CONSOLIDATED FINANCIAL STATEMENTS 2014

Financial information concerning the net worth, financial position and performance of the issuer

1 Historical financial information

Pursuant to article 28 of the European Commission Regulation no. 809/2004, the following information is included by reference in this Reference Document:

- the consolidated financial statements of the EDF group for the year ended 31 December 2013 (prepared in accordance with international accounting standards), as well as the associated Statutory Auditors' reports, set forth respectively in chapter 20, section 20.1 (pages 281 to 386) and section 20.2 (pages 387 and 388) of the EDF group's 2013 Reference Document;
- the consolidated financial statements of the EDF group for the year ended 31 December 2012 (prepared in accordance with international accounting standards), as well as the associated Statutory Auditors' reports, set forth respectively in chapter 20, section 20.1 (pages 267 to 365) and section 20.2 (pages 366 and 367) of the EDF group's 2012 Reference Document.

The consolidated financial statements at 31 December 2014, established under IAS-IFRS standards, are set forth below. These financial statements will be submitted for approval by the Shareholders' Meeting of 19 May 2015.

Consolidated financial statements at 31 December 2014

Consolidated income statements

(in millions of Euros)	Notes	**2014**	2013 (1)
Sales	7	72,874	71,916
Fuel and energy purchases	8	(36,704)	(38,116)
Other external expenses	9	(9,181)	(8,287)
Personnel expenses	10	(11,785)	(11,291)
Taxes other than income taxes	11	(3,593)	(3,481)
Other operating income and expenses	12	5,668	5,358
Operating profit before depreciation and amortisation		**17,279**	**16,099**
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities		203	14
Net depreciation and amortisation		(7,940)	(7,154)
Net increases in provisions for renewal of property, plant and equipment operated under concessions		(157)	(227)
(Impairment)/reversals	13	(1,189)	(617)
Other income and expenses	14	(212)	219
Operating profit		**7,984**	**8,334**
Cost of gross financial indebtedness	15.1	(2,243)	(2,262)
Discount effect	15.2	(2,996)	(2,931)
Other financial income and expenses	15.3	2,688	2,251
Financial result	**15**	**(2,551)**	**(2,942)**
Income before taxes of consolidated companies		**5,433**	**5,392**
Income taxes	16	(1,839)	(1,896)
Share in net income of associates and joint ventures	23	179	262
GROUP NET INCOME		**3,773**	**3,758**
EDF net income		**3,701**	**3,517**
Net income attributable to non-controlling interests		**72**	**241**
Earnings per share (EDF share) in Euros:	**17**		
Earnings per share		1.78	1.84
Diluted earnings per share		1.78	1.84

(1) Figures for 2013 have been restated for the impact of retrospective application of IFRS 10 and IFRS 11 (see note 2).

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

	2014			2013 (1)		
(in millions of Euros)	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	**3,701**	**72**	**3,773**	**3,517**	**241**	**3,758**
Gross change in fair value of available-for-sale financial assets (2)	535	–	535	656	–	656
Related tax effect	(160)	–	(160)	(228)	–	(228)
Associates' and joint ventures' share of fair value of available-for-sale financial assets	3	–	3	87	–	87
Change in fair value of available-for-sale financial assets	***378***	***–***	***378***	***515***	***–***	***515***
Gross change in fair value of hedging instruments (2)	(1,984)	(19)	(2,003)	810	4	814
Related tax effect	427	5	432	(197)	–	(197)
Associates' and joint ventures' share of fair value of hedging instruments	(27)	–	(27)	43	–	43
Change in fair value of hedging instruments	***(1,584)***	***(14)***	***(1,598)***	***656***	***4***	***660***
Translation adjustments – controlled entities	1,395	187	1,582	(548)	(78)	(626)
Translation adjustments – associates and joint ventures	482	–	482	(198)	–	(198)
Translation adjustments	***1,877***	***187***	***2,064***	***(746)***	***(78)***	***(824)***
Gains and losses recorded directly in equity that will be reclassified subsequently to profit or loss	**671**	**173**	**844**	**425**	**(74)**	**351**
Gross change in actuarial gains and losses on post-employment benefits	(4,629)	18	(4,611)	93	(17)	76
Related tax effect	245	(4)	241	(58)	3	(55)
Associates' and joint ventures' share of change in actuarial gains and losses on post-employment benefits	(177)	–	(177)	18	–	18
Actuarial gains and losses on post-employment benefits	***(4,561)***	***14***	***(4,547)***	***53***	***(14)***	***39***
Gains and losses recorded directly in equity that will not be reclassified subsequently to profit or loss	**(4,561)**	**14**	**(4,547)**	**53**	**(14)**	**39**
Total gains and losses recorded directly in equity	**(3,890)**	**187**	**(3,703)**	**478**	**(88)**	**390**
NET INCOME AND GAINS AND LOSSES RECORDED DIRECTLY IN EQUITY	**(189)**	**259**	**70**	**3,995**	**153**	**4,148**

(1) The figures published for 2013 have been restated for the impact of retrospective application of IFRS 10 and IFRS 11 (see note 2).
(2) Gross changes in fair value transferred to income in respect of available-for-sale financial assets and hedging instruments are presented in notes 36.2.2 and 41.4 respectively.

Consolidated balance sheets

ASSETS

(in millions of Euros)	Notes	**31/12/14**	31/12/13 (1)
Goodwill	18	9,694	9,081
Other intangible assets	19	8,884	7,860
Property, plant and equipment operated under French public electricity distribution concessions	20	50,257	48,796
Property, plant and equipment operated under concessions for other activities	21	7,851	7,450
Property, plant and equipment used in generation and other tangible assets owned by the Group	22	69,392	64,561
Investments in associates and joint ventures	23	10,989	11,479
Non-current financial assets	36	33,485	29,611
Other non-current receivables	26	2,024	1,924
Deferred tax assets	16.3	2,626	2,171
Non-current assets		**195,202**	**182,933**
Inventories	24	14,747	14,204
Trade receivables	25	23,176	21,892
Current financial assets	36	20,752	17,847
Current tax assets		600	554
Other current receivables	26	8,793	7,239
Cash and cash equivalents	37	4,701	5,096
Current assets		**72,769**	**66,832**
Assets classified as held for sale	46	**18**	**1,154**
TOTAL ASSETS		**267,989**	**250,919**

(1) The figures published for 2013 have been restated for the impact of retrospective application of IFRS 10 and IFRS 11 and the revised current/non-current classification for other liabilities and other receivables (see note 2).

EQUITY AND LIABILITIES

(in millions of Euros)	Notes	**31/12/14**	31/12/13 [1]
Capital	27	930	930
EDF net income and consolidated reserves		34,261	33,277
Equity (EDF share)		**35,191**	**34,207**
Equity (non-controlling interests)	27.5	5,419	4,998
Total equity	27	**40,610**	**39,205**
Provisions related to nuclear generation - Back-end of the nuclear cycle, plant decommissioning and last cores	29	42,398	40,427
Provisions for decommissioning of non-nuclear facilities	30	1,297	1,182
Provisions for employee benefits	31	23,060	18,381
Other provisions	32	1,841	1,480
Non-current provisions	28	***68,596***	***61,470***
Special French public electricity distribution concession liabilities	33	44,346	43,454
Non-current financial liabilities	38	47,274	41,413
Other non-current liabilities	35	4,956	5,001
Deferred tax liabilities	16.3	4,315	4,242
Non-current liabilities		**169,487**	**155,580**
Current provisions	28	5,254	4,834
Trade payables	34	14,864	14,157
Current financial liabilities	38	14,184	14,647
Current tax liabilities		441	1,340
Other current liabilities	35	23,149	21,156
Current liabilities		**57,892**	**56,134**
Liabilities related to assets classified as held for sale	46	–	–
TOTAL EQUITY AND LIABILITIES		**267,989**	**250,919**

(1) The figures published for 2013 have been restated for the impact of retrospective application of IFRS 10 and IFRS 11 and the revised current/non-current classification for other liabilities and other receivables (see note 2).

Consolidated cash flow statements

(in millions of Euros)	Notes	2014	2013 [(1)]
Operating activities:			
Income before taxes of consolidated companies		5,433	5,392
Impairment/(reversals)		1,189	617
Accumulated depreciation and amortisation, provisions and changes in fair value		8,981	9,245
Financial income and expenses		1,068	1,488
Dividends received from associates and joint ventures		672	369
Capital gains/losses		(1,311)	(880)
Change in working capital	43.1	(1,041)	(1,711)
Net cash flow from operations		*14,991*	*14,520*
Net financial expenses disbursed		(1,752)	(1,719)
Income taxes paid		(2,614)	(1,936)
Net cash flow from operating activities		10,625	10,865
Investing activities:			
Acquisitions/disposals of equity investments, net of cash (acquired/transferred)		1,308	749
Investments in intangible assets and property, plant and equipment	43.2	(13,721)	(13,042)
Net proceeds from sale of intangible assets and property, plant and equipment		314	229
Changes in financial assets		(294)	357
Net cash flow used in investing activities		(12,393)	(11,707)
Financing activities:			
Transactions with non-controlling interests [(2)]		355	162
Dividends paid by parent company	27.3	(2,327)	(2,144)
Dividends paid to non-controlling interests		(229)	(301)
Purchases/sales of treasury shares		2	4
Cash flows with shareholders		*(2,199)*	*(2,279)*
Issuance of borrowings		6,894	5,158
Repayment of borrowings		(7,470)	(8,263)
Issuance of perpetual subordinated bonds	27.4	3,970	6,125
Payments to bearers of perpetual subordinated bonds	27.4	(388)	(103)
Funding contributions received for assets operated under concessions		177	171
Investment subsidies		239	87
Other cash flows from financing activities		*3,422*	*3,175*
Net cash flow from financing activities		1,223	896
Net increase/(decrease) in cash and cash equivalents		(545)	54
CASH AND CASH EQUIVALENTS - OPENING BALANCE		5,096	5,035
Net increase/(decrease) in cash and cash equivalents		(545)	54
Effect of currency fluctuations		113	14
Financial income on cash and cash equivalents		17	16
Effect of reclassifications		20	(23)
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	37	4,701	5,096

(1) The figures published for 2013 have been restated for the impact of retrospective application of IFRS 10 and IFRS 11 (see note 2).
(2) Contributions via capital increases or reductions and acquisitions of additional interests in controlled companies.

Changes in consolidated equity

(in millions of Euros)	Capital	Treasury shares	Translation adjustments	Impact of fair value adjustment of financial instruments [2]	Other consolidated reserves and net income	**Equity (EDF share)**	Equity (non-controlling interests)	**Total equity**
Equity at 31/12/2012	**924**	**(33)**	**1,593**	**(1,109)**	**24,882**	**26,257**	**4,854**	**31,111**
Restatements due to change of accounting method [1]	–	–	–	–	–	–	262	262
Equity at 31/12/2012 (restated) [1]	**924**	**(33)**	**1,593**	**(1,109)**	**24,882**	**26,257**	**5,116**	**31,373**
Gains and losses recorded directly in equity	–	–	(746)	1,171	53	478	(88)	390
Net income	–	–	–	–	3,517	3,517	241	3,758
Net income and gains and losses recorded directly in equity	**–**	**–**	**(746)**	**1,171**	**3,570**	**3,995**	**153**	**4,148**
Issuance of perpetual subordinated bonds	–	–	–	–	6,125	6,125	–	6,125
Payments on perpetual subordinated bonds	–	–	–	–	(103)	(103)	–	(103)
Dividends paid	–	–	–	–	(2,315)	(2,315)	(297)	(2,612)
Purchases/sales of treasury shares	–	(14)	–	–	–	(14)	–	(14)
Capital increase by EDF [4]	6	–	–	–	165	171	–	171
Other changes	–	–	–	–	91	91	26	117
Equity at 31/12/2013 (restated) [1]	**930**	**(47)**	**847**	**62**	**32,415**	**34,207**	**4,998**	**39,205**
Gains and losses recorded directly in equity	–	–	1,877	(1,206)	(4,561)	(3,890)	187	(3,703)
Net income	–	–	–	–	3,701	3,701	72	3,773
Net income and gains and losses recorded directly in equity	**–**	**–**	**1,877**	**(1,206)**	**(860)**	**(189)**	**259**	**70**
Issuance of perpetual subordinated bonds [3]	–	–	–	–	3,970	3,970	–	3,970
Payments on perpetual subordinated bonds	–	–	–	–	(388)	(388)	–	(388)
Dividends paid	–	–	–	–	(2,327)	(2,327)	(221)	(2,548)
Purchases/sales of treasury shares	–	6	–	–	–	6	–	6
Other changes	–	–	–	–	(88)	(88)	383	295
EQUITY AT 31/12/2014	**930**	**(41)**	**2,724**	**(1,144)**	**32,722**	**35,191**	**5,419**	**40,610**

(1) Figures at 31 December 2012 and 31 December 2013 have been restated for the impact of retrospective application of IFRS 10 and IFRS 11 (see note 2).

