, the CRE adopted a decision regarding the TURPE 5 HTA-BT (medium voltage – low voltage) tariff and the change from 1 August 2018 to that tariff, known as the "second TURPE 5 HTA-BT". This decision recommends an average -0.21% increase in the TURPE 5 from 1 August 2018, due to a combination of factors:

- Implementation of the Council of State's partial cancellation decision on 9 March 2018, and the concurrent application of a lower corporate income tax rate: these two effects almost totally offset each other over the period 2018-2020 (combined effect of +0.06%);
- The standard inflation-based adjustment at 1 August (+1%) and balancing of the CRCP (-1.27%).

This decision has no impact on the tariff preparation method, the operating expense trajectory, the principle of regulation for incentive purposes, or the regulations applicable to Linky meters.

The -0.21% reduction is modulated according to the tariff structure: on average -1.16% for users of the medium voltage networks (HTA), -0.59% for low voltage networks (BT) above 36kVA, and +0.14% for low voltage networks (BT) below 36kVA.

The decision also reiterates previous CRE decisions about expenses relating to customer management under a single contract (decision of 26 October 2017), via the management component, and collective auto consumption (decision of 7 June 2018), via the energy withdrawal component. It will take effect the day after its publication in the *Journal Officiel*, due by 31 July 2018, in compliance with the Council of State's decision of 9 March 2018 described above.

In particular, to implement the Council of State's decision of 9 March 2018, the CRE adds back an annual amount of around €1.6 billion in 2018 (and subsequently declining amounts until 2073) to regulated equity. The CRE considers that this will lead to Enedis receiving remuneration equivalent to €750 million expressed in the present value of pre-tax cash flows. This add-back to regulated equity results in remuneration of some €60 million per year in the first few years, on a basis that will reduce progressively until 2073 at a (nominal pre-tax) rate that may, under the present method, be revised by the CRE at each tariff period.

Supplier commissioning

After Law 2017-1839 of 30 December 2017 confirmed the CRE's competence for supplier commissioning, the CRE issued a new decision on 18 January 2018, published in the *Journal Officiel* of 25 January 2018. This decision reiterated the principles adopted in its previous decision of 26 October 2017 regarding remuneration payable by distribution network operators to suppliers for their management of customers under a single contract.

The content of these decisions upholds the principle of identical commissions for all suppliers selling single-contract market-price offers. Only regulated electricity tariffs will give rise to slightly lower commissions (€4.50 instead of €6.80 per point of delivery until 1 August 2019), and this difference will be progressively reduced to zero by 1 August 2022.

For remuneration of past customer management charges (prior to 1 January 2018), the CRE's decision sets an amount it considers as a cap that can be passed on through the TURPE tariff.

However, Law 2017-1839 of 30 December 2017 introduces a measure intended to rule out the possibility of suppliers receiving remuneration from network managers for past customer management services.

On 23 December 2016, Engie brought action against Enedis before the Paris Commercial Court claiming such remuneration. These legal proceedings are ongoing.

Electricity Equalisation Fund

On 22 March 2018, the CRE published its consultation on the levels of contribution due to the Electricity Equalisation Fund for EDF SEI for the years 2018 to 2021, and the smart metering system at EDF SEI. The annual average contribution to the Electricity Equalisation Fund for EDF SEI over this period, including the planned smart metering system, is €185 million.

Discussions are also in progress concerning the parameters of the coefficients used to calculate the respective contributions or income of Enedis and the various local distribution companies. These coefficients will be redefined for the past (since 2012) and the future, with a potential impact for Enedis and Électricité de Strasbourg.

3.5.3 Compensation for public energy service charges (CSPE)

Legal and regulatory framework

The legal and regulatory framework for the mechanism for compensation for public energy service charges is described in note 4.3 to the consolidated financial statements at 31 December 2017.

Public service charges borne by EDF

The amount of expenses (excluding the annual contribution to repayment and associated interest) to be compensated to EDF for the first half of 2018 is €3,611 million.

The amounts received between 1 January and 30 June 2018 (excluding the annual contribution to repayment and associated interest) totalled €4,281 million (including €3,023 million for the dedicated "energy transition" budget account and €1,258 million for the general budget).

The high levels of compensation received during the first half of 2018 reflect the adequate level of funding provided for the special "energy transition" budget account by the domestic tax on energy products (TICPE).

A repayment schedule for EDF's receivable corresponding to the accumulated shortfall in compensation, which amounted to €5,780 million at 31 December 2015, was set out in the ministerial decision of 13 May 2016, amended on 2 December 2016. Under this schedule the receivable will be fully repaid by 2020. On 22 December 2016 EDF securitised a portion of this receivable (€1.5 billion) through a State-approved "Dailly law" assignment. Consequently, since 1 January 2017 EDF has received 73.6% of payments made by the State in reimbursement of the receivable as set out in the repayment schedule. The remainder is paid directly to the assignees.

During the first half of 2018, the State paid EDF €500 million of the principal amount of the financial receivable, comprising €477 million relating to the 2018 repayment schedule and €23 million, paid on 2 January 2018, relating to the 2017 repayment schedule. The amount of €477 million represents 40% of the €1,194 million due by the State in 2018, i.e. the minimum repayment for the first half-year stipulated in the commitments made. At 30 June 2018, the outstanding CSPE financial receivable amounted to €2,788 million.

Finally, in accordance with decree 2016-158 of 18 February 2016 concerning compensation for public energy service charges, on 12 July 2018 the CRE published its decision 2018-156 recording the public service charges for 2017 (€6,475 million) and providing a revised forecast of charges for 2018 (€6,940 million) and a forecast of charges for 2019 (€7,206 million).

3.5.4 French capacity mechanism

The French capacity mechanism took effect on 1 January 2017. It was introduced by France's Energy Code to ensure secure national power supplies in the long term.

On 8 November 2016, the European Commission authorised France's proposed capacity mechanism subject to the country introducing long-term (7-year) contracts for new capacities, admitting foreign capacities, and taking measures to prevent any market manipulation.

Several auctions of capacity for 2018 were held on the European Power Exchange EPEX SPOT, in 2017 and 2018. The volumes traded and the prices between obligated capacity purchasers and operators selling capacity amounted to 10.96GW in November 2017 for the price of €9.31/kW, 10.25GW in December 2017 for the price of €9.38/kW (the market reference price is €9.34/kW for 2018) and 1.17GW in April 2018 for the price of €9.38/kW.

Several auctions of capacity for 2019 were held on the European Power Exchange EPEX SPOT, on 2017 and 2018. The volumes traded and the prices between obligated capacity purchasers and operators selling capacity amounted to 1.22GW in December 2017 for the price of €13/kW, 1.24GW in March 2018 for the price of €18.5/kW, 2.65GW in April 2018 for a price of €18.24/kW and 4.99GW in June 2018 for the price of €18.5/kW.

The capacity price is passed on through all EDF's customer contracts, whether the customers are on regulated sales tariff or market-price contracts, and also through other electricity suppliers' contracts.

3.5.5 Energy savings certificates: fourth period (2018-2020)

Decree 2017-690 of 2 May 2017 issued by the French Ministry for the Environment, Energy and the Sea, published in the *Journal Officiel* on 3 May 2017, sets the obligation levels for the fourth period of energy savings obligations to run from 1 January 2018 to 31 December 2020. The overall level of obligations for this three-year period is substantially increased by the decree: 1,200TWhc for the "standard" obligations and 400TWhc for the obligations that are to benefit households in situations of energy poverty, compared to 700TWhc and 150TWhc respectively for the previous period.

Energy sellers may fulfil their obligation in three ways: by supporting consumers in their energy efficiency operations, funding ministry-approved energy savings certificate schemes, and purchasing certificates from eligible actors. Any surplus "stock" of certificates gained in the previous period also contributes to fulfilment of the obligation. If there is a shortfall at the end of the period, obligated actors must pay the Treasury the fine of €15 per MWhc of shortfall laid down in Article L221-4 of the Energy Code, approximately three times the current cost of the standard obligation.

The EDF group will make every effort to gradually increase its number of certificates in order to meet the objectives set by the State. However, the significant increase in obligations combined with the current lack of depth in the energy savings certificates market, whose future liquidity is uncertain, expose the Group to the risk of a shortfall in certificates for the fourth period.