(2) These changes correspond to the effects of fair value adjustment of available-for-sale financial assets, amounts transferred to income following changes in their fair value, the effects of fair value adjustment of financial instruments hedging cash flows and net foreign investments, and amounts transferred to income in respect of terminated contracts. For details see the statement of net income and gains and losses recorded directly in equity.

(3) In January 2014 the Group issued perpetual subordinated bonds totalling €3,970 million net of transaction costs (see note 3.5).

(4) In 2013, the capital increase and issue premium, totalling €171 million, relate to the payment in shares of part of the balance of 2012 dividends.

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Notes to the consolidated financial statements

Notes to the consolidated financial statements

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

The Company's consolidated financial statements include the accounts of:

- companies directly or indirectly controlled by the Company, which are fully consolidated;
- its shares of the assets, liabilities, income and expenses of joint arrangements classified as joint operations;
- its investments in associates and joint ventures, which are accounted for under the equity method.

All these economic entities are collectively referred to as the "Group".

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

The Group's consolidated financial statements at 31 December 2014 were prepared under the responsibility of the Board of Directors and approved by the Directors at the Board meeting held on 11 February 2015. They will become final after approval at the General Shareholders' Meeting to be held on 19 May 2015.

↗ Note 1 Group accounting standards

1.1 Declaration of conformity and Group accounting policies

Pursuant to European Regulation 1606/2002 of 19 July 2002 on the adoption of international accounting standards, the EDF group's consolidated financial statements for the year ended 31 December 2014 are prepared under the international accounting standards published by the IASB and approved by the European Union for application at 31 December 2014. These international standards are IAS (International Accounting Standards), IFRS (International Financial Reporting Standards), and SIC and IFRIC interpretations.

The comparative figures for 2013 presented in the notes to these consolidated financial statements have been restated for the impact of retrospective application of IFRS 10 and IFRS 11 (see note 2).

1.2 Changes in accounting methods at 31 December 2014

Apart from the changes indicated below, the accounting and valuation methods applied by the Group in the consolidated financial statements for the year ended 31 December 2014 are identical to those used in the consolidated financial statements for the year ended 31 December 2013.

1.2.1 Accounting changes introduced in the consolidated financial statements at 31 December 2014

1.2.1.1 Change in accounting method – first application of IFRS 10, IFRS 11 and IFRS 12

The new standards IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements", and IFRS 12 "Disclosure of interests in other entities" were published in May 2011, and endorsed by the European Union on 29 December 2012.

These standards were also supplemented by the following:

- amendments to the existing standards IAS 27 (2011) "Consolidated and separate financial statements" and IAS 28 (2011) "Investments in associates and joint ventures";
- "Transition guidance" for IFRS 10, IFRS 11 and IFRS 12;
- amendments to IFRS 10, IFRS 12 and IFRS 27 concerning exemption from consolidation for "Investment entities".

Application of all of these standards and amendments is mandatory for financial years beginning on or after 1 January 2014. They are applied retrospectively, in compliance with IAS 8. The resulting impacts on the Group's consolidated financial statements are presented in note 2.

IFRS 10 "Consolidated financial statements"

IFRS 10 replaces the rules for consolidated financial statements set out in IAS 27 "Consolidated and separate financial statements", and interpretation SIC 12 "Consolidation - special purpose entities".

IFRS 10 introduces a new, single model of control: the Group is considered to have control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

IFRS 11 "Joint arrangements"

IFRS 11 replaces IAS 31 "Interests in joint ventures" and interpretation SIC 13 "Jointly controlled entities - non-monetary contributions by venturers". The new standard defines the treatment for a joint arrangement through which at least two parties exercise joint control.

Under IFRS 11, only two types of joint arrangement exist: joint ventures and joint operations.

A joint venture is a joint arrangement in which the parties (joint venturers) that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint operation is a joint arrangement in which the parties (joint operators) have direct rights to the entity's assets, and obligations for its liabilities.

In application of IFRS 11, joint arrangements classified as joint ventures must be accounted for under the equity method (proportional consolidation is no longer allowed). Each of the joint operators in a joint operation must account for the assets and liabilities and income and expenses related to its interests line by line.

IFRS 12 "Disclosure of interests in other entities"

IFRS 12 specifies the required disclosures concerning investments in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

1.2.1.2 Other standards and interpretations

The EDF group's consolidated financial statements are not impacted by the following amendments, which became mandatory from 1 January 2014:

- amendments to IAS 32 entitled "Offsetting financial assets and financial liabilities";
- amendments to IAS 39 entitled "Novation of derivatives and continuation of hedge accounting";
- amendments to IAS 36 entitled "Recoverable amount disclosures for non-financial assets".

1.2.2 Standards and amendments adopted by the European Union but not yet mandatory in 2014 and not applied early by the Group

The Group has decided against early application of the following amendment and interpretation which have been adopted by the European Union but were not mandatory in 2014:

- amendments to IAS 19 "Defined benefit plans – Employee contributions";
- IFRIC 21 "Levies".

The Group considers that future application of the amendments to IAS 19 will not have a significant impact on the annual consolidated financial statements.

The interpretation IFRIC 21 was published in May 2013 by the IFRS Interpretations Committee (IFRS IC) to clarify the triggering event for recognising a provision for any levies (duties and taxes other than income taxes). This interpretation was adopted by the European Union on 13 June 2014 and will be applied by the EDF group from 1 January 2015, with retrospective application to the consolidated financial statements published for 2014.

This interpretation changes existing practices for annual taxes that become due because an entity is in operation at a specified date or because it reaches a certain threshold in its activity. There is currently some debate concerning the nature of the accounting for the debit side of these tax liabilities, as the interpretation refers to other standards to determine whether it should be an expense or an asset. One view is that the tax should be booked as an expense when it is recognised in the liabilities under IFRIC 21, because it is an administrative cost. An alternative view is that these taxes constitute a production cost under IAS 2, and should therefore be included in the cost of sales over a period of no more than one year, in coherence with the principle of matching revenues and expenses laid down in IAS 18, "Revenue".

The Group requested guidance from the IFRS IC regarding the diversity of approaches concerning the debit side of liabilities recognised in application of IFRIC 21 for certain levies assessed on assets which are necessary to produce services (this particularly concerned energy-related taxes and real estate tax in France). The IFRS IC decided not to settle this question, which only affects the half-year financial statements and has no impact on the annual financial statements.

Based on the analyses conducted to date, the Group considers that future application of IFRIC 21 will not have a significant impact on the annual consolidated financial statements. However, in the half-year consolidated financial statements, it is likely to lead to recognition of a significant net liability due to the change in accounting method for certain tax receivables and liabilities.

1.2.3 Other standards and amendments published by the IASB but not yet approved by the European Union

The following IASB publications related to the accounting principles applied specifically by the Group have not yet been approved by the European Union:

- IFRS 15 "Revenue from contracts with customers";
- IFRS 9 "Financial instruments";
- amendments to IAS 16 and IAS 38 entitled "Clarification of acceptable methods of depreciation and amortisation";
- amendments to IFRS 11 entitled "Accounting for acquisitions of interests in a joint operations";
- amendments to IFRS 10 and IAS 28 entitled "Sale or contribution of assets between an Investor and its Associate or joint venture".

Subject to approval by the European Union, application of IFRS 15 will be mandatory for financial years beginning on or after 1 January 2017. The Group is currently reviewing all significant contracts with its customers in order to be able to determine the potential impact of the new standard on recognition of sales revenues (in terms of valuation and timing of revenue recognition).

The Group's revenues essentially consist of income from contracts for sales of energy and related services (sometimes in the form of combined offerings).

The Group's ongoing review involves:

- analysing energy and service sales contracts by major category in view of the performance obligations identified in the contracts, valued and recognised in compliance with IFRS 15;
- individually analysing other significant sales contracts that do not belong to a specific category, especially in the light of the criteria laid down by IFRS 15 for identification of performance obligations and allocation of the transaction price.

Subject to approval by the European Union, application of IFRS 9 will be mandatory for financial years beginning on or after 1 January 2018. IFRS 9 introduces a new classification approach for all financial assets, which will modify the classification and valuation rules currently applied by the Group in compliance with IAS 39 "Financial Instruments: Recognition and Measurement".

The potential impact of other standards and amendments is currently being evaluated by the Group.

1.3 Summary of the principal accounting and valuation methods

The following accounting methods have been applied consistently through all the periods presented in the consolidated financial statements.

1.3.1 Valuation

The consolidated financial statements are based on historical cost valuation, with the exception of assets acquired and liabilities assumed through business combinations, and of certain financial instruments, which are stated at fair value.

1.3.2 Management judgments and estimates

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

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

The Group has been making preparations for extending the useful life of its power plants for several years, and is now making the necessary investments under the industrial programme called "*Grand carénage*".

Adjustment of the useful life of French nuclear power plants to bring it into line with this industrial strategy will be reflected in the Group's consolidated financial statements as soon as all the required technical, economic and governance conditions are in place.

The other principal sensitive accounting methods involving use of estimates and judgments are described below. In a context characterised by financial market volatility, the parameters used to prepare estimates are based on macro-economic assumptions appropriate to the very long-term cycle of Group assets.

1.3.2.1 Nuclear provisions

The measurement of provisions for the back-end of the nuclear cycle, decommissioning and last cores is sensitive to assumptions concerning costs, inflation rate, long-term discount rate, and disbursement schedules. A revised estimate is therefore established at each closing date to ensure that the amounts accrued correspond to the best estimate of the costs eventually to be borne by the Group. Any significant differences resulting from these revised estimates could entail changes in the amounts accrued.

The main assumptions and sensitivity analyses are presented in note 29.1.5.2.

1.3.2.2 Pensions and other long-term and post-employment benefits

The value of pensions and other long-term and post-employment benefit obligations is based on actuarial valuations that are sensitive to all the actuarial assumptions used, particularly concerning discount rates, inflation rates and wage increase rates.

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

1.3.2.3 Impairment of goodwill and long-term assets

Impairment tests on goodwill and long-term assets are sensitive to the macro-economic and segment assumptions used - particularly concerning energy price movements - and medium-term financial forecasts. The Group therefore revises the underlying estimates and assumptions based on regularly updated information.

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

1.3.2.4 Financial instruments

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

1.3.2.5 Energy supplied but not yet measured and billed

As explained in note 1.3.7, the quantities of energy supplied but not yet measured and billed are calculated at the reporting date based on consumption statistics and selling price estimates. Determination of the unbilled portion of sales revenues at the year-end is sensitive to the assumptions used to prepare these statistics and estimates.

1.3.2.6 Obligations concerning French public distribution concession assets to be replaced

In view of the specific nature of French public electricity distribution concessions, the Group has opted to present its obligation to replace concession assets in the balance sheet at a value based on the amount of contractual commitments as calculated and disclosed to the grantors in the annual business reports (see note 1.3.13.2.1). An alternative approach would be to value the obligations based on the present value of future payments necessary to replace these assets at the end of their industrial useful life. The impacts this alternative approach would have had on the accounts are shown in note 1.3.24 for information. Whatever valuation method is used, measurement of the concession liability concerning assets to be replaced is notably subject to unforeseeable developments in terms of costs, useful life and disbursement dates.