3.5.6 ARENH

ARENH applications in November 2017 for 2018 deliveries totalled €94.6TWh: 85.4TWh for supplies to final customers and 9.2TWh to compensate for network losses.

A further volume of 1.8TWh was subscribed in May 2018 for supplies to final customers, giving a total of 87.1TWh for 2018, while the applications for network losses remained unchanged at 9.2TWh for 2018.

This subscription volume results from the level of wholesale electricity market prices since the end of the third quarter of 2017 for 2018 deliveries, and is also attributable to the fact that the ARENH price includes delivery of a capacity guarantee.

Also, in March 2018 the French Energy and Climate department organised a public consultation on proposed changes to the regulatory framework applicable to the ARENH mechanism. EDF sent a reply on 30 March 2018.

NOTE 4 CHANGES IN THE SCOPE OF CONSOLIDATION

There was no significant change in the Group's scope of consolidation during the first half of 2018, apart from the operations presented below:

4.1 ACQUISITION OF A 450 MW OFFSHORE WIND PROJECT IN SCOTLAND

The EDF Group, via EDF Renewables in the United Kingdom, a joint subsidiary of EDF Energy and EDF Energies Nouvelles, has bought the Neart na Gaoithe [1] wind farm project from global wind and solar developer Mainstream Renewable Power, following a competitive bidding process.

The wind farm will generate up to 450 megawatts (MW) of renewable energy, enough to meet the annual electricity requirements of more than 375,000 homes [2].

Neart na Gaoithe is a fully consented offshore wind project located in the Firth of Forth off the east coast of Scotland. It covers 105km^2, and has a 15-year Contract for Difference at €140 per MWh (resulting from indexation of the tariff of £114.39 per MWh set in 2012), and grid connection agreements in place. It also benefits from one of the best wind regimes in Europe. The commissioning of the wind farm is planned for 2023.

The total investment required to deliver the project is around £1.8 billion. The project will be open to other investors in due course.

4.2 EDISON COMPLETES THE ACQUISITION OF GAS NATURAL VENDITA ITALIA

Following approval from the European Union, Edison finalised its acquisition of Gas Natural Vendita Italia (GNVI) on 22 February 2018 and strengthened its position in the domestic market, increasing its customer base by 50% and expanding its presence throughout the country. GNVI's portfolio is located primarily in Southern Italy and the majority consists of gas customers. With this transaction, Edison strengthens its position as a key national energy operator in the retail sector. The price paid to acquire the company was €195 million (see note 44.1.2.2 to the consolidated financial statements at 31 December 2017).

Completion of the acquisition of GNVI paves the way for transfer to Edison of a contract for gas supplies from the Shah Deniz II field in Azerbaijan.

1 Neart na Gaoithe is Gaelic for "Strength of the Wind".
2 Based on the average domestic electricity consumption per home of 3,889kWh per the Energy Consumption in the UK report (published in July 2017) and the average load factor for Renewable UK offshore wind farms estimated at 37.2%.

NOTE 5 SEGMENT REPORTING

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

Segment reporting is determined before inter-segment eliminations and comprises the effects on profit and loss of asset and liability revaluations due to acquisition of control as defined by IFRS 3.

In the first half of 2018, the Group has modified its segment reporting and now presents EDF Énergies Nouvelles and Dalkia separately (they were previously included in the "Other activities" segment).

5.1 AT 30 JUNE 2018

(in millions of euros)	France – Generation and Supply	France – Regulated activities	Framatome [1]	United Kingdom	Italy	Other international	EDF EN	Dalkia	Other activities	Inter-segment eliminations	Total
Income statements:											
External sales	13,068	8,390	862	4,603	4,100	1,058	525	1,705	864	-	35,175
Inter-segment sales	584	15	638	2	13	89	210	304	420	(2,275)	-
TOTAL SALES	13,652	8,405	1,500	4,605	4,113	1,147	735	2,009	1,284	(2,275)	35,175
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION	3,578	2,663	194	485	407	117	360	159	376	(108)	8,231
OPERATING PROFIT	1,934	1,157	92	(24)	114	(17)	94	56	352	(108)	3,650

(1) The Framatome group was acquired on 31 December 2017.

5.2 AT 30 JUNE 2017

The segment reporting at 30 June 2017 has been restated in accordance with the changes in operating segments introduced for the consolidated financial statements at 30 June 2018 and the provisions of IFRS 15 (see note 2.1.4).

(in millions of euros)	France – Generation and Supply	France – Regulated activities	United Kingdom	Italy	Other international	EDF EN	Dalkia	Other activities	Inter-segment eliminations	Total
Income statements:										
External sales	12,543	8,106	4,424	3,812	1,646	470	1,526	771	-	33,298
Inter-segment sales	513	36	3	8	60	150	261	488	(1,519)	-
TOTAL SALES	13,056	8,142	4,427	3,820	1,706	620	1,787	1,259	(1,519)	33,298
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION	2,453	2,400	627	426	275	451	155	209	-	6,996
OPERATING PROFIT	2,227	995	120	(33)	155	270	61	87	-	3,882

INCOME STATEMENT

NOTE 6 SALES

Sales are comprised of:

(in millions of euros)	H1 2018	H1 2017 restated
Sales of energy and energy-related services	32,782	32,132
Other sales of goods and services	1,921	849
Trading	472	317
SALES	35,175	33,298

After elimination of changes in foreign exchange rates and the scope of consolidation, sales for the first half of 2018 showed growth of +4%, principally in France, the United Kingdom and Italy.

The rise in sales in France in the first half of 2018 mainly reflects higher net sales on the markets due to very favourable hydropower generation during the period, and an increase in nuclear power output. It is also explained by an increase in deliveries under the ARENH system. The negative impacts of the erosion in sales to final customers are offset by favourable price effects (tariff increase and changes in the portfolio structure).

For the regulated activities in France, the increase in the TURPE tariffs and the weather both had a positive impact.

In the United Kingdom, the increase in sales is mainly attributable to higher prices on residential electricity contracts and higher average prices and sales volumes for gas.

In Italy, sales increased due to favourable volume changes associated with better hydraulicity and positive price developments in the electricity and gas activities.

The effect on other sales of goods and services of the first consolidation of Framatome, which was acquired at 31 December 2017, amounted to €862 million.

NOTE 7 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses mainly include the amount received or receivable by EDF under the CSPE (*Contribution au Service Public de l'Électricité* - Contribution to the Public Electricity Service) system which is reflected in the consolidated financial statements by recognition of income of €3,611 million for the first half of 2018 (€3,424 million for the first half of 2017).

NOTE 8 IMPAIRMENT / REVERSALS

8.1 AT 30 JUNE 2018

Impairment tests are conducted at each year-end, and for the half-year financial statements when there is an indication of loss of value.

Market conditions improved in Europe over the first half of 2018 and did not generate any additional risks on Group assets.

The Group recognised €(68) million of impairment during the first half of 2018 in respect of certain specific assets.

8.2 AT 30 JUNE 2017

Impairment of €(32) million was booked over the first half of 2017. It mainly concerned certain real estate assets in France.

Impairment of €(341) million was also booked in respect of associates. Details are given in note 14.2.3.

NOTE 9 OTHER INCOME AND EXPENSES

Other income and expenses amount to €(56) million for the first half of 2018.

Other income and expenses amounted to €1,367 million for the first half of 2017, mainly including a gain of €1,462 million on the sale of 49.9% of the Group's investment in CTE.

NOTE 10 FINANCIAL RESULT

10.1 DISCOUNT EFFECT

The discount effect concerns provisions for the back-end of the nuclear cycle, decommissioning and last cores, and long-term and post-employment employee benefits. The increase in the corresponding expense at 30 June 2018 relates to the decrease in the real discount rate applied to nuclear provisions in France (see note 19.2.1).

Details of this expense are as follows:

(in millions of euros)	H1 2018	H1 2017
Provisions for long-term and post-employment employee benefits	(433)	(444)
Provisions for the back-end of the nuclear cycle, decommissioning and last cores [(1)]	(1,226)	(790)
Other provisions and advances	(48)	(49)
DISCOUNT EFFECT	1,707	(1,283)

(1) Including the effect of discounting the receivable corresponding to amounts reimbursable by the NLF in the United Kingdom (see note 15.3).

10.2 OTHER FINANCIAL INCOME AND EXPENSES

Other financial income and expenses in the first half of 2018 include €110 million of changes in the fair value of debt and equity securities (€119 million of which concern dedicated assets).

They also include €20 million of gains and losses on sale of debt securities carried at fair value through OCI with recycling (€4 million of which concern dedicated assets).

In the first half of 2017, other financial income and expenses included €514 million of net gains on sales (€491 million of which concerned dedicated assets). Net gains on sales of shares, principally shares in investment funds, amounted to €442 million, including €453 million on shares in investment funds included in dedicated assets.

NOTE 11 INCOME TAXES

The income tax expense amounts to €(625) million for the first half of 2018, corresponding to an effective tax rate of 31.0% (compared to an expense of €(712) million corresponding to an effective tax rate of 24.6% for the first half of 2017). The Group's higher effective tax rate at 30 June 2018 compared to 30 June 2017 essentially reflects the favourable impact of the sale of 49.9% of CTE on 31 March 2017, which was subject to a reduced tax rate and had no equivalent in 2018 (see note 3.4.2).

OPERATING ASSETS AND LIABILITIES, EQUITY

NOTE 12 GOODWILL

Goodwill on consolidated entities comprises the following:

(in millions of euros)	
Net book value at opening date	10,036
Acquisitions	106
Disposals	-
Impairment	-
Translation adjustments	12
Other changes	(33)
NET BOOK VALUE AT CLOSING DATE	10,121
Gross value at closing date	10,883
Accumulated impairment at closing date	(762)

The changes in goodwill in first half 2018 primarily relate to Edison's acquisition of GNVI for €83 million (see note 4.2).

Goodwill mainly concerns EDF Energy (€7,597 million) and Framatome (€1,223 million). For the Framatome goodwill, in accordance with IFRS 3 (revised), the Group has until 31 December 2018 to finalise recognition of the business combination.

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

The net value of property, plant and equipment breaks down as follows:

(in millions of euros)	30/06/2018	31/12/2017
Property, plant and equipment	53,663	53,034
Property, plant and equipment in progress	1,774	1,705
PROPERTY, PLANT AND EQUIPMENT OPERATED UNDER FRENCH PUBLIC ELECTRICITY DISTRIBUTION CONCESSIONS	55,437	54,739
Property, plant and equipment	6,258	6,369
Property, plant and equipment in progress	1,303	1,238
PROPERTY, PLANT AND EQUIPMENT OPERATED UNDER CONCESSIONS FOR OTHER ACTIVITIES	7,561	7,607
Property, plant and equipment	48,152	48,972
Property, plant and equipment in progress	28,944	26,515
Finance-leased property, plant and equipment	119	135
PROPERTY, PLANT AND EQUIPMENT USED IN GENERATION AND OTHER TANGIBLE ASSETS OWNED BY THE GROUP	77,215	75,622

At 30 June 2018, property, plant and equipment in progress used in generation owned by the Group mainly concern the EPR reactors at Flamanville 3 (€11,980 million including capitalised interim interest amounting to €2,467 million), and Hinkley Point C (€6,305 million including capitalised interim interest amounting to €88 million).

At 30 June 2018, property, plant and equipment used in generation at the Dunkerque methane terminal amount to €1,193 million.

The net value of property, plant and equipment, excluding construction in progress and finance-leased assets, breaks down as follows:

(in millions of euros)	Property, plant and equipment operated under French public electricity distribution concessions	Property, plant and equipment operated under concessions for other activities	Property, plant and equipment used in generation and other tangible assets owned by the Group
Gross values at 30/06/2018	98,516	14,769	122,600
Depreciation and impairment at 30/06/2018	(44,853)	(8,511)	(74,448)
NET VALUES AT 30/06/2018	53,663	6,258	48,152
Net values at 31/12/2017	53,034	6,369	48,972

Network assets account for most of the amounts of property, plant and equipment operated under French public electricity distribution concessions: €91,426 million gross value and €50,732 million net value at 30 June 2018 (€89,955 million gross value and €50,177 million net value at 31 December 2017).

The net value of property, plant and equipment used in generation and other tangible assets owned by the Group breaks down as follows:

(in millions of euros)	Land and buildings	Networks	Nuclear power plants	Fossil-fired and hydropower plants	Other installations, plant, machinery and equipment and other	Total
NET VALUES AT 30/06/2018	5,938	6	22,721	8,032	11,455	48,152
Net values at 31/12/2017	5,945	5	23,211	8,607	11,204	48,972

NOTE 14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are as follows:

		30/06/2018			30/06/2017	31/12/2017	
(in millions of euros)	Principal Activity [(1)]	Ownership %	Share of net equity	Share of net income	Share of net income	Share of net equity	Share of net income
Principal investments in associates							
CTE [(2)]	O	50.10	1,297	153	153	1,241	249
CENG	G	49.99	1,593	54	(373)	1,494	(316)
Taishan (TNPJVC) [(3)]	G	30.00	n.c	n.c	(5)	1,122	(17)
Alpiq [(4)]	G, D, O, T	25.04	628	(5)	52	602	25
Other investments in associates and joint ventures			n.c	n.c	80	2,790	94
TOTAL			7,618	365	(93)	7,249	35

n/a = not applicable
n.c = not communicated
(1) *G = generation, D = distribution, T = transmission, O = other*
(2) *At 30 June 2018, this corresponds to a 50.1% interest in CTE (the joint venture holding RTE's shares). By convention, the share of net income presented comprises 100% of RTE's net income for the first quarter of 2017 and 50.1% of the CTE sub-consolidation's net income for the second quarter of 2017.*
(3) *The financial data for Taishan at 30 June 2018 are not reported in this table as CGN (Taishan's parent company) publishes its consolidated financial statements after the Group.*
(4) *As Alpiq publishes its consolidated financial statements after the Group, the figures above include an estimate of its contribution at 30 June 2018 (including the final results published by Alpiq in March 2018).*

Other investments in associates and joint ventures are Nam Theun Power Company (NTPC), and certain entities owned by EDF Énergies Nouvelles and EDF SA.

For the first half of 2017, €(341) million of impairment of investments in associates and joint ventures was booked in respect of the assets of CENG (see note 14.2.3).

14.1 COENTREPRISE DE TRANSPORT D'ELECTRICITE (CTE)

14.1.1 CTE – financial indicators

The key financial indicators for the CTE sub-consolidation (on a 100% basis) are as follows:

(in millions of euros)	30/06/2018	30/06/2017 (1)
Non-current assets	17,379	16,892
Current assets	3,127	1,707
Total assets	20,506	18,599
Equity	2,589	2,450
Non-current liabilities	13,192	12,852
Current liabilities	4,725	3,297
Total equity and liabilities	20,506	18,599
Sales	2,597	2,362
Operating profit before depreciation and amortisation	1,056	740
Net income	306	144
Net indebtedness	10,981	11,002
Gains and losses recorded in equity	-	-
Dividends paid to the EDF group	-	-

(1) The figures at 30 June 2017 are the figures for the CTE sub-consolidation (CTE is the joint venture that holds the shares in RTE), comprising 100% of RTE's net income for the first quarter of 2017 and 50.1% of the CTE sub-consolidation's net income for the second quarter of 2017, due to the sale of CTE (see note 3.4.2).

14.1.2 Operations between the EDF group and CTE

CTE's affiliate, RTE (Réseau de Transport d'Électricité), is responsible for managing the high voltage and very high voltage public electricity transmission network. Enedis uses RTE's network to convey energy to the distribution network.

14.2 CENG

14.2.1 CENG – financial indicators

The key financial indicators for CENG (on a 100% basis) are as follows:

(in millions of euros)	30/06/2018	31/12/2017
Non-current assets	7,623	7,370
Current assets	928	965
Total assets	8,551	8,335
Equity	3,186	2,989
Non-current liabilities	5,045	5,030
Current liabilities	320	316
Total equity and liabilities	8,551	8,335
Sales	650	1,156
Operating profit before depreciation and amortisation	267	396
Net income [(1)]	108	(633)
Gains and losses recorded in equity	87	107
Dividends paid to the Group	-	-

(1) Including 100% of impairment at 31 December 2017, amounting to €(982) million.