1.3.2.7 Deferred tax assets

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

1.3.2.8 Interests in other entities

For the application of IFRS 10 and IFRS 11, the Group uses judgment to assess control or qualify the type of partnership arrangement represented by a jointly-controlled entity.

1.3.2.9 Other judgments

When there is no standard or interpretation applicable to a specific transaction, the Group exercises judgment to define and apply accounting methods that supply relevant and reliable information for preparation of its financial statements.

1.3.3 Consolidation methods

A list of the main subsidiaries, associates and joint ventures is presented in note 51.

1.3.3.1 Controlled entities

Subsidiaries are companies in which the Group exercises exclusive control and are fully consolidated. The Group controls an entity when the three following conditions are fulfilled:

- it holds power over the entity;
- it is exposed, or has rights, to variable returns from its involvement with the entity;
- it has the ability to use its power to influence the amount to affect the invester's returns.

The Group considers all facts and circumstances when assessing control. All substantive potential voting rights exercisable, including by another party, are also taken into consideration.

1.3.3.2 Investments in associates and joint ventures

An associate is an entity in which the Group exercises significant influence on financial and operational policies without having exclusive or joint control. Significant influence is presumed to exist when the Group's investment is at least 20%.

A joint venture is a partnership in which the parties (joint venturers) that exercise joint control over the entity have rights to the entity's net assets. Joint control is the contractually agreed sharing of control of an entity operated jointly by a limited number of partners or shareholders, such that the financial and operational policies result from unanimous consent of the parties.

Investments in associates and joint ventures are accounted for by the equity method. They are carried in the balance sheet at historical cost, adjusted for the share in net assets generated after the acquisition, less any impairment. The share in the net income for the period is reported in "Share in net income of associates and joint ventures" in the income statement.

1.3.3.3 Investments in joint operations

A joint operation is a joint arrangement in which the parties (joint operators) that exercise joint control over the entity have direct rights to its assets, and obligations for its liabilities. The Group, as an operator in a joint operation, reports the assets and liabilities and income and expenses related to its investment line by line.

1.3.4 Financial statement presentation rules

Assets and liabilities of dissimilar natures or functions are disclosed separately.

Assets and liabilities contributing to working capital used in the entity's normal operating cycle are classified as current in the consolidated balance sheet. Other assets and liabilities are classified as current if they mature within one year of the closing date, and non-current if they mature more than one year after the closing date.

Commitments given by the Group to purchase minority interests in Group-controlled companies are included in liabilities. For commitments of this kind given since 1 January 2010, the date of the Group's first application of IAS 27 (amended) and IFRS 3 (revised), the differential between the value of the non-controlling interests and the liability corresponding to the commitment is recorded in equity.

The income statement presents items by nature. The heading "Other income and expenses" presented below the operating profit before depreciation and amortisation comprises items of an unusual nature or amount.

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

1.3.5 Translation methods

1.3.5.1 Reporting currency

The parent company's functional currency is the Euro. The Group's financial statements are presented in millions of Euros.

1.3.5.2 Functional currency

An entity's functional currency is the currency of the economic environment in which it primarily operates. In most cases, the local currency is the functional currency. But for some entities, a functional currency other than the local currency may be used when it reflects the currency used in the principal transactions.

1.3.5.3 Translation of the financial statements of foreign companies whose functional currency is not the Euro

The financial statements of foreign companies whose functional currency is not the Euro are translated as follows:

- balance sheets are translated into Euros at the closing rate;
- income statements and cash flows are translated at the average rate for the period;
- resulting differences are recognised in equity under the heading "Translation adjustments".

Translation adjustments affecting a monetary item that is an integral part of the Group's net investment in a consolidated foreign company are included in consolidated equity until the disposal or liquidation of the net investment, at which date they are recognised as income or expenses in the income statement, in the same way as other exchange differences concerning the company.

1.3.5.4 Translation of transactions in foreign currencies

In application of IAS 21, transactions expressed in foreign currencies are initially translated and recorded in the functional currency of the entity concerned, using the rate in force at the transaction date.

At each reporting date, monetary assets and liabilities expressed in foreign currencies are translated at the closing rate. The resulting foreign exchange differences are taken to the income statement.

1.3.6 Related parties

Related parties include the French State, companies in which the State holds majority ownership and certain of their subsidiaries, and companies in which the EDF group exercises joint control or significant influence. They also include members of the Group's management and governance bodies.

1.3.7 Sales

Sales essentially comprise income from energy sales (to final customers and as part of trading activities), connections and other services, which mainly include energy transmission and distribution, and capacity and interconnection auctions.

The Group accounts for sales when:

- there is a proven contractual relationship;
- delivery has taken place (or the service has been completed);
- a quantifiable price has been established or can be determined;
- and the receivables are likely to be recovered.

Delivery takes place when the risks and benefits associated with ownership are transferred to the buyer.

Energy supplied but not yet measured and billed is calculated based on consumption statistics and selling price estimates.

Sales of goods and revenues on services not completed at the balance sheet date are valued by reference to the stage of completion at that date.

Energy trading operations are recognised net of purchases.

1.3.8 Income taxes

Income taxes include the current tax expense (income) and the deferred tax expense (income), calculated under the tax legislation in force in the countries where earnings are taxable.

In compliance with IAS 12, current and deferred taxes are generally recorded in the income statement or in equity symmetrically to the underlying operation.

Under IAS 32, the tax effects of distribution to holders of capital instruments (notably dividends and the remuneration paid to holders of perpetual subordinated bonds) must be recognised in accordance with this general principle. The Group considers that these distributions are paid out of previous years' accumulated profits and as a result the associated tax effects are included in the net income for the period.

The current tax expense (income) is the estimated amount of tax due on the taxable income for the period, calculated using the tax rates adopted at the year-end.

Deferred taxes result from temporary differences between the book value of assets and liabilities and their tax basis. No deferred taxes are recognised for temporary differences generated by:

- goodwill which is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and does not affect the accounting profit or taxable profit (tax loss) at the transaction date;
- investments in subsidiaries and associates, investments in branches and interests in joint arrangements, when the Group controls the timing of reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are valued at the expected tax rate for the period in which the asset will be realised or the liability extinguished, based on tax rates adopted at the year-end. If the tax rate changes, deferred taxes are adjusted to the new rate and the adjustment is recorded in the income statement, unless it relates to an underlying for which changes in value are recorded in equity, for example in accounting for actuarial gains and losses or fair value on hedging instruments and available-for-sale financial assets.

Deferred taxes are reviewed at each closing date, to take into account changes in tax legislation and the prospects for recovery of deductible temporary differences. Deferred tax assets are only recognised when it is probable that the Group will have sufficient taxable profit to utilise the benefit of the asset in the foreseeable future, or beyond that horizon, if there are deferred tax liabilities with the same maturity.

1.3.9 Earnings per share and diluted earnings per share

Earnings per share is calculated by dividing the Group's share of net income by the weighted average number of shares outstanding over the period. This weighted average number of shares outstanding is the number of ordinary shares at the start of the year, adjusted by the number of shares redeemed or issued during the year.

This number, and the earnings per share, are adjusted whenever necessary to reflect the impact of translation or exercise of dilutive potential shares (options, subscription warrants and convertible bonds issued, etc.).

In compliance with IAS 33, earnings per share and diluted earnings per share are based on the net income after deduction of payments to bearers of perpetual subordinated bonds.

1.3.10 Business combinations

In application of IFRS 3 business combinations arising since 1 January 2010 are measured and recognised under the following principles.

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

Non-controlling interests may be valued either at fair value (total goodwill method) or their share in the fair value of the net assets of the acquired company (partial goodwill method). The decision is made individually for each transaction.

In application of IFRS 10, any acquisition or disposal of an investment that does not affect control is considered as a transaction between shareholders and must be recorded directly in equity.

If additional interests are acquired in a joint venture, joint operation or associate without resulting in acquisition of control, the value of the previously-acquired assets and liabilities remains unchanged in the consolidated financial statements.

If control is acquired in stages, the cost of the business combination includes the fair value, at the date control is acquired, of the purchaser's previously-held interest in the acquired company.

Related costs directly attributable to an acquisition leading to control are treated as expenses for the periods in which they were incurred, except for issuance costs for debt securities or equity instruments, which must be recorded in compliance with IAS 32 and IAS 39.

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

1.3.11 Goodwill and other intangible assets

1.3.11.1 Goodwill

1.3.11.1.1 Determination of goodwill

In application of IFRS 3, "Business combinations", goodwill is the difference between:

- the sum of the following items:
  - the acquisition-date fair value of the price paid to acquire control,
  - the value of non-controlling interests in the entity acquired, and
  - for acquisitions achieved in stages, the acquisition-date fair value of the Group's share in the acquired entity before it acquired control;
- and the net value of the assets acquired and liabilities assumed, measured at fair value at the acquisition date.

When this difference is negative it is immediately included in net income.

The fair values of assets and liabilities and the resulting goodwill are finalised within twelve months of the acquisition.

1.3.11.1.2 Measurement and presentation of goodwill

Goodwill on acquisition of subsidiaries is disclosed separately in the balance sheet. Impairment on this goodwill is reported under the heading "Impairment" in the income statement.

Goodwill on acquisition of associates and joint ventures is included in the investment's net book value. Impairment on this goodwill is included under the heading "Share in income of associates and joint ventures".

Goodwill is not amortised, but impairment tests are carried out as soon as there is an indication of possible loss of value, and at least annually, as described in note 1.3.15.

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

1.3.11.2 Other intangible assets

1.3.11.2.1 Research and development expenses

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

Project development expenses are capitalised when the Group can demonstrate:

- the technical feasibility of making the intangible asset ready for commissioning or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate likely future economic benefits;
- the availability of the appropriate resources (technical, financial or other) to complete development and use or sell the intangible asset;
- and its ability to provide a reliable estimate of expenses attributable to the intangible asset during its development.

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

1.3.11.2.2 Other self-produced or purchased intangible assets

Other intangible assets mainly comprise:

- software, which is amortised on a straight-line basis over its useful life;
- purchased brands with an indefinite useful life, or amortised on a straight-line basis over their useful life;
- operating or usage rights for power plants, which are amortised on a straight-line basis over the useful life of the underlying asset;
- rights or licenses relating to hydrocarbon concessions, which are amortised under the Unit of Production (UOP) method, and exploration expenses amortised over the year (see note 1.3.11.2.3);
- intangible assets related to environmental regulations (greenhouse gas emission rights and renewable energy certificates acquired for a consideration – see note 1.3.27);
- the positive value of energy purchase/sale contracts stated at fair value as part of a business combination governed by IFRS 3: this value is amortised as the contractual deliveries take place;
- assets related to concession contracts governed by IFRIC 12, under the "intangible model" (see note 1.3.13.2.4).

1.3.11.2.3 Hydrocarbon prospecting, exploration and generation

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

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

Development costs related to commercially viable mineral wells and investments in facilities to extract and store hydrocarbons are recognised as "Property, plant and equipment used in generation and other tangible assets owned by the Group" or "Property, plant and equipment operated under concessions for other activities" as appropriate.

They are amortised under the Unit of Production (UOP) method.

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

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

- property, plant and equipment operated under French public electricity distribution concessions;
- property, plant and equipment operated under concessions for other activities;
- property, plant and equipment used in generation and other tangible assets owned by the Group.

1.3.12.1 Initial measurement

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

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

The Group capitalises safety expenses incurred as a result of legal and regulatory obligations sanctioning non-compliance by an administrative ban from operation.

The cost of property, plant and equipment also includes decommissioning costs for generation plants, and last core costs for nuclear facilities. These assets are associated with the provisions recorded to cover these obligations. At the date of commissioning, they are measured and recorded in the same way as the corresponding provision (see note 1.3.21).