14.2.2 Operations between the EDF group and CENG

At 30 June 2018, the main operations between the EDF group and CENG concern the power purchase agreements between CENG and the Group (EDF Trading North America). These agreements provided for delivery to EDF Trading North America of 49.99% of the power output from CENG's three plants at market price.

These electricity sales by CENG to EDF Trading North America represented a volume of 8.0TWh in first half 2018.

14.2.3 Impairment

At 31 December 2017, impairment of €(491) million was recorded by the Group on its investment in CENG (€(341) million was already booked at 30 June 2017).

This impairment was evaluated by the Group's usual methodology. It resulted from:

- further downward revision of long-term price trajectories published by external analysts (ABB, IHS, Cera, EIA): the figures published in autumn 2017 were lower than the forecasts issued in spring 2017;
- a decline in short-term market prices caused by the steady decrease in gas prices throughout the year (average 4% decrease in electricity prices on the market horizon between the first and second half-year).

At 30 June 2018, the impairment test conducted did not lead to recognition of any additional impairment.

Calculation of the value is sensitive to several assumptions, particularly concerning the long-term existence of New York State's Zero Emission Credit (ZEC) programme of subsidies for nuclear power plants, which provides additional income for the Ginna and Nine Mile Point plants. This programme is currently the subject of legal proceedings and its continuation could be called into question.

In addition, there are uncertainties relating to several key assumptions for the valuation of the investment in CENG (e.g. the market environment, legal framework, changes in energy policies, and the Group's lack of control over strategy-setting). The calculation of recoverable value for the CENG asset thus includes a specific risk premium.

14.3 TAISHAN

14.3.1 Taishan - financial indicators

The key financial indicators for Taishan published by CGN (on a 100% basis) are as follows:

(in millions of euros)	31/12/2017	31/12/2016
Non-current assets	11,030	10,936
Current assets	350	66
Total assets	11,380	11,002
Equity	3,316	3,594
Non-current liabilities	6,864	6,563
Current liabilities	1,200	845
Total equity and liabilities	11,380	11,002
Sales	-	-
Net income	(56)	(39)
Dividends paid	-	-

14.3.2 Transactions between the EDF group and Taishan

EDF owns 30% of Taishan Nuclear Power Joint Venture Company Limited (TNPJVC), which was set up to build and operate two EPR nuclear reactors in Taishan, in the province of Guangdong in China. CGN holds a 51% stake and Yudean a 19% stake.

Framatome has two contracts with TNPJVC:

- supply of two EPR nuclear islands in a consortium with CNPDC and CNPEC;
- delivery of fuels (initial core and first refuelling for each unit).

Taishan Unit 1 and Taishan Unit 2 are expected to begin commercial operation at the end of 2018 and 2019 respectively. The first reactor was connected to the network for the first time on 29 June 2018.

14.4 ALPIQ

The Alpiq group is still facing a difficult market environment with notably low wholesale prices. Also, Alpiq has no access to final customers on the Swiss market, which has not been completely liberalised. In 2017 this unfavourable context continued to affect the profitability of its generation capacities in Switzerland since electricity is sold on the market at below-cost prices.

When it published its annual 2017 financial statements in March 2018, Alpiq once again stressed the two factors affecting the profitability of its traditional assets: stagnation of market prices at low levels, and asymmetrical regulation of the Swiss electricity market. However, since these risks had already been taken into account, no additional impairment was recognised during the 2017 financial year.

Under its strategy to reinforce its core activity and reduce debt, Alpiq announced that in March 2018 it had signed an agreement to sell its services and engineering activities to Bouygues Construction for CHF850 million.

Currently, since the publication of Alpiq's annual results in March 2018, the Group is not aware of any factors indicating a risk of further impairment of its investment in Alpiq at 30 June 2018.

The Group will continue to closely monitor the effective implementation of Alpiq's strategic plan. Should the Alpiq group recognise impairment in its half-year 2018 consolidated financial statements, due to be published on 27 August 2018, the EDF group would reflect that in its 2018 financial statements.

NOTE 15 CURRENT AND NON-CURRENT FINANCIAL ASSETS

15.1 BREAKDOWN BETWEEN CURRENT AND NON-CURRENT FINANCIAL ASSETS

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

	30/06/2018			31/12/2017		
(in millions of euros)	Current	Non-current	Total	Current	Non-current	Total
Instruments at fair value through OCI with recycling	15,668	5,680	21,348	-	-	-
Instruments at fair value through OCI with no recycling	3	447	450	-	-	-
Instruments at fair value through profit and loss	3,979	16,049	20,028	-	-	-
Available-for-sale financial assets	-	-	-	19,312	21,612	40,924
Debt or equity securities	*19,650*	*22,176*	*41,826*	*19,312*	*21,612*	*40,924*
Trading derivatives – Positive fair value in profit and loss	7,848	13	7,861	2,614	-	2,614
Hedging derivatives - Positive fair value in profit and loss	1,878	2,563	4,441	837	2,743	3,580
Loans and financial receivables (1)	2,327	12,570	14,897	2,190	12,432	14,622
CURRENT AND NON-CURRENT FINANCIAL ASSETS	31,716	37,309	69,025	24,953	36,787	61,740

(1) Including impairment of €(174) million at 30 June 2018 (€(189) million at 31 December 2017).

15.2 DETAILS OF FINANCIAL ASSETS

Details of debt and equity securities are shown in the table below.

	30/06/2018				31/12/2017
(in millions of euros)	At fair value through OCI with recycling	At fair value through OCI with no recycling (IFRS 9)	At fair value through profit and loss	Total	At fair value through OCI with recycling (IAS 39)
Debt and equity securities					
EDF dedicated assets	5,715	-	15,714	**21,429**	20,848
Liquid assets	15,488	-	3,777	**19,265**	18,963
Other securities	145	450	537	**1,132**	1,113
TOTAL	21,348	450	20,028	41,826	40,924

Information on EDF's dedicated assets is given in note 22. The general management policy for dedicated assets is presented in note 47 of the consolidated financial statements for the year ended 31 December 2017.

15.3 LOANS AND FINANCIAL RECEIVABLES

Loans and financial receivables are recorded at amortised cost.

(in millions of euros)	30/06/2018	31/12/2017
Loans and financial receivables - amounts receivable from the NLF	8,952	8,650
Loans and financial receivables – CSPE	2,788	3,294
Loans and financial receivables - other	3,157	2,678
LOANS AND FINANCIAL RECEIVABLES	14,897	14,622

At 30 June 2018, loans and financial receivables mainly include:

- amounts representing reimbursements receivable from the NLF and the British government for coverage of long-term nuclear obligations, totalling €8,952 million at 30 June 2018 (€8,650 million at 31 December 2017), discounted at the same rate as the provisions they finance;
- the receivable corresponding to the balance of the shortfall in the Contribution to the Public Electricity Service (CSPE) at 31 December 2017 and the costs of bearing that shortfall. Reimbursements of principal and interest during the first half of 2018 amounted to €529 million (€395 million in the first half of 2017), in line with the schedule published in the ministerial orders of 13 May 2016 and 2 December 2016, made in application of Article R. 121-31 of the French Energy Code. This CSPE receivable is allocated in its entirety to dedicated assets.

NOTE 16 TRADE RECEIVABLES

Details of net trade receivables are as follows:

(in millions of euros)	30/06/2018	31/12/2017 restated
Trade receivables, gross value – excluding EDF Trading	13,483	14,359
Trade receivables, gross value – EDF Trading	2,744	3,530
Impairment	(996)	(1,046)
TRADE RECEIVABLES, NET VALUE	15,231	16,843

Most trade receivables mature within one year.

Advances received from customers in France who pay in regular monthly instalments, amounting to €7,217 million at 30 June 2018 (€6,568 million at 31 December 2017), are deducted from trade receivables (see note 2.1.3.2).

NOTE 17 OTHER RECEIVABLES

At 30 June 2018, other receivables principally include tax receivables of €1,974 million (€2,412 million at 31 December 2017) and prepaid expenses of €1,607 million (€1,592 million at 31 December 2017). They also include a receivable corresponding to the shortfall in the CSPE, amounting to €524 million (€1,147 million at 31 December 2017). The rest of the CSPE receivable is included in Loans and financial receivables (see note 15.3).