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

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

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

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

When a part of an asset has a different useful life from the overall asset's useful life, it is identified as an asset component and depreciated over a specific period.

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

Borrowing costs attributable to the financing of an asset incurred during the construction period are included in the value of the asset provided it is a qualifying asset as defined by IAS 23 "Borrowing costs".

1.3.12.2 Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over their useful life, defined as the period during which the Group expects to draw future economic benefits from their use.

Depending on each country's specific regulations and contractual arrangements, the expected useful lives for the main facilities are as follows:

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

1.3.13 Concession agreements

1.3.13.1 Accounting treatment

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

For most of its concessions, other than concessions for heat generation and distribution, the Group considers that in substance the grantors do not have the characteristic features of control over infrastructures as defined in IFRIC 12.

1.3.13.2 French concessions

In France, the Group is the operator for four types of public service concessions:

- public electricity distribution concessions in which the grantors are local authorities (municipalities or syndicated municipalities);
- hydropower concessions with the State as grantor;
- the public transmission network operated under concession from the State;
- concessions from public grantors for heat generation and distribution.

1.3.13.2.1 Public electricity distribution concessions

General background

Since the enactment of the French Law of 8 April 1946, the EDF group has by law been the sole operator for the main public distribution concessions in France.

The accounting treatment of concessions is based on the concession agreements, with particular reference to their special clauses. It takes into consideration the possibility that the EDF group may one day lose its status as the sole authorised State concession operator.

These agreements generally cover terms of between 20 and 30 years, and use standard concession rules deriving from the 1992 Framework Contract (updated in 2007) negotiated with the National Federation of Licensing Authorities (*Fédération nationale des collectivités concédantes et régies* – "FNCCR") and approved by the public authorities.

Recognition of assets as property, plant and equipment operated under French public electricity distribution concessions

All assets used by the EDF group in public electricity distribution concessions in France, whether they are owned by the grantor or the operator, are reported together on a specific line in the balance sheet assets at acquisition cost, or their estimated value at the transfer date when supplied by the grantor.

1.3.13.2.2 Hydropower concessions

Hydropower concessions in France follow standard rules approved by decree. Assets attributed to the hydropower concessions comprise hydropower generation equipment (dams, pipes, turbines, etc) and, in the case of recently-renewed concessions, electricity generation and switching facilities (alternators, etc).

Assets used in these concessions are recorded under "Property, plant and equipment operated under concessions for other activities" at acquisition cost. As a result of changes in the regulations following removal of the outgoing operator's preferential right when a concession is renewed, the Group has shortened the depreciation periods used for certain assets.

1.3.13.2.3 Public transmission concession

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

1.3.13.2.4 Heat generation and distribution concessions

Heat generation and distribution concession agreements signed by Dalkia with public authorities confer the right to operate facilities remitted by or constructed at the request of those authorities for a limited period, under the grantor's supervision.

These agreements set the terms for remuneration and transfer of the facilities to the grantor or another successing operator at the end of the agreement.

The assets are recorded as intangible assets, in accordance with IFRIC 12 "Service concession agreements".

1.3.13.3 Foreign concessions

Foreign concessions are governed by a range of contracts and national laws. Most assets operated under foreign concessions are recorded under "Property, plant and equipment operated under concessions for other activities". Foreign concessions essentially concern Edison in Italy, which operates hydrocarbon generation sites, gas storage sites, local gas distribution networks and hydropower generating plants under concessions. Edison owns all the assets except for some items of property, plant and equipment on the hydropower generation sites, which will be returned to the grantor for nil consideration or with an indemnity when the concession ends. In compliance with IFRIC 12, certain concession agreements are recorded as intangible assets.

Hydropower generation assets which will be returned for nil consideration at the end of the concession are depreciated over the duration of the concession. Hydrocarbon generation sites are recorded in compliance with the rules applicable to the sector (see note 1.3.11.2).

1.3.14 Leases

In the course of its business the Group uses assets made available to it, or makes assets available to lessees, under lease contracts. These contracts are analysed in the light of the situations described and indicators supplied in IAS 17 in order to determine whether they are finance leases or operating leases.

1.3.14.1 Finance leases

Contracts that effectively transfer substantially to the lessee all risks and benefits inherent to ownership of the leased item are classified as finance leases. The main criteria examined in determining whether substantially all the risks and benefits are transferred by an agreement are the following:

- the ratio of the duration of the lease to the leased asset's useful life;

- total discounted future payments as a ratio of the fair value of the financed asset;
- whether ownership is transferred at the end of the lease;
- whether the purchase option is attractive;
- the features specific to the leased asset.

Assets used under finance leases are derecognised from the lessor's balance sheet and included in the relevant category of property, plant and equipment in the lessee's accounts. Such assets are depreciated over their useful life, or the term of the lease contract when this is shorter.

A corresponding financial liability is booked by the lessee, and a financial asset by the lessor.

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

1.3.14.2 Operating leases

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

1.3.14.3 Arrangements containing a lease

In compliance with IFRIC 4, the Group identifies arrangements that do not have the legal form of a lease contract but nonetheless convey the right to control the use of an asset or group of specific assets to the purchaser.

Such arrangements are treated as leases, and analysed with reference to IAS 17 for classification as either finance or operating leases.

1.3.15 Impairment of goodwill, intangible assets and property, plant and equipment

At the year-end and at each interim reporting date, in application of IAS 36, the Group assesses whether there is an indication that an asset could have been significantly impaired. An impairment test is also carried out at least once a year on cash-generating units (CGUs) or groups of CGUs including goodwill or any intangible asset with an indefinite useful life.

For CGUs including goodwill or another non-amortisable intangible asset, or when there is evidence of loss of value, an impairment test is carried out as follows:

- The Group measures any long-term asset impairment by comparing the carrying value of these assets and goodwill, grouped into CGUs where necessary, and their recoverable amount.
- CGUs are groups of homogeneous assets that generate identifiable independent cash flows. The Group's CGUs are subgroups or legal entities, broken down where necessary by activity (generation and supply, distribution, transmission, other). Goodwill is allocated to the CGUs that benefit from synergies resulting from the acquisition.
- The recoverable value of these units is the higher of fair value net of disposal costs, and value in use. When this recoverable value is lower than the carrying amount in the balance sheet, an amount equal to the difference is booked under the heading "Impairment". The loss is allocated first to goodwill, and any surplus to the other assets of the CGU concerned.
- Value in use is calculated based on projected future cash flows:
  - over a horizon that is coherent with the asset's useful life and/or operating life;
  - excluding development projects other than those that have been decided at the valuation date;
  - and discounted at a rate that reflects the risk profile of the asset or CGU.
- Market value (or fair value) is calculated as the asset's potential sale price less the costs necessary for its sale.
- The discount rates used are based on the weighted average cost of capital (WACC) for each asset or group of assets concerned, determined by Geographical area and by business segment under the CAPM. WACC is calculated after taxes.
- Future cash flows are calculated on the basis of the best available information at the valuation date:
  - for the first few years, the flows correspond to the Medium-Term Plan (MTP) approved by the Management. Over the MTP horizon, energy prices are determined based on available forward prices;
  - beyond the MTP horizon, flows are estimated based on long-term assumptions prepared by the Management for each country and each energy.

  These calculations may be influenced by several variables:
  - changes in tariff regulations and market prices;
  - changes in interest rates and market risk premiums;
  - market levels and the Group's market share;
  - the useful lives of facilities, and the plan for concession renewal;
  - the growth rates used beyond the medium-term plans and the terminal values taken into consideration.

Impairment of goodwill is irreversible.

1.3.16 Financial assets and liabilities

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

Available-for-sale securities allocated to dedicated assets are presented in note 47.

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

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

Operating debts and receivables, and cash and cash equivalents, are governed by IAS 39 and reported separately in the balance sheet.

1.3.16.1 Classification and valuation methods for financial assets and liabilities

Financial instruments are classified as follows under IFRS 7:

- financial assets and liabilities carried at fair value with changes in fair value included in income;
- held-to-maturity financial assets;
- loans and financial receivables;
- available-for-sale financial assets;

- trade receivables;
- cash and cash equivalents;
- financial debts and operating debts;
- derivatives.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the principal or the most advantageous market at the measurement date.

In application of IFRS 13, the hierarchy of fair values reflecting the importance of data used in valuations comprises the following levels:

- 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 (non-observable data): data that are not observable on a market, including observable data that have been significantly adjusted (e.g. extrapolation of interest rate curves over long non-observable periods). In the EDF group this chiefly concerns certain non-consolidated investments.

1.3.16.1.1 Financial assets and liabilities carried at fair value with changes in fair value included in income

Financial assets carried at fair value with changes in fair value included in the income statement are classified as such at the inception of the operation if:

- they were acquired from the outset with the intention of resale in the short term;
- they are derivatives not classified as hedges (derivatives held for trading);
- the Group has elected to include them in this category under the option allowed by IAS 39.

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

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

Dividends and interest received on assets carried at fair value are recorded in the income statement under "Other financial income".

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

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

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

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

1.3.16.1.2 Held-to-maturity financial assets

This category covers fixed-term investments which the Group acquires with the intent and ability to hold to maturity. They are recorded at amortised cost at the transaction date. Interest is calculated at the effective interest rate and recorded in the income statement under the heading "Other financial income and expenses".

1.3.16.1.3 Loans and financial receivables

Loans and financial receivables are valued and recorded at the transaction date, at amortised cost less any impairment.

Interest is calculated at the effective interest rate and recorded in the income statement under the heading "Other financial income and expenses".

1.3.16.1.4 Available-for-sale financial assets

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

On initial recognition, available-for-sale financial assets are recorded at fair value plus transaction costs attributable to their acquisition. They are subsequently readjusted to fair value at each reporting date.

Fair value measurement is based on quoted prices available from external sources for financial instruments listed on an active market, and on the discounted cash flow method for other financial instruments. Shares not listed on an active market for which fair value cannot be reliably estimated are recorded at acquisition cost.

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

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

1.3.16.1.5 Financial liabilities

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

1.3.16.1.6 Derivatives

Scope

The scope of derivatives applied by the Group corresponds to the principles set out in IAS 39.

In particular, forward purchases and sales for physical delivery of energy or commodities are considered to fall outside the scope of application of IAS 39 when the contract concerned is considered to have been entered into as part of the Group's normal business activity ("own use"). This is demonstrated to be the case when all the following conditions are fulfilled:

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

The Group considers that transactions negotiated with a view to balancing the volumes between electricity purchase and sale commitments are part of its business as an integrated electricity operator, and are outside the scope of IAS 39.

In compliance with IAS 39, the Group analyses all its contracts, of both a financial and non-financial nature, to identify the existence of any "embedded" derivatives. Any component of a contract that affects the cash flows of that contract in the same way as a stand-alone derivative corresponds to the definition of an embedded derivative. If they meet the conditions set out by IAS 39, embedded derivatives are accounted for separately from the host contract at inception date.

Measurement and recognition

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

Changes in the fair value of these derivatives are recorded in the income statement, unless they are designated as hedges for a cash flow or net investment. Changes in the fair value of such hedging instruments are recorded directly in equity, excluding the ineffective portion of the hedge.

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

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. The probabilities of default used to calculate these credit risks are based on historical data.

Derivatives classified as hedges

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

The Group applies the criteria defined by IAS 39 in classifying derivatives as hedges:

- the instrument must hedge changes in fair value or cash flows attributable to the risk hedged, and the effectiveness of the hedge (i.e. the degree to which changes in the value of the hedging instrument offset changes in the value of the hedged item or future transaction) must be between 80% and 125%;
- in the case of cash flow hedges, the future transaction being hedged must be highly probable;
- reliable measurement of the effectiveness of the hedge must be possible;
- the hedge must be supported by appropriate documentation from its inception.

The hedging relationship ends when:

- a derivative ceases to be an effective hedging instrument;
- a derivative expires, or is sold, terminated or exercised;
- the hedged item expires, is sold or redeemed;
- a future transaction ceases to be considered as highly probable.

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

The Group uses the following categories for hedges:

(A) Fair value hedges

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

(B) Cash flow hedges

These instruments hedge highly probable future transactions: the variability in cash flows generated by the hedged transaction is offset by changes in the value of the hedging instrument.

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

When the hedged cash flows materialise, the amounts previously recognised in equity are transferred to the income statement in the same way as for the hedged item.

(C) Hedges of a net investment

These instruments hedge exposure to the foreign exchange risk related to a net investment in 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.

The change in fair value resulting from the foreign exchange effect and interest rate effect of derivatives hedging a net investment in a foreign operation is recorded in equity.

1.3.16.2 Impairment of financial assets

At the year-end and at each interim reporting date, the Group assesses whether there is any objective evidence that an asset could have been significantly impaired. If so, the Group estimates the asset's recoverable value and records any necessary impairment as appropriate for the category of asset concerned.

1.3.16.2.1 Impairment of financial assets recorded at amortised cost

Impairment is equal to the difference between the asset's net book value and the discounted value of expected future cash flows, using the original effective interest rate of the financial instrument. The impairment is included in the income statement under the heading "Other financial income and expenses". If the impairment loss decreases in a subsequent period, the amount of the decrease is reversed and transferred to the income statement.

1.3.16.2.2 Impairment of available-for-sale financial assets

If there is a substantial, long-term decline in the fair value of available-for-sale assets, the unrealised loss is reclassified from equity to income. For debt instruments, impairment is only recorded in income when there is an indication of impairment associated with the counterparty. If the fair value of an available-for-sale financial asset rises in a subsequent period, the increase in value is included in equity when it concerns equity instruments, and leads to a reversal from previously-recorded impairment when it concerns debt instruments.

Different criteria for impairment apply to different types of available-for-sale financial assets.

For available-for-sale financial assets (other than dedicated assets) held by controlled companies, the Group generally uses the following criteria to assess impairment:

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

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

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

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

1.3.16.3 Derecognition of financial assets and liabilities

The Group derecognises a financial asset when:

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

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

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

1.3.16.4 Securitisation operations

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

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

1.3.16.5 Offsetting financial assets and liabilities

The Group offsets financial assets and liabilities when:

- there is a legally enforceable right to set off the recognised amounts; and
- the intent is either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In application of IFRS 7, disclosures are provided in the notes to the consolidated financial statements to indicate the actual or potential impact of the offsetting agreement.

1.3.17 Inventories

Inventories are recognised at the lower of acquisition cost or net realisable value, except for inventories held for trading activities, which are carried at market value. Inventories consumed are generally valued by the weighted average unit cost method.

Cost includes all direct material costs, labour costs, and a share of indirect production costs.

1.3.17.1 Nuclear fuel and materials

Inventory accounts include:

- nuclear materials, whatever their form during the fuel production cycle;
- fuel components in the warehouse or in the reactor.

The stated value of nuclear fuel and materials and work-in-progress is determined based on direct processing costs including materials, labour and subcontracted services (e.g. fluoration, enrichment, production, etc.).

In accordance with regulatory obligations specific to each country, inventories of fuel (new or not entirely consumed) may also comprise expenses for spent fuel management and long-term radioactive waste management, with corresponding provisions or debts in the liabilities, or full and final payments made when the fuel is loaded.

In compliance with IAS 23, interest expenses incurred in financing inventories of nuclear fuels are charged to expenses for the period provided these inventories are manufactured in large quantities on a repetitive basis.

Nuclear fuel consumption is determined as a proportion of the expected output when the fuel is loaded in the reactor. These quantities are valued at weighted average cost of inventories. Inventories are periodically corrected in view of forecast spent quantities based on neutronic measurements and physical inventories.

1.3.17.2 Other operating inventories

Other operating inventories comprise:

- fossil fuels required for operation of thermal power plants;
- operating materials and equipment such as spare parts supplied under a maintenance programme (excluding capitalised strategic safety spare parts);
- certificates issued under the various environmental schemes (see note 1.3.27);
- goods and services in progress, particularly relating to the businesses of EDF Énergies Nouvelles and Dalkia;
- gas stocks.

Other non-trading operating inventories are generally valued at weighted average cost including direct and indirect purchasing costs.

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

Inventories held for trading purposes are stated at market value.

1.3.18 Trade receivables

Trade receivables are initially recognised at the fair value of the consideration received or receivable. Impairment is recorded when, based on the probability of recovery assessed according to the type of receivable, their carrying amount falls below their book value. Depending on the nature of the receivable, the risk associated with doubtful receivables is assessed individually or by experience-based statistical methods.

Trade receivables also include the value of unbilled receivables for energy already supplied.

1.3.19 Cash and cash equivalents

Cash and cash equivalents comprise very liquid assets and very short-term investments, usually maturing within three months or less of the acquisition date, and with negligible risk of fluctuation in value.

Securities held short-term and classified as "Cash equivalents" are recorded at fair value, with changes in fair value included in the heading "Other financial income and expenses".

1.3.20 Equity

1.3.20.1 Fair value adjustment of financial instruments

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

1.3.20.2 Share issue expenses

Share issue expenses correspond exclusively to external costs expressly related to the capital increase. They are charged against the issue premium at their net-of-tax value.

Other expenses are classified as expenses of the period.

1.3.20.3 Treasury shares

Treasury shares are shares issued by EDF and held either by that company or by other entities in the consolidated Group. They are valued at acquisition cost and deducted from equity until the date of disposal. Net gains or losses on disposals of treasury shares are directly included in equity and do not affect net income.

1.3.20.4 Perpetual subordinated bonds

Perpetual subordinated bonds in Euros and other currencies are recorded in compliance with IAS 32 as appropriate to their specific characteristics. They are recorded in equity at historical cost when there is an unconditional right to avoid paying cash or another financial asset in the form of a capital reimbursement or interest.

1.3.21 Provisions other than employee benefit provisions

The Group recognises provisions if the following three conditions are met:

- the Group has a present obligation (legal or constructive) towards a third party that arises from an event prior to the closing date;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- the obligation amount can be estimated reliably.

Provisions are determined based on the Group's estimate of the expected cost necessary to settle the obligation. Estimates are based on management data from the information system, assumptions adopted by the Group, and if necessary experience of similar transactions, or in some cases based on independent expert reports or contractor quotes. The various assumptions are reviewed for each closing of the accounts.

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

Provisions to cover back-end nuclear cycle expenses, expenses related to the decommissioning of power plants and last cores, and onerous contracts are estimated based on discounted future cash flows.

The rate of inflation and the discount rate are based on the economic and regulatory parameters of the country where the economic entity is located, considering the long operating cycle of Group assets and the maturities of commitments.

The discount effect generated at each closing to reflect the passage of time is recorded under "Discount effect" in financial expenses.

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

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

1.3.21.1 Provisions related to nuclear generation

Provisions related to nuclear generation mainly cover the following:

- back-end nuclear cycle expenses: provisions for spent fuel management and long-term radioactive waste management are established in accordance with the obligations and final contributions specific to each country;
- costs for decommissioning power plants and losses relating to fuel in the reactor when the reactor is shut down (provision for last cores).

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

- as an increase or decrease in the corresponding assets, up to the net book value, if the provision was initially covered by balance sheet assets (decommissioning of plants still in operation, long-term management of the radioactive waste resulting from such decommissioning, and last cores);
- in the income statement in all other cases.

Detailed information on the principles for determining provisions related to nuclear generation in France and the United Kingdom is given in note 29.

1.3.21.2 Other provisions

Other provisions primarily concern:

- contingencies related to investments;
- tax liabilities;
- litigation;
- onerous contracts;
- environmental schemes.

Provisions for onerous contracts primarily relate to multi-year agreements for the purchase and sale of energy:

- losses on energy purchase agreements are measured by comparing the acquisition cost under the contractual terms with the forecast market price;
- losses on energy sale agreements are measured by comparing the estimated income under the contractual terms with the cost of the energy to be supplied.

Provisions for environmental schemes are established to cover the shortfall in greenhouse gas emission quotas and renewable energy certificates compared to the assigned targets (see note 1.3.27).

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

1.3.22 Provisions for employee benefits

The Group grants its employees post-employment benefits (pension plans, retirement indemnities, etc) and other long-term benefits (e.g. long-service awards) in compliance with the specific laws and measures in force in each country where it does business.

1.3.22.1 Calculation and recognition of employee benefits

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

Post-employment benefit obligations are valued mainly using the following methods and assumptions:

- retirement age, determined on the basis of the applicable rules for each plan, and the requirements to qualify for a full pension;
- career-end salary levels, with reference to employee seniority, projected salary levels at the time of retirement based on the expected effects of career advancement, and estimated trends in pension levels;
- forecast numbers of pensioners, determined based on employee turnover rates and mortality data available in each country;
- reversion pensions where relevant, taking into account both the life expectancy of the employee and his/her spouse and the marriage rate;
- a discount rate that depends on the geographical zone and the duration of the obligations, determined at the year-end date by reference to the market yield on high-quality corporate bonds or the rate on government bonds whose duration is coherent with EDF group's commitments to employees.

The amount of the provision corresponds to the value of obligations less the fair value of the fund assets that cover those obligations.

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

- in the income statement:
  - the current service cost, corresponding to additional benefit entitlements earned during the year,
  - the net interest expense, corresponding to interest on obligations net of the return on fund assets, which is calculated using the same discount rate as for the obligations,
  - the past service cost, including the income or expense related to amendments or settlements of benefit plans or introduction of new plans,
  - the actuarial gains and losses relating to long-term benefits;
- in the statement of net income and gains and losses recorded directly in equity:
  - the actuarial gains and losses relating to post-employment benefits,
  - the effect of the limitation to the asset ceiling if any.

1.3.22.2 Post-employment benefit obligations

When they retire, Group employees benefit from pensions determined under local rules. They may also be entitled to benefits directly paid by the companies, and additional benefits prescribed by the relevant regulations.

1.3.22.2.1 French entities covered by the IEG system

Entities belonging to the specific IEG (electricity and gas) sector system, namely EDF, ERDF, RTE, Électricité de Strasbourg, PEI, Dunkerque LNG and certain subsidiaries of the TIRU subgroup, are Group companies where almost all employees benefit from the IEG statutes, including the special pension system and other statutory benefits.

Since the financing reform for the IEG sector system took effect on 1 January 2005, the CNIEG (*Caisse nationale des IEG*, the sector's specific pension body) has managed not only the special IEG pension system, but also the industrial accident, invalidity and death insurance system for the sector.

The CNIEG is a social security body governed by private law, formed by the Law of 9 August 2004. It has legal entity status and reports to the French government, operating under the joint supervision of France's ministers for the Budget, Social Security and Energy.

Under the funding arrangements introduced by the law, IEG companies establish pension provisions to cover entitlements not funded by France's standard systems (CNAV, AGIRC and ARRCO), to which the IEG system is affiliated, or by the CTA *(Contribution Tarifaire d'Acheminement)* levy on gas and electricity transmission and distribution services.

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

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

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

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

- benefits in kind: Article 28 of the IEG national statutes entitles such employees and current employees to benefits in kind in the form of supplies of electricity or gas at preferential prices. The obligation for supplies of energy to employees of the EDF group and GDF Suez corresponds to the probable present value of kWh to be supplied to beneficiaries or their dependants during their retirement, valued on the basis of the unit cost. It also includes the payment made under the energy exchange agreement with GDF Suez;
- retirement gratuities: these are paid upon retirement to employees due to receive the statutory old-age pension, or to their dependants if the employee dies before reaching retirement. These obligations are almost totally covered by an insurance policy;
- bereavement benefit: this is paid out upon the death of an inactive or disabled employee, in order to provide financial assistance for the expenses incurred at such a time (Article 26, § 5 of the National Statutes). It is paid to the deceased's principal dependants (statutory indemnity equal to three months' pension) or to a third party that has paid funeral costs (discretionary indemnity equal to the costs incurred);
- bonus pre-retirement paid leave: all employees eligible to benefit immediately from the statutory old-age pension and aged at least 55 at their retirement date are entitled to 18 days of bonus paid leave during the last twelve months of their employment;
- other benefits include help with the cost of studies, time banking for pre-retirement leave, and pensions for personnel sent on secondment to subsidiaries not covered by the IEG system.