NOTE 18 EQUITY

18.1 SHARE CAPITAL

At 30 June 2018, EDF's share capital amounts to €1,505,133,838 comprising 3,010,267,676 fully subscribed and paid-up shares with nominal value of €0.50, owned 83.67% by the French State, 15.04% by the public (institutional and private investors) and 1.17% by current and retired Group employees, with 0.12% held by EDF as treasury shares.

In June 2018, payment of the interim dividend for 2017 in the form of a scrip dividend led to a €41 million increase in the share capital and an issue premium of €806 million following issuance of 82,828,872 new shares. The legal formalities for this operation were finalised in June 2018.

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

18.2 DIVIDENDS

The General Shareholders' Meeting of 15 May 2018 decided to distribute an ordinary dividend of €0.46 per share in respect of 2017, offering shareholders the choice of payment in cash or shares (scrip option).

In application of Article 24 of the Company's articles of association, shareholders who had held their shares continuously for at least 2 years at the year-end and still held them at the dividend distribution date benefit from a 10% bonus on their dividends. The number of shares carrying an entitlement to the bonus dividend cannot exceed 0.5% of the Company's capital per shareholder. The bonus dividend amounts to €0.506 per share.

As interim dividends of €0.15 per share had been paid in the form of new shares or cash on 11 December 2017, the balance payable for 2017 amounted to €0.31 per share benefiting from the ordinary dividend and €0.356 per share benefiting from the bonus dividend. The balance of the dividend was paid out on 19 June 2018.

The French government opted for the scrip dividend for the balance of 2017 dividends payable.

The amount of the cash dividend paid to shareholders who did not opt for the scrip dividend for 2017 amounts to €60 million.

18.3 EQUITY INSTRUMENTS

At 30 June 2018, perpetual subordinated bonds are carried in equity at the amount of €10,095 million (net of transaction costs).

Interest paid by EDF to the bearers of perpetual subordinated bonds issued in January 2013 and January 2014 totalled €378 million in the first half of 2018 and €565 million in the year 2017. The resulting cash pay-out is reflected in a corresponding reduction in Group equity.

For the second half of 2018, EDF paid interest of around €170 million to the bearers of perpetual subordinated bonds in July 2018.

Other equity instruments

Instruments in the form of convertible bonds issued by the Dalkia group were recognised in equity at 30 June 2018 in the amount of €168 million (€124 million in 2017).

The increase over the half-year is due to the subscription of a total of €44 million of convertible bonds by one of Dalkia's partners when Dalkia sold 70% of its investments in two biomass cogeneration assets on 30 January 2018.

These convertible bonds qualify as equity instruments under IAS 32, and analysis of voting rights and corporate governance confirms the continuation of exclusive control by Dalkia. In the statement of cash flows, this operation is presented in cash flows from financing operations.

18.4 CHANGES IN THE FAIR VALUE OF FINANCIAL INSTRUMENTS

18.4.1 Debt and equity instruments

Changes in the fair value of debt and equity instruments were recorded in equity (EDF share) over the period as follows:

(in millions of euros)	H1 2018 (IFRS 9)			H1 2017 (IAS 39)	
	Gross changes in fair value recorded in OCI with no recycling(1)	Gross changes in fair value recorded in OCI with recycling (1)	Gross changes in fair value recycled to profit and loss (2)	Gross changes in fair value recorded in equity (1)	Gross changes in fair value recycled to profit and loss (2)
EDF dedicated assets	-	(31)	4	304	308
Liquid assets	-	(64)	16	63	53
Other assets	(2)	-	-	3	-
DEBT AND EQUITY INSTRUMENTS (3)	(2)	(95)	20	370	361

(1) + / ( ): increase / (decrease) in equity (EDF share).
(2) + / ( ): increase / (decrease) in income (EDF share).
(3) Excluding associates and joint ventures.

In first half 2018, gross changes in fair value principally concern EDF (€(115) million, including €(35) million for dedicated assets).

In first half 2017, gross changes in fair value principally concerned EDF (€7 million, including €(4) million for dedicated assets).

18.4.2 Hedging instruments

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

	H1 2018 (IFRS 9)			H1 2017 (IAS 39)		
(in millions of euros)	Gross changes in fair value recorded in equity [(1)]	Gross changes in fair value transferred to profit and loss - Recycling [(2)]	Gross changes in fair value charged to profit and loss - Ineffectiveness	Gross changes in fair value recorded in equity [(1)]	Gross changes in fair value transferred to profit and loss - Recycling [(2)]	Gross changes in fair value charged to profit and loss - Ineffectiveness
Interest rate hedging	(29)	-	-	24	(9)	-
Exchange rate hedging	420	274	(10)	(975)	(927)	4
Net foreign investment hedging	(73)	-	-	317	(26)	-
Commodity hedging	(511)	(495)	-	(202)	(941)	(3)
HEDGING INSTRUMENTS [(3)]	(193)	(221)	(10)	(836)	(1,903)	1

(1) + / ( ): increase / (decrease) in equity (EDF share).
(2) + / ( ): increase / (decrease) in income (EDF share).
(3) Excluding associates and joint ventures.

NOTE 19 PROVISIONS

19.1 BREAKDOWN BETWEEN CURRENT AND NON-CURRENT PROVISIONS

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

		30/06/2018			31/12/2017		
(in millions of euros)	Notes	Current	Non-current	Total	Current	Non-current	Total
Provisions for the back-end of the nuclear cycle		1,427	21,824	23,251	1,479	21,378	22,857
Provisions for decommissioning and last cores		366	25,885	26,251	290	25,032	25,322
Provisions related to nuclear generation	19.2	1,793	47,709	49,502	1,769	46,410	48,179
Other provisions for decommissioning		76	2,028	2,104	80	1,977	2,057
Provisions for employee benefits	19.3	1,076	19,590	20,666	1,106	20,630	21,736
Other provisions	19.4	2,886	2,240	5,126	2,529	2,356	4,885
TOTAL PROVISIONS		5,831	71,567	77,398	5,484	71,373	76,857

19.2 PROVISIONS RELATED TO NUCLEAR GENERATION - BACK-END OF THE NUCLEAR CYCLE, PLANT DECOMMISSIONING AND LAST CORES

In the first half of 2018, the changes in provisions for the back-end of the nuclear cycle, decommissioning and last cores breaks down as follows:

(in millions of euros)	31/12/2017	Increases	Decreases	Discount effect	Translation adjustments	Other movements	30/06/2018
Provisions for spent nuclear fuel management	12,353	270	(524)	370	2	(59)	12,412
Provisions for waste removal and conditioning	1,041	3	(8)	30	-	20	1,086
Provisions for long-term radioactive waste management	9,463	18	(221)	418	1	74	9,753
Provisions for the back-end of the nuclear cycle	**22,857**	**291**	**(753)**	**818**	**3**	**35**	**23,251**
Provisions for nuclear plant decommissioning	21,431	1	(70)	532	6	370	22,270
Provisions for last cores	3,891	-	-	84	2	4	3,981
Provisions for decommissioning and last cores	**25,322**	**1**	**(70)**	**616**	**8**	**374**	**26,251**
PROVISIONS RELATED TO NUCLEAR GENERATION	48,179	292	(823)	1,434	11	409	49,502

There was no significant change during the first half of 2018 in the breakdown by company of provisions related to nuclear generation (see note 29 to the consolidated financial statements at 31 December 2017).

The change in provisions related to nuclear generation in the first half of 2018 is mainly due to a lower discount rate in France and the United Kingdom. The corresponding effects are included in the "Discount effect" (€404 million), and in "Other movements" (€576 million) for changes in provisions with related assets (assets associated with provisions and underlying assets in France; the NLF receivable in the United Kingdom).

19.2.1 Nuclear provisions in France

The measurement of provisions for the back-end of the nuclear cycle, decommissioning and last cores is sensitive to assumptions concerning technical processes, costs, inflation rates, long-term discount rates, the depreciation period of plants currently in operation and disbursement schedules. A revised estimate is established at each closing date to ensure that the amounts accrued correspond to the best estimate of the costs eventually to be borne by the Group.

The regulatory framework for nuclear provisions in France and the main calculation methods used for provisions are described in note 29.1 to the consolidated financial statements at 31 December 2017.

Discount rate

The methods for calculating the discount rate are identical to those used at 31 December 2017, and are described in note 29.1.5 to the 2017 consolidated financial statements.

The discount rate is 4.0% at 30 June 2018 (4.1% at 31 December 2017), assuming inflation of 1.5%, unchanged compared to 2017.

Regulatory discount rate limit

The discount rate applied must also comply with two regulatory limits. Under the amended decree of 23 February 2007 and the ministerial order of 21 March 2007, itself modified by the order of 29 December 2017, the discount rate must be lower than:

- a regulatory maximum, set until 31 December 2026 as the weighted average of two terms, the first set at 4.3%, and the second corresponding to the arithmetic average over the 48 most recent months of the TEC 30-year rate plus 100 points. The weighting given to the first constant term of 4.3% reduces on a straight-line basis from 100% at 31 December 2016 to 0% at 31 December 2026;
- and the expected rate of return on assets covering the liability (dedicated assets).

The ceiling rate based on the TEC 30-year rate is 4.0% at 30 June 2018 (4.1% at 31 December 2017).

Sensitivity to assumptions concerning costs, inflation rate, long-term discount rate, and disbursement schedules can be measured based on comparison of the gross amount estimated under period-end economic conditions with the present value of the amount.

(in millions of euros)	30/06/2018		31/12/2017	
	Costs based on economic conditions at 30 June	Amounts in provisions at present value	Costs based on economic conditions at 31 December	Amounts in provisions at present value
Spent fuel management	19,325	10,897	19,058	10,786
Waste removal and conditioning	1,205	744	1,203	726
Long-term radioactive waste management	29,502	9,053	29,396	8,814
BACK-END NUCLEAR CYCLE EXPENSES	50,032	20,694	49,657	20,326
Decommissioning provisions for nuclear plants in operation	20,709	12,091	20,563	11,616
Decommissioning provisions for shut-down nuclear power plants	6,467	3,384	6,472	3,304
Provisions for last cores	4,332	2,456	4,332	2,387
DECOMMISSIONING AND LAST CORE EXPENSES	31,508	17,931	31,367	17,307

19.2.2 EDF Energy's nuclear provisions

The specific regulatory and contractual framework related to provisions for the back-end of the nuclear cycle and decommissioning of EDF Energy's power plants is described in note 29.2 to the consolidated financial statements at 31 December 2017.

The real discount rate applied to EDF Energy's nuclear provisions at 30 June 2018 is 2.6% (2.7% at 31 December 2017). This results in an increase in provisions, and a correlated increase in the NLF receivable.

19.3 EMPLOYEE BENEFITS

19.3.1 EDF group

(in millions of euros)	30/06/2018	31/12/2017
Provisions for employee benefits - current portion	1,076	1,106
Provisions for employee benefits - non-current portion	19,590	20,630
PROVISIONS FOR EMPLOYEE BENEFITS	20,666	21,736

19.3.1.1 Breakdown of the change in the net liability

(in millions of euros)	Obligations	Fund assets	Net liability
Balance at 31/12/2017 [1]	42,721	(21,895)	20,826
Net expense for first-half 2018	976	(236)	740
Actuarial gains and losses	(1,198)	(85)	(1,283)
Employer's contributions to funds	-	(154)	(154)
Employees' contributions to funds	8	(8)	-
Benefits paid	(1,068)	294	(774)
Translation adjustments	24	(22)	2
Changes in scope of consolidation	1	-	1
Other movements	2	(4)	(2)
BALANCE AT 30/06/2018	41,466	(22,110)	19,356
Including:			
Provisions for employee benefits	-	-	20,666
Non-current financial assets	-	-	(1,310)

(1) *The net liability at 31 December 2017 comprised €21,736 million for the provision for employee benefits and €(910) million of non-current financial assets, giving a net amount of €20,826 million.*

Actuarial gains and losses on obligations amount to €(1,198) million for the first half of 2018, comprising €(590) million in the United Kingdom and €(608) million in France associated with changes in the discount rate (see note 19.3.2).

Actuarial gains and losses on fund assets amount to €(85) million for the first half of 2018. They result from a €(216) million change in France relating to positive returns on bonds that exceeded the discount rate since French and German interest rates declined over the period, offset by a low return of €131 million in the United Kingdom following a poor equity market performance for the same period.

19.3.1.2 Post-employment and long-term employee benefit expenses

(in millions of euros)	H1 2018	H1 2017
Current service cost	(514)	(508)
Past service cost	(1)	-
Actuarial gains and losses – long-term benefits	(28)	(49)
Net expenses recorded as operating expenses	(543)	(557)
Interest expense (discount effect)	(433)	(444)
Return on fund assets	236	237
Net interest expense included in financial result	(197)	(207)
EMPLOYEE BENEFIT EXPENSES RECORDED IN THE INCOME STATEMENT	(740)	(764)
Actuarial gains and losses – post-employment benefits	1,198	(75)
Actuarial gains and losses – fund assets	85	(62)
Actuarial gains and losses	1,283	(137)
Translation adjustments	(2)	(11)
GAINS AND LOSSES ON EMPLOYEE BENEFITS RECORDED IN EQUITY	1,281	(148)

There was no significant change during the first half of 2018 in the breakdown of the net employee benefit liability by geographical area (see note 31.1.3 to the consolidated financial statements at 31 December 2017).

19.3.2 Actuarial assumptions

The methods for determining actuarial assumptions are unchanged from 31 December 2017.

The main actuarial assumptions used in valuing employee benefits in France are as follows:

(in %)	30/06/2018	31/12/2017
Discount rate/rate of return on assets	2.00%	1.90%
Inflation rate	1.50%	1.50%
Wage increase rate (1)	1.70%	1.70%

(1) For an entire career, excluding inflation.

The main actuarial assumptions used in valuing employee benefits in the United Kingdom are as follows:

(in %)	30/06/2018	31/12/2017
Discount rate/rate of return on assets	2.81%	2.56%
Inflation rate	2.90%	3.00%
Wage increase rate	2.30%	2.40%

19.4 OTHER PROVISIONS AND CONTINGENT LIABILITIES

19.4.1 Other provisions

			Decreases				
(in millions of euros)	31/12/2017	Increases	Utilisations	Reversals	Changes in scope	Other Changes	30/06/2018
Provisions for contingencies related to subsidiaries and investments	913	-	(19)	-	-	-	894
Provisions for tax liabilities	573	20	(39)	(1)	-	(1)	552
Provisions for litigation	589	16	(11)	(13)	-	1	582
Provisions for onerous contracts and losses on completion	273	18	(36)	(45)	-	(3)	207
Provisions related to environmental schemes (1)	901	735	(300)	(1)	-	(3)	1,332
Other provisions for risks and liabilities (2)	1,636	193	(205)	(56)	3	(12)	1,559
TOTAL	4,885	982	(610)	(116)	3	(18)	5,126

(1) Provisions related to environmental schemes include provisions for greenhouse gas emission rights and renewable energy certificates.
(2) These provisions cover various contingencies and expenses related to operations (employers' matching contributions to employee profit sharing, contractual maintenance obligations, etc.). No individual provision is significant.

19.4.2 Contingent liabilities

Apart from developments in the litigation between Enedis and photovoltaic energy producers, no change was observed during the first half of 2018 in the Group's contingent liabilities as presented in note 45 to the 2017 consolidated financial statements, and section 2.4 of the 2017 Reference Document filed on 15 March 2018.

In the ongoing litigation between Enedis and photovoltaic energy producers, several decisions in favour of Enedis have been issued since the beginning of 2018. Notably, in early July Versailles Court of Appeal dismissed 150 producers' claims, because there was no evidence establishing misconduct by Enedis, or because there was no causal link between Enedis' misconduct and the prejudice, or because the prejudice was not deemed eligible for compensation since the tariff decisions of 2006 and 2010 are illegal, as the European Commission did not receive the prior notification required by State aid control rules. Appeals against these decisions may be filed before the Court of Cassation within two months of their notification.