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

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

In the United Kingdom, EDF Energy has two principal defined-benefit pension plans:

- the British Energy Generation Group (BEGG) plan affiliated to the Electricity Supply Pension Scheme (ESPS), of which the majority of members are employees in Nuclear Generation. The BEGG plan was closed to new members in August 2012;
- the EDF Energy Generation and Supply Group (EEGSG) plan, also affiliated to the ESPS, which was established in December 2010 for the employees remaining with EDF Energy following the transfer of the former Group plan to UK Power Networks as part of the sale of the Networks. The EEGSG plan is closed to new members.

New employees hired by EDF Energy join the EEPS (EDF Energy Pension Scheme) plan. This third plan (which is currently less significant) was established in March 2004 and includes a number of legacy pension schemes from London Electricity and Seeboard. Membership of EEPS is open to all employees.

Each pension plan is financially independent of the others. The BEGG and EEGSG plans are part of the industry-wide ESPS which is one of the largest private-sector pension schemes in the United Kingdom.

The plans affiliated to the ESPS are externally managed by separate trusts whose trustees are appointed by the firm and the plan participants to manage the funds in their exclusive interests. The trustees carry out an actuarial review of plan management every three years, defining the funding level, the necessary employer and employee contributions and the payment schedules. The trustees are responsible for defining the plans' investment strategy, in agreement with the firm.

1.3.22.3 Other long-term benefit obligations

These benefits concern employees currently in service, and are earned according to local regulations, particularly the statutory regulations for the electricity and gas sector for EDF and French subsidiaries covered by the IEG regime. They include:

- annuities following incapacity, invalidity, industrial accident or work-related illness; like their counterparts in the general national system, IEG employees are entitled to financial support in the event of industrial accident or work-related illness, and invalidity and incapacity annuities and benefits. The obligation is measured as the probable present value of future benefits payable to current beneficiaries, including any possible reversions;
- long-service awards;
- specific benefits for employees who have been in contact with asbestos.

1.3.23 Share-based payments

Under existing legislation in France, employees of a company or a group may benefit from capital increases reserved for them. Their company may also implement free share plans.

In the light of IFRS 2, these benefits granted to employees and former employees must be treated by the company as personnel expenses in the same way as additional remuneration, and recognised as such with a corresponding adjustment in equity.

Valuation of the benefit granted through a share offer reserved for current and former employees is based on the difference between the share subscription price and the share price at the grant date, with actuarial valuation of the impact, if any, of the payment terms, the minimum holding period, and the fact that no dividends were received during the vesting period for the free shares.

In the case of free shares, the value of the benefit is based on the share price at the grant date, depending on the number of shares granted and the fact that no dividends were received during the vesting period. The expense is spread over the vesting period.

1.3.24 Special concession liabilities

These liabilities represent the contractual obligations specific to the concession rules for public electricity distribution concessions in France, recognised in the liabilities as:

- rights in existing assets: these correspond to the grantor's right to recover all assets for nil consideration. This right comprises the value in kind of the facilities - the net book value of assets operated under concession - less any as yet unamortised financing provided by the operator;

- rights in assets to be replaced: these correspond to the operator's obligation to contribute to the financing of assets due for replacement. These non-financial liabilities comprise:
  - depreciation recorded on the portion of assets financed by the grantor,
  - the provision for renewal, exclusively for assets due for renewal before the end of the concession.

When assets are replaced, the provision and amortisation of the grantor's financing recorded in respect of the replaced item are eliminated and transferred to the rights in existing assets, since they are considered as the grantor's financing for the new asset. Any excess provision is taken to income.

During the concession, the grantor's rights in assets to be replaced are thus transferred upon the asset's renewal to become the grantor's rights in existing assets, with no outflow of cash to the benefit of the grantor.

In general, the value of special concession liabilities is determined as follows:

- the grantor's rights in existing assets, representing the share deemed to be held by the grantor in the concession assets, are valued on the basis of the assets recorded in the balance sheet;
- the obligations relating to assets to be replaced are valued on the basis of the estimated value of the relevant assets, measured at each year-end taking into consideration wear and tear on the asset at that date:
  - based on the difference between the asset's replacement value as assessed at year-end and the historical cost for calculation of the provision for renewal. Annual allocations to the provision are based on this difference, less any existing provisions, with the net amount spread over the residual useful life of the assets. Consequently, the expenses recognised for a given item increase over time,
  - based on the share of the asset's historical cost financed by the grantor for amortisation of the grantor's financing.

The Group considers that the obligations related to assets to be replaced are to be valued on the basis of the special clauses contained in the concession agreements. Under this approach, these obligations are stated at the value of the contractual obligations as calculated and reported annually in the reports to the grantors. This contractual value also reflects the possibility that the EDF group may one day lose its status as the concession operator.

If no such clauses existed, an alternative approach would be to state contractual obligations at the present value of future payments required for replacement of assets operated under concession at the end of their industrial useful life.

For information, the Group reports below the impacts of this alternative approach, i.e. the discounting of the future obligation to contribute to financing of assets to be replaced.

The principal assumptions used in preparing this simulation are as follows:

- the basis for calculation of the provision for renewal is the estimated replacement value at the end of the asset's useful life, applying a forecast annual inflation rate of 1.7%, less the asset's historical value. This amount is based on the wear and tear on the asset and discounted at a rate of 4.4%;
- amortisation of the grantor's financing is also discounted at the rate of 4.4%.

The following table shows the impacts of this simulation for EDF and ERDF in 2014:

- Impacts on the income statement

(in millions of Euros and before taxes)	**2014**
Operating profit	605
Financial result	(525)
Income before taxes of consolidated companies	80

- Impacts on the balance sheet - equity

(in millions of Euros and before taxes)	**2014**
At opening date	2,015
At closing date	2,095

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

1.3.25 Investment subsidies

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

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

Assets that qualify as held for sale and related liabilities are disclosed separately from other assets and liabilities in the balance sheet.

All income from discontinued operations is disclosed in a single net amount after taxes in the income statement. In the cash flow statement, net changes in cash and cash equivalents of discontinued activities are also reported separately on a specific line.

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

1.3.27 Environment

1.3.27.1 Greenhouse gas emission rights

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

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

Rights held under the "Trading" model are included in inventories at fair value. The change in fair value observed over the year is recorded in the income statement.

Rights held to comply with regulatory requirements on greenhouse gas emissions (the "Generation" model) are recorded in intangible assets:

- at acquisition cost when purchased on the market;
- at nil value when allocated free of charge (in countries that still have a free allocation system).

When the estimated emissions by a Group entity over a given period are higher than the rights allocated for the period less any allocated rights sold on the spot or forward market, a provision is established to cover the excess emissions. This provision is equal to the shortfall in rights held (difference between actual emissions and allocated rights held at the closing date).

If no emission rights are allocated free of charge, a provision is systematically recorded equivalent to the actual emissions at the closing date.

In either case, the provision is measured on the basis of the acquisition cost up to the amount of rights acquired on the spot or forward markets, and on market prices for the balance. It is cancelled when the rights are surrendered to the State.

At the closing date, the portfolio of emission rights and the obligation to surrender rights for the emissions of the year are presented gross, without netting.

If the number of purchased emission rights recorded as intangible assets at the end of the year and not subject to forward sale is higher than the number of purchased rights that will be surrendered to the State for the year's emissions, an impairment test must be applied to the excess. If there is a significant negative differential on the purchased rights held, impairment is booked, or partly or totally reversed where relevant.

1.3.27.2 Renewable energy certificates

In application of EU Directive 2009/28/EC (amending and repealing Directive 2001/77/EC) on the promotion of the use of energy from renewable sources, every EU member state has set national targets for consumption of electricity from renewable sources.

There are two ways for States to meet these targets:

- incorporating the costs of generating such electricity into the sale price for electricity (this is the approach taken in France);
- introducing a renewable energy certificate system (as is the case in the United Kingdom, Italy, Poland and Belgium).

The renewable energy certificates system may apply to:

- non-obligated electricity producers when the obligation applies to energy sales (Poland, EDF Énergies Nouvelles);
- obligated electricity producers when the obligation applies to generation;
- producers who are also sellers of electricity when the obligation applies to energy sales (EDF Energy, Edison, EDF Luminus, Fenice).

The EDF group applies the following accounting treatments:

- for non-obligated electricity producers, certificates obtained based on generation output are recorded in «Other inventories» until they are sold on to suppliers;
- for obligated producers and an entity that both produces and supplies energy and is under an obligation to sell a specified quantity of renewable energy, the Group uses the following accounting treatments for certificates obtained based on generation output:
  - up to the level of the obligation, these certificates are not recognised,
  - certificates in excess of the obligation are recorded in "Other inventories",
  - in the specific situation when an entity is not in a position to meet its obligation at the year-end, the Group applies the following accounting treatment:
    - certificates acquired for a consideration in order to meet the obligation are recorded in intangible assets at acquisition cost, and
    - a provision is established equivalent to the shortfall in certificates compared to the obligation at the year-end. The value of this provision is based on the acquisition price of certificates already purchased on the spot or forward market, and market prices or penalty prices for the balance. The provision is cancelled when the certificates are surrendered to the State.

Forward purchases/sales of certificates related to trading activities are recorded in accordance with IAS 39, stated at fair value in the balance sheet date. The change in fair value is recorded in the income statement.

1.3.27.3 Energy savings certificates

In application of EU Directive 2012/27/EC on energy efficiency, EU Member States are required to meet energy savings targets by 2020. This target can be met through a system of energy savings certificates, similar to the system introduced by the French Law of 13 July 2005.

The EDF group fulfils its obligations either by taking measures regarding its assets or actions with its final customers in order to receive energy savings certificates from the State, or by purchasing energy savings certificates directly.

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

- property, plant and equipment if the action taken by the entity concerns its own assets and the expenses qualify for recognition as an asset;
- expenses for the year incurred, if they do not meet the requirements for capitalisation or if the action taken is to encourage third parties to save energy.

Expenses incurred in excess of the accumulated obligation at year-end are included in inventories until they are used to cover the obligation.

1.3.27.4 Environmental expenses

Environmental expenses are identifiable expenses incurred to prevent, reduce or repair damage to the environment that has been or may be caused by the Group as a result of its activities. These expenses are treated as follows:

- they are capitalised if they are incurred to prevent or reduce future damage or protect resources;
- they are booked as environmental liabilities and increases to provisions for environmental risks if they correspond to an obligation that exists at the year-end and it is probable or certain at the reporting date that they will lead to an outflow of resources;
- they are recognised as expenses if they are operating expenses for the bodies in charge of environmental concerns, environmental supervision, environmental duties and taxes, processing of liquid and gas effluents and non-radioactive waste, or research unrelated to an investment.

↗ Note 2 Comparability

2.1 Changes in accounting methods

Standards IFRS 10, IFRS 11 and IFRS 12 became mandatory on 1 January 2014 and are applied retrospectively, in compliance with IAS 8.

2.1.1 Application of IFRS 10

The Group's scope of consolidation is not significantly affected by the new definition of control provided by IFRS 10.

For an overall analysis of its interests in other entities, the Group mainly exercised judgment to assess the situation of the following entities in particular:

- The EDF group owns 100% of the capital of RTE, but EDF has no longer exercised control (exclusive or joint) over RTE since 2010 when its governance was brought into line with EU Directive 2009/72 (13 July 2009) as transposed into French law. However, the Group has significant influence over RTE since it appoints one third of Supervisory Board members. RTE is therefore an associate for the EDF group, and is accounted for by the equity method in accordance with the instructions of IAS 28 (revised).
- The Group considers that it does not have control, as defined by IFRS 10, over the investment funds set up to enable EDF to allocate some of the funds to finance expenses for nuclear plant decommissioning and long-term radioactive waste storage. This conclusion is based on these funds' characteristics, the prerogatives exercised by their managers and the procedures for defining the management strategies applicable to them. These funds are consequently treated as available-for-sale financial assets, in application of IAS 39.
- Through its subsidiary Edison, the Group holds a 30% investment in Edens, following a transaction completed on 6 November 2014 with F2i (see note 3.2.2). The governance arrangements and contractual agreements introduced for Edens in connection with this transaction give Edison exclusive control over Edens although it only has a minority holding. In application of IFRS 10, Edens is therefore fully consolidated (via Edison) in the Group's consolidated financial statements.

2.1.2 Application of IFRS 11

As a result of application of IFRS 11, the EDF group's joint arrangements are considered as joint ventures and accounted for by the equity method, except for some non-significant entities which are considered as joint operations (leading to line-by-line consolidation of assets, liabilities, income and expenses related to the interests held).

The principal entities concerned by the change to the equity method are Dalkia International (which was sold on 25 July 2014), CENG, Estag, SSE (which was sold on 27 November 2013) and certain subsidiaries of EDF Énergies Nouvelles and Edison.

To determine the appropriate joint arrangement classification for each jointly-controlled entity, the Group examined whether the partners benefit from substantially all economic benefits of the assets and are substantially continuously responsible for settlement of liabilities. A joint arrangement is classified as a joint operation when both these conditions are fulfilled, and as a joint venture otherwise.

2.1.3 Application of IFRS 12

Application of IFRS 12 requires additional disclosures in the notes to the consolidated financial statements, especially concerning investments in associates and joint ventures (see note 23), non-controlling interests (see note 27.5), structured entities (RTE, listed and unlisted investment funds – see note 2.1.3.1), and restrictions that may limit the Group's ability to access or use its assets or settle its liabilities (see note 2.1.3.2).

2.1.3.1 Structured entities - Investment funds

The investment funds held by the Group are located in France and owned by EDF. The Group has not given these funds any financial support.

The summary financial information for the main investment funds are as follows:

(in millions of Euros)	Nature of risks	**Value of fund assets at 31/12/2014**
Star Capitol America	Exposed to US equities	323
MLAD Europe	Exposed to European equities	74
CDC AD Europe	Exposed to European equities	77
CAPITAL AD Europe	Exposed to European equities	73
AGF PIMCO AD Global Bonds	Exposed to international bonds, foreign exchange risk hedged	56
Aberdeen AD Interbonds	Exposed to international bonds, foreign exchange risk hedged	54
Casablanca	Exposed to international bonds, foreign exchange risk hedged	151
Other	Exposed to international equities	37
Listed investment funds		845
Unlisted investment funds	Exposed to unlisted equities	52
TOTAL		**897**

2.1.3.2 Nature and extent of restrictions on the Group's ability to access and use assets or settle liabilities

The main restrictions that may limit the Group's ability to access or use its assets or settle its liabilities concern the following items:

- assets held to fund employee benefits (principally in France and the United Kingdom – see note 1.3.22) – and expenses related to nuclear liabilities (principally in France – see note 47 – and the United Kingdom – see note 29.2);
- tangible and intangible assets and the related liabilities associated with concession agreements, whether or not they are subject to regulatory mechanisms (obligations to supply energy or energy-related services, rules governing investments, an obligation to return concession facilities at the end of the contract, amounts payable at the end of the contract, tariff constraints, etc). These restrictions mainly apply to assets of this type in France (EDF, ERDF, RTE and Dalkia), and to a lesser extent Italy, Poland, and Hungary (see notes 1.3.13 and 1.3.24);
- the sale of Group investments in certain subsidiaries requires authorisations from State bodies, particularly when they exercise a regulated activity or operate nuclear power plants (this is the case for EDF Nuclear Generation Ltd. in the United Kingdom, Taishan (TNPJVC) in China and CENG in the United States).

Certain shareholder agreements concerning companies controlled by the Group include clauses to protect minority shareholders, requiring approval from minority shareholders for certain particularly important decisions.

Finally, certain financing loans granted to Group entities contain early repayment clauses (see note 38.2.6).

2.2 Change in the current/non-current classification of other receivables and other liabilities

At 31 December 2013, a €1,924 million reclassification from "Other current receivables" to "Other non-current receivables" was booked, with no impact on the total balance sheet assets. This amount mainly corresponds to the share of other operating receivables and prepaid expenses maturing in more than one year.

A €1,084 million reclassification from "Other current liabilities" to "Other non-current liabilities" was also booked at the same date, with no impact on the balance sheet total for equity and liabilities. This amount mainly corresponds to the share of investment subsidies reported under "Other liabilities" maturing in more than one year.

2.3 Impact on the income statement for 2013

(in millions of Euros)	2013 as published	Impacts of IFRS 10 and IFRS 11	2013 restated
Sales	75,594	(3,678)	71,916
Fuel and energy purchases	(39,683)	1,567	(38,116)
Other external expenses	(9,027)	740	(8,287)
Personnel expenses	(11,879)	588	(11,291)
Taxes other than income taxes	(3,533)	52	(3,481)
Other operating income and expenses	5,293	65	5,358
Operating profit before depreciation and amortisation	**16,765**	**(666)**	**16,099**
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities	14	–	14
Net depreciation and amortisation	(7,516)	362	(7,154)
Net increases in provisions for renewal of property, plant and equipment operated under concessions	(228)	1	(227)
(Impairment)/reversals	(1,012)	395	(617)
Other income and expenses	388	(169)	219
Operating profit	**8,411**	**(77)**	**8,334**
Cost of gross financial indebtedness	(2,403)	141	(2,262)
Discount effect	(2,982)	51	(2,931)
Other financial income and expenses	2,296	(45)	2,251
Financial result	**(3,089)**	**147**	**(2,942)**
Income before taxes of consolidated companies	**5,322**	**70**	**5,392**
Income taxes	(1,942)	46	(1,896)
Share in net income of associates and joint ventures	375	(113)	262
GROUP NET INCOME	**3,755**	**3**	**3,758**
EDF net income	**3,517**	**–**	**3,517**
Net income attributable to non-controlling interests	**238**	**3**	**241**

2.4 Impact on the statement of net income and gains and losses recorded directly in equity for 2013

(in millions of Euros)	2013 as published	Impacts of IFRS 10 and IFRS 11	2013 restated
Group net income	**3,755**	**3**	**3,758**
Change in fair value of available-for-sale financial assets	515	–	515
Change in fair value of hedging instruments	662	(2)	660
Translation adjustments	(829)	5	(824)
Gains and losses recorded directly in equity that will be reclassified subsequently to profit or loss	*348*	*3*	*351*
Actuarial gains and losses on post-employment benefits	39	–	39
Gains and losses recorded directly in equity that will not be reclassified subsequently to profit or loss	*39*	*–*	*39*
Total gains and losses recorded directly in equity	**387**	**3**	**390**
NET INCOME AND GAINS AND LOSSES RECORDED DIRECTLY IN EQUITY	**4,142**	**6**	**4,148**

2.5 Impact on the balance sheet at 31 december 2013

ASSETS

(in millions of Euros)	31/12/2013 as published	Impacts of IFRS 10 and IFRS 11	Impacts of "Other receivables" and "Other liabilities"	31/12/2013 restated
Goodwill	9,206	(125)	–	9,081
Other intangible assets	7,976	(116)	–	7,860
Property, plant and equipment operated under French public electricity distribution concessions	48,796	–	–	48,796
Property, plant and equipment operated under concessions for other activities	7,518	(68)	–	7,450
Property, plant and equipment used in generation and other tangible assets owned by the Group	69,013	(4,452)	–	64,561
Investments in associates and joint ventures	7,813	3,666	–	11,479
Non-current financial assets	30,324	(713)	–	29,611
Other non-current receivables	–	–	1,924	1,924
Deferred tax assets	2,839	(668)	–	2,171
Non-current assets	**183,485**	**(2,476)**	**1,924**	**182,933**
Inventories	14,550	(346)	–	14,204
Trade receivables	22,137	(245)	–	21,892
Current financial assets	17,770	77	–	17,847
Current tax assets	560	(6)	–	554
Other current receivables	9,221	(58)	(1,924)	7,239
Cash and cash equivalents	5,459	(363)	–	5,096
Current assets	**69,697**	**(941)**	**(1,924)**	**66,832**
Assets classified as held for sale	**3,619**	**(2,465)**	**–**	**1,154**
TOTAL ASSETS	**256,801**	**(5,882)**	**–**	**250,919**

EQUITY AND LIABILITIES

(in millions of Euros)	31/12/2013 as published	Impacts of IFRS 10 and IFRS 11	Impacts of "Other receivables" and "Other liabilities"	31/12/2013 restated
Capital	930	–	–	930
EDF net income and consolidated reserves	33,277	–	–	33,277
Equity (EDF share)	**34,207**	**–**	**–**	**34,207**
Equity (non-controlling interests)	4,663	335	–	4,998
Total equity	**38,870**	**335**	**–**	**39,205**
Provisions related to nuclear generation – Back-end of the nuclear cycle, plant decommissioning and last cores	40,985	(558)	–	40,427
Provisions for decommissioning of non-nuclear facilities	1,193	(11)	–	1,182
Provisions for employee benefits	18,542	(161)	–	18,381
Other provisions	1,755	(275)	–	1,480
Non-current provisions	*62,475*	*(1,005)*	*–*	*61,470*
Special French public electricity distribution concession liabilities	43,454	–	–	43,454
Non-current financial liabilities	42,877	(1,464)	–	41,413
Other non-current liabilities	3,955	(38)	1,084	5,001
Deferred tax liabilities	5,004	(762)	–	4,242
Non-current liabilities	**157,765**	**(3,269)**	**1,084**	**155,580**
Current provisions	4,848	(14)	–	4,834
Trade payables	14,312	(155)	–	14,157
Current financial liabilities	14,912	(265)	–	14,647
Current tax liabilities	1,348	(8)	–	1,340
Other current liabilities	22,457	(217)	(1,084)	21,156
Current liabilities	**57,877**	**(659)**	**(1,084)**	**56,134**
Liabilities related to assets classified as held for sale	**2,289**	**(2,289)**	**–**	**–**
TOTAL EQUITY AND LIABILITIES	**256,801**	**(5,882)**	**–**	**250,919**

2.6 Impact on the balance sheet at 31 december 2012

ASSETS

(in millions of Euros)	31/12/2012 as published (1)	Impacts of IFRS 10 and IFRS 11	Impacts of "Other receivables" and "Other liabilities"	31/12/2012 restated
Goodwill	10,412	(1,012)	–	9,400
Other intangible assets	7,625	(292)	–	7,333
Property, plant and equipment operated under French public electricity distribution concessions	47,222	–	–	47,222
Property, plant and equipment operated under concessions for other activities	7,182	(40)	–	7,142
Property, plant and equipment used in generation and other tangible assets owned by the Group	67,838	(6,420)	–	61,418
Investments in associates and joint ventures	7,587	5,384	–	12,971
Non-current financial assets	30,471	(937)	–	29,534
Other non-current receivables	–	–	1,551	1,551
Deferred tax assets	3,421	(782)	–	2,639
Non-current assets	**181,758**	**(4,099)**	**1,551**	**179,210**
Inventories	14,213	(542)	–	13,671
Trade receivables	22,497	(1,045)	–	21,452
Current financial assets	16,433	196	–	16,629
Current tax assets	582	(29)	–	553
Other current receivables	8,486	(221)	(1,551)	6,714
Cash and cash equivalents	5,874	(839)	–	5,035
Current assets	**68,085**	**(2,480)**	**(1,551)**	**64,054**
Assets classified as held for sale	**241**	**–**	**–**	**241**
TOTAL ASSETS	**250,084**	**(6,579)**	**–**	**243,505**

(1) Figures published in 2013, corresponding to published figures for 2012 restated for the impact of retrospective application of IAS 19 (revised).