NOTE 20 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

20.1 BREAKDOWN BETWEEN CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

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

	30/06/2018			31/12/2017		
(in millions of euros)	Current	Non-current	Total	Current	Non-current	Total
Loans and other financial liabilities	8,433	47 436	55,869	7,112	49 734	56,846
Negative fair value of derivatives held for trading	8,002	-	8,002	2,787	-	2,787
Negative fair value of hedging derivatives	1,846	1 648	3,494	1,243	1 631	2,874
FINANCIAL LIABILITIES	18,281	49 084	67,365	11,142	51 365	62,507

20.2 LOANS AND OTHER FINANCIAL LIABILITIES

20.2.1 Changes in loans and other financial liabilities

(in millions of euros)	Bonds	Loans from financial institutions	Other financial liabilities	Loans related to finance-leased assets	Accrued Interest	Total
Balances at 31/12/2017	47,325	3,094	4,725	368	1,334	56,846
Increases	101	1,173	1,025	-	71	2,370
Decreases	(1,488)	(140)	(1,464)	(27)	(197)	(3,316)
Translation adjustments	(18)	(32)	(14)	-	(1)	(65)
Changes in scope of consolidation	4	(86)	128	-	-	46
Changes in fair value	(59)	-	112	-	-	53
Other changes	2	3	(44)	3	(29)	(65)
BALANCES AT 30/06/2018	45,867	4,012	4,468	344	1,178	55,869

Increases and decreases in loans and other financial liabilities (excluding accrued interest) shown in the above table do not include monetary variations (included in the Cash flow statement) of €(35) million on settlement of hedging instruments.

20.2.2 Maturity of loans and other financial liabilities

(in millions of euros)	Bonds	Loans from financial institutions	Other financial liabilities	Loans related to finance-leased assets	Accrued Interest	Total
Less than one year	3,097	479	3,852	59	946	8,433
From one to five years	12,172	1,507	57	129	63	13,928
More than five years	30,598	2,026	559	156	169	33,508
LOANS AND OTHER FINANCIAL LIABILITIES AT 30/06/2018	45,867	4,012	4,468	344	1,178	55,869

20.2.3 Credit lines

At 30 June 2018, the Group has unused credit lines with various banks totalling €11,441 million (€11,943 million at 31 December 2017).

	30/06/2018				31/12/2017
	Total	Maturity			Total
(in millions of euros)		< 1 year	1-5 years	> 5 years	
CONFIRMED CREDIT LINES	11,441	3,156	8,162	123	11,943

20.2.4 Fair value of loans and other financial liabilities

	30/06/2018		31/12/2017	
(in millions of euros)	Fair value	Net book value	Fair value	Net book value
LOANS AND OTHER FINANCIAL LIABILITIES	61,631	55,869	63,334	56,846

20.3 NET INDEBTEDNESS

(in millions of euros)	Notes	30/06/2018	31/12/2017
Loans and other financial liabilities	20.2.1	55,869	56,846
Derivatives used to hedge liabilities		(1,372)	(1,176)
Cash and cash equivalents		(3,957)	(3,692)
Debt and equity instruments - Liquid assets	15.2	(19,265)	(18,963)
NET INDEBTEDNESS		31,275	33,015

NOTE 21 OTHER LIABILITIES

Details of other liabilities are as follows:

(in millions of euros)	30/06/2018	31/12/2017 restated (1)
Advances and progress payments received	1,601	1,819
Liabilities related to fixed assets	2,670	3,711
Tax liabilities	5,132	4,672
Social charges	4,283	4,171
Deferred income on long-term contracts	3,492	3,606
Other deferred income	670	499
Other	2,848	2,436
OTHER LIABILITIES	20,696	20,914
Non-current portion	4,918	4,864
Current portion	15,778	16,050

(1) The published figures at 31 December 2017 have been restated according to IFRS 15 (note 2.1.3.2).

21.1 ADVANCES AND PROGRESS PAYMENTS RECEIVED

At 30 June 2018, advances and progress payments received constitute contract liabilities as defined by IFRS 15.

They comprise payments made by Framatome's customers amounting to €673 million (€738 million at 31 December 2017).

21.2 TAX LIABILITIES

At 30 June 2018, tax liabilities mainly include an amount of €732 million for the CSPE income to be collected by EDF on energy supplied but not yet billed (€711 million at 31 December 2017, including the impacts of IFRS 15, see note 2.1.3.2).

21.3 DEFERRED INCOME ON LONG-TERM CONTRACTS

EDF's deferred income on long-term contracts at 30 June 2018 comprises €1,738 millions of partner advances made to EDF under the nuclear plant financing plans (€1,711 million at 31 December 2017), which constitute contract liabilities as defined by IFRS 15.

21.4 OTHER ITEMS

The "Other" line of the table includes investment subsidies received during the first half of 2018, amounting to €301 million (€348 million for the year 2017).

NOTE 22 EDF'S DEDICATED ASSETS

EDF has built up a portfolio of financial assets dedicated to secure financing of long-term nuclear obligations, in particular decommissioning of its power plants and long-term management of radioactive waste.

The key features of this portfolio, the principles governing its management and the applicable regulations are presented in note 47 to the financial statements at 31 December 2017.

22.1 VALUATION OF EDF'S DEDICATED ASSETS

EDF's dedicated assets are included in the Group's consolidated financial statements at the following values:

		30/06/2018		31/12/2017	
(in millions of euros)	Consolidated Balance sheet presentation	Book value	Realisable value	Book value	Realisable value
Equity instruments [1]		9,714	9,714	9,942	9,942
Debt instruments [1]		9,941	9,941	9,282	9,282
Cash portfolio		163	163	104	104
Dedicated assets – equities and debt instruments	Debt and equity instruments	*19,818*	*19,818*	*19,328*	*19,328*
Derivatives	Fair value of derivatives	1	1	30	30
Other	Debt and equity instruments	-	-	-	-
Diversified equity and bond investments		19,819	19,819	19,358	19,358
CSPE receivable [2]	Loans and financial receivables	2,788	2,826	3,294	3,349
Derivatives	Fair value of derivatives	-	-	-	-
CSPE receivable after derivatives		2,788	2,826	3,294	3,349
CTE [3]	Investments in associates	1,297	2,730	1,241	2,705
Other associates	Investments in associates [4]	915	948	893	944
Other assets	Debt and equity instruments and other net assets [5]	1,787	1,821	1,716	1,759
Unlisted assets (EDF Invest)		3,999	5,499	3,850	5,408
TOTAL EDF DEDICATED ASSETS		26,606	28,144	26,502	28,115

(1) This presentation results from a management analysis based on the investment's underlying (shares in investment funds are partly presented in equity instruments and partly in debt instruments, for example).

(2) The receivable consisting of accumulated shortfalls in compensation at 31 December 2015, less the portion assigned on 22 December 2016 and reimbursements received since that date, in line with the repayment schedule. The realisable value of the CSPE receivable reflects the level of market rates.

(3) The Group's investment of 50.1% of CTE, the company that holds 100% of the shares in RTE. The CTE shares are included at their equity value in the consolidated financial statements (book value in the table). The realisable value of CTE at 30 June 2018 in the above table has been determined by an independent assessor, in the same way as for EDF Invest's other assets. The realisable value of CTE at 31 December 2017 was based on the sale transaction price of 31 March 2017.

(4) Including the value of the share in equity of the controlled companies owning these investments.

(5) Including debt and equity instruments amounting to €1,611 million and the value of the share in equity of other controlled companies.

22.2 COVERAGE OF LONG-TERM NUCLEAR OBLIGATIONS

At 30 June 2018, provisions were 105.1% covered by dedicated assets under the regulatory calculations. The regulatory limit on the realisable value of certain investments (article 5 of the decree 2007-243) has no effect at 30 June 2018.

At 31 December 2017, the degree of coverage of provisions by dedicated assets was 108.5% applying the regulatory calculations. The regulatory limit on the realisable value of certain investments (decree 2007-243) had no effect at 31 December 2017.

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

(in millions of euros)	30/06/2018	31/12/2017
Provisions for spent fuel management – portion unrelated to the operating cycle as defined in the regulations	1,016	983
Provisions for long-term radioactive waste management	9,053	8,814
Provisions for waste removal and conditioning	744	726
Provisions for nuclear plant decommissioning	15,475	14,920
Provisions for last cores - portion for future long-term radioactive waste management	495	467
PRESENT COST OF LONG-TERM NUCLEAR OBLIGATIONS	26,783	25,910

22.3 CHANGES IN DEDICATED ASSETS IN 2018

Following a ministerial letter of 31 May 2018 authorising EDF, subject to conditions, to increase the portion of unlisted assets in its dedicated assets, on 29 June 2018 the Board of Directors validated a new strategic allocation for dedicated assets. Approximately one third of these assets will now consist of unlisted assets (infrastructures – which include CTE, real estate, investment funds) instead of one quarter under the previous strategic allocation applied since February 2013.

For information, the regulatory allocation to dedicated assets for 2017 amounts to €386 million and will be made during 2018 under this new approach.

The strategic benchmark for the financial portfolio (listed equities and bonds) will also be progressively modified from 1 January 2019, until 1 January 2022 at the latest, from the current 49% equities / 51% bonds to 57% equities / 43% bonds.

The difference between the fair value and acquisition cost of diversified bond and equity investments included in equity was a positive €2,083 million before taxes at 30 June 2018 (€2,114 million at 31 December 2017).

The financial portfolio's performance for the first half of 2018 was 0.5% (7.7% for the year 2017) while the benchmark index rose by 0.7% (6.6% for 2017). See section 6.1.6 of the management report at 30 June 2018, "Management of financial risk on EDF SA's dedicated asset portfolio".

NOTE 23 OFF-BALANCE SHEET COMMITMENTS

This note presents off-balance sheet commitments given and received by the Group at 30 June 2018. The amounts of commitments correspond to non-discounted contractual values.

23.1 COMMITMENTS GIVEN

(in millions of euros)	Notes	30/06/2018	31/12/2017
Operating commitments given [(1)]	23.1.1.2	14,331	13,739
Investment commitments given	23.1.2	16,889	17,222
Financing commitments given	23.1.3	5,165	5,123
TOTAL COMMITMENTS GIVEN		36,395	36,084

(1) Excluding fuel and energy purchases and operating lease commitments as lessee.

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

23.1.1 Operating commitments given

23.1.1.1 Fuel and energy purchase commitments

Commitments to purchase commodities, energy and nuclear fuel (other than gas purchases) amounted to €26,728 million at 31 December 2017, and there was no significant change during the first half of 2018.

23.1.1.2 Operating contract performance commitments given

At 30 June 2018, these commitments mature as follows:

	30/06/2018				31/12/2017
	Total	Maturity			Total
(in millions of euros)		< 1 year	1-5 years	> 5 years	
Operating guarantees given	6,687	2,497	2,147	2,043	7,074
Operating purchase commitments [(1)]	7,403	4,425	2,453	525	6,460
Other operating commitments	241	127	101	13	205
OPERATING CONTRACT PERFORMANCE COMMITMENTS GIVEN [(2)]	14,331	7,049	4,701	2,581	13,739

(1) Excluding fuel and energy.
(2) Including commitments given by controlled entities to joint ventures, amounting to €966 million at 30 June 2018 (€835 million at 31 December 2017).

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

Operating guarantees at 30 June 2018 mainly consist of guarantees given by EDF, Edison and EDF Énergies Nouvelles in connection with its development projects.

23.1.1.3 Operating lease commitments at lessee

Operating lease commitments as lessee amounted to €4,238 million at 31 December 2017, and there was no significant change during the first half of 2018.

IFRS 16, "Leases" will be mandatory for financial years beginning on or after 1 January 2019 (see note 1.2.4.1).

23.1.2 Investment commitments given

At 30 June 2018, details of investment commitments are as follows:

(in millions of euros)	30/06/2018 Total	Maturity < 1 year	1-5 years	> 5 years	31/12/2017 Total
Commitments related to acquisition of tangible and intangible assets	15,802	6,844	8,199	759	15,827
Commitments related to acquisition of financial assets	235	190	45	-	569
Other commitments related to investments	862	384	478	-	826
TOTAL INVESTMENT COMMITMENTS GIVEN (1)	16,899	7,418	8,722	759	17,222

(1) Including commitments given by controlled entities to joint ventures, amounting to €384 million at 30 June 2018 (€428 million at 31 December 2017).

The decrease in commitments related to acquisition of financial assets in the first half of 2018 results from completion of the acquisition of Gas Natural Vendita Italia (see note 4.2).

23.1.3 Financing commitments given

Financing commitments given by the Group at 30 June 2018 comprise the following:

(in millions of euros)	30/06/2018 Total	Maturity < 1 year	1-5 years	> 5 years	31/12/2017 Total
Security interests in real property	4,252	99	1,877	2,276	4,250
Guarantees related to borrowings	597	171	160	266	613
Other financing commitments	316	299	12	5	260
TOTAL FINANCING COMMITMENTS GIVEN (1)	5,165	569	2,049	2,547	5,123

(1) Including commitments given by controlled entities to joint ventures, amounting to €572 million at 30 June 2018 (€692 million at 31 December 2017). These financing commitments to joint ventures mainly concern EDF Énergies Nouvelles.

23.2 COMMITMENTS RECEIVED

The table below shows off-balance sheet commitments received by the Group that have been valued at 30 June 2018.

(in millions of euros)	Notes	30/06/2018	31/12/2017 restated (1)
Operating commitments received (2)		8,720	8,277
Investment commitments received	23.2.1	190	214
Financing commitments received (3)		29	72
TOTAL COMMITMENTS RECEIVED		8,939	8,563

(1) Commitments at 31 December 2017 have been restated by €5,422 million in application of IFRS 15. They mainly concerned other commitments received by Framatome and EDF Energies Nouvelles for sales of goods and services.
(2) Excluding operating lease commitments as lessor.
(3) Excluding commitments related to credit lines, which are described in note 20.2.3.

23.2.1 Investment commitments received

	30/06/2018				31/12/2017
	Total	Maturity			Total
(in millions of euros)		< 1 year	1-5 years	> 5 years	
INVESTMENT COMMITMENTS RECEIVED	190	53	20	117	214

NOTE 24 RELATED PARTIES

There have been no significant changes since 31 December 2017 in the types of transaction undertaken with related parties. In particular, the Group has significant ongoing relationships with public-sector enterprises, primarily the Orano group for the supply, transmission and reprocessing of nuclear fuel and maintenance of nuclear plants.

The principal operations with CTE and CENG are presented in notes 14.1 and 14.2 respectively.

NOTE 25 SUBSEQUENT EVENTS

Post-balance sheet date developments apart from those concerning Dunkerque LNG described in note 3.2 are as follows:

25.1 WELDS IN THE MAIN SECONDARY SYSTEM OF THE FLAMANVILLE EPR: EDF SETS UP CORRECTIVE ACTIONS AND ADJUSTS SCHEDULE AND TARGET CONSTRUCTION COSTS

As of 25 July 2018, EDF has inspected 148 of the 150 welds in the main secondary system [1] of the Flamanville EPR and is continuing discussions with the French Nuclear Safety Authority (ASN), as previously announced in press releases of 10 April and 31 May 2018 [2]. The two remaining welds will be inspected before the end of July 2018.

Of the 148 inspected welds, 33 have quality deficiencies and will be repaired.

EDF has also decided to redo a further 20 welds which, although they have no defects, do not meet the "high quality" requirements [3] defined by EDF during the EPR design phase (break preclusion principle).

For 10 other welds, EDF has submitted a proposal to the ASN detailing a specific justification method to confirm the high level of safety at the plant throughout its operating life. The ASN will conduct an in-depth examination of this method. The other 85 welds are compliant with requirements.

The EDF group has therefore adjusted the Flamanville EPR schedule and construction costs. The loading of nuclear fuel is now scheduled for the fourth quarter of 2019 and the target construction costs have been revised from €10.5 billion to €10.9 billion [4].

EDF teams and their industrial partners are fully mobilised and are continuing all other assembly and testing activities at the Flamanville EPR, including the system performance tests. Hot testing is scheduled to commence before the end of 2018.

The impact on operations by the two Fessenheim reactors is currently being reviewed, particularly in relation to the French Energy Transition Law for green growth, which caps nuclear electricity generation capacity.

1 A closed system in which the steam produced in the steam generator is conducted towards the turbine. Once condensed, the water is returned to the steam generator
2 See EDF press releases of 10 April 2018 and 31 May 2018
3 See the declaration of a significant safety event related to correct application of "high quality" requirements (30 November 2017)
4 At the 2015 rate, excluding interim interest