EQUITY AND LIABILITIES

(in millions of Euros)	31/12/2012 as published [(1)]	Impacts of IFRS 10 and IFRS 11	Impacts of "Other receivables" and "Other liabilities"	31/12/2012 restated
Capital	924	–	–	924
EDF net income and consolidated reserves	25,333	–	–	25,333
Equity (EDF share)	**26,257**	**–**	**–**	**26,257**
Equity (non-controlling interests)	4,854	262	–	5,116
Total equity	**31,111**	**262**	**–**	**31,373**
Provisions related to nuclear generation – Back-end of the nuclear cycle, plant decommissioning and last cores	39,185	(546)	–	38,639
Provisions for decommissioning of non-nuclear facilities	1,090	(12)	–	1,078
Provisions for employee benefits	19,119	(283)	–	18,836
Other provisions	1,873	(521)	–	1,352
Non-current provisions	***61,267***	***(1,362)***	***–***	***59,905***
Special French public electricity distribution concession liabilities	42,551	–	–	42,551
Non-current financial liabilities	46,980	(1,767)	–	45,213
Other non-current liabilities	4,218	(55)	1,134	5,297
Deferred tax liabilities	5,601	(892)	–	4,709
Non-current liabilities	**160,617**	**(4,076)**	**1,134**	**157,675**
Current provisions	3,882	(55)	–	3,827
Trade payables	14,643	(757)	–	13,886
Current financial liabilities	17,521	(1,299)	–	16,222
Current tax liabilities	1,224	(21)	–	1,203
Other current liabilities	21,037	(633)	(1,134)	19,270
Current liabilities	**58,307**	**(2,765)**	**(1,134)**	**54,408**
Liabilities related to assets classified as held for sale	**49**	**–**	**–**	**49**
TOTAL EQUITY AND LIABILITIES	**250,084**	**(6,579)**	**–**	**243,505**

(1) Figures published in 2013, corresponding to published figures for 2012 restated for the impact of retrospective application of IAS 19 (revised).

2.7 Impact on the statement of cash flows for 2013

(in millions of Euros)	2013 as published	Impacts of IFRS 10 and IFRS 11	2013 restated
Operating activities:			
Income before taxes of consolidated companies	5,322	70	5,392
Impairment/(reversals)	1,012	(395)	617
Accumulated depreciation and amortisation, provisions and change in fair value	9,445	(200)	9,245
Financial income and expenses	1,587	(99)	1,488
Dividends received from associates and joint ventures	266	103	369
Capital gains/losses	(882)	2	(880)
Change in working capital	(1,783)	72	(1,711)
Net cash flow from operations	*14,967*	*(447)*	*14,520*
Net financial expenses disbursed	(1,799)	80	(1,719)
Income taxes paid	(1,979)	43	(1,936)
Net cash flow from operating activities	11,189	(324)	10,865
Investing activities:			
Acquisitions/disposals of equity investments, net of cash (acquired/transferred)	648	101	749
Investments in intangible assets and property, plant and equipment	(13,327)	285	(13,042)
Net proceeds from sale of intangible assets and property, plant and equipment	240	(11)	229
Changes in financial assets	164	193	357
Net cash flow used in investing activities	(12,275)	568	(11,707)
Financing activities:			
Transactions with non-controlling interests	95	67	162
Dividends paid by parent company	(2,144)	–	(2,144)
Dividends paid to non-controlling interests	(318)	17	(301)
Purchases/sales of treasury shares	4	–	4
Cash flows with shareholders	*(2,363)*	*84*	*(2,279)*
Issuance of borrowings	5,746	(588)	5,158
Repayment of borrowings	(8,654)	391	(8,263)
Issuance of perpetual subordinated bonds	6,125	–	6,125
Payments to bearers of perpetual subordinated bonds	(103)	–	(103)
Funding contributions received for assets operated under concessions	171	–	171
Investment subsidies	89	(2)	87
Other cash flows from financing activities	*3,374*	*(199)*	*3,175*
Net cash flow used in financing activities	1,011	(115)	896
Net increase (decrease) in cash and cash equivalents	(75)	129	54
CASH AND CASH EQUIVALENTS – OPENING BALANCE	**5,874**	**(839)**	**5,035**
Net increase/(decrease) in cash and cash equivalents	(75)	129	54
Effect of currency fluctuations	4	10	14
Financial income on cash and cash equivalents	23	(7)	16
Effect of reclassifications	(367)	344	(23)
CASH AND CASH EQUIVALENTS – CLOSING BALANCE	**5,459**	**(363)**	**5,096**

Note 3 Significant events and transactions

3.1 Dalkia

3.1.1 History

On 25 March 2014 EDF and Veolia Environnement (VE) announced that they had finalised the discussions begun in October 2013 and signed an agreement regarding their joint subsidiary Dalkia. Under the terms of this agreement, the EDF group was to take over all the Dalkia group's activities in France (including Citelum), while Dalkia International's activities were taken over by VE, and VE paid the EDF group a net amount of €661 million in compensation for the difference in value between the stakes owned by the two shareholders in the various Dalkia entities. This payment, initially valued at €550 million, was adjusted based on the final scope concerned by the transaction, with no significant financial impact compared to original structure of the operation.

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

This operation will enable the Group to develop its involvement in energy services.

3.1.2 Dalkia's activities in France

Dalkia is France's leading company in the energy efficiency services market for local authorities and industrial customers, developing services in three fields of business: heat and cold networks, industrial utilities, and energy services for buildings. Dalkia's activities employ over 12,000 people (excluding Citelum).

The Citelum subgroup is also included in Dalkia's French activities that have been taken over by the EDF group. Citelum markets solutions for urban electric facilities in and outside France (urban lighting, traffic management, security equipment and communication facilities for public spaces).

3.1.3 Accounting treatment in the EDF consolidated financial statements

The sale of the EDF group's investment in Dalkia International took place on 25 July 2014, when all the conditions were fulfilled and the offers were declared fully unconditional. A gain on the sale is recorded in "Other income and expenses".

The acquisition of exclusive control over Dalkia's activities in France and Citelum (collectively referred to as "Dalkia") took place at the same time, and full consolidation of these entities is applied in the EDF group's consolidated financial statements from 25 July 2014. In application of IFRS 3, the identifiable assets and liabilities of Dalkia are carried at their fair value at that date. These values are provisional and the Group has 12 months to finalise allocation of the acquisition price.

The acquisition of Dalkia is reflected in the following items in the Group's consolidated financial statements:

- a gain on sale resulting from a new fair value measurement of the investment in Dalkia previously held, recorded in "Other income and expenses";
- recognition of provisional goodwill of €392 million.

3.1.4 Dalkia - Determination of the gain on sale

The proceeds on the sale generated by operations connected with the Group's investment in Dalkia have two components:

- a gain on the sale of Dalkia International corresponding to the difference between the sale price and the consolidated value of the net assets sold;
- a gain on sale corresponding to the difference between the net consolidated value and the fair value of the Group's investment in Dalkia at the date control was acquired, in application of IFRS 3.

The fair value is the price paid by the EDF group to VE to take over control of Dalkia.

This gain on sale is included in "Other income and products" in 2014, and was determined as follows:

(in millions of Euros)

(A)	Sale price for Dalkia International	1,407
(B)	Fair value of Dalkia	382
(C)	Net book value of the assets sold (Dalkia International)	1,200
(D)	Net book value of the investment previously held (Dalkia)	412
(E)	Effect of transferring gains and losses recorded directly in equity	40
(A+B-C-D+E) GAIN ON SALE		**217**

3.1.5 Items of Dalkia's opening balance sheet in the EDF group's consolidated financial statements and determination of goodwill

3.1.5.1 Determination of the provisional opening balance sheet

The fair value of Dalkia's identifiable assets and liabilities is the Group's best estimate to date. It was determined based on Dalkia's available forecast data, under commonly used valuation methods.

After including the fair values of assets acquired and liabilities assumed, the provisional opening balance sheet for Dalkia at 25 July 2014 (100% basis) is as follows:

ASSETS

(in millions of Euros)	Historical values	Fair value adjustments	Provisional opening values
Goodwill	112	(112)	–
Other intangible assets	558	206	764
Tangible assets	630	–	630
Investments in associates and joint ventures	50	–	50
Financial assets	255	(11)	244
Deferred tax assets	129	20	149
Inventories	221	51	272
Trade receivables	755	–	755
Current tax assets	25	–	25
Other receivables	470	–	470
Cash and cash equivalents	214	–	214
TOTAL ASSETS	**3,419**	**154**	**3,573**

EQUITY AND LIABILITIES

(in millions of Euros)	Historical values	Fair value adjustments	Provisional opening values
Capital	220	–	220
Consolidated reserves	539	(23)	516
Equity	**759**	**(23)**	**736**
Non-controlling interests	7	–	7
Total equity	**766**	**(23)**	**743**
Provisions	272	81	353
Financial liabilities	795	6	801
Deferred tax liabilities	124	90	214
Trade payables	578	–	578
Current tax liabilities	24	–	24
Other liabilities	860	–	860
TOTAL EQUITY AND LIABILITIES	**3,419**	**154**	**3,573**

The main adjustments resulting from fair value measurement of the assets acquired and the liabilities assumed concern the following items:

- Cancellation of historical goodwill: €(112) million.
- Fair value adjustment of intangible assets: €206 million, comprising:
  - creation of an intangible asset representing the Dalkia brand: €130 million.

    The brand was valued under the relief-from-royalty method. Due to the Dalkia brand's reputation in France and the Group's intention to continue to use it in the long term, its useful life is considered to be indefinite;
  - revaluation of customer contracts associated with heat generation and distribution concessions: €68 million.

    The fair value of Dalkia's customer contracts was determined by the discounted future cash flows method using historical and forecast data. The revaluation concerned a selection of significant contracts accounting for approximately 60% of the total business margin and the net consolidated value of the associated assets. The fair value adjustments involved no assumption regarding renewal of customer contracts, mainly because of the systematic calls for tender in a highly competitive environment and the distant time horizon (the contracts valued have a residual term of 12-13 years).
- Net deferred taxes: €(70) million.

  Revaluation of deferred taxes only concerned the tax effects associated with fair value adjustments applied for the purposes of determining the opening balance sheet.
- Other fair value adjustments.

  Other fair value adjustments mainly concerned revaluation of Dalkia's inventories of work-in-progress and fair value adjustments of Citelum's assets and liabilities.

The main assumptions to which these opening balance sheet assets and liabilities are sensitive are:

- the royalty rate used to value the Dalkia brand;
- the financial terms of the concession agreements for heat generation and distribution;
- the discount rate applied.

In compliance with the provisions of IFRS 3, the values of the assets acquired and liabilities assumed are provisional, as the Group has 12 months from the date of the transaction to finalise allocation of the acquisition price.

3.1.5.2 Determination of provisional goodwill

The provisional goodwill recorded in the operation is determined as follows:

(in millions of Euros)	
Fair value of previously-held shares	382
Acquisition price for the investment	746
Consideration transferred at 25 July 2014 (A)	1,128
Fair value of the Dalkia assets acquired	736
Fair value of assets acquired and liabilities assumed (B)	736
PROVISIONAL GOODWILL (A)-(B)	**392**

3.1.6 Impact of the operation on the Group's net income and net indebtedness

Dalkia and Citelum's contribution to the Group's operating profit before depreciation and amortisation from the acquisition date of 25 July 2014 until 31 December 2014 amounted to €18 million.

The impacts of the operation on the Group's net indebtedness at 31 December 2014 are as follows:

(in millions of Euros)	
Acquisition price for Dalkia	746
Sale price for Dalkia International	(1,407)
Net amount received	(661)
Redemption of the perpetual subordinated bonds subscribed by Dalkia International from EDF	(144)
Total received	(805)
Consolidation of Dalkia's net indebtedness	571
Effect of the change in scope of consolidation	571
INCREASE/(DECREASE) IN NET INDEBTEDNESS	**(234)**

3.1.7 Effects of the takeover of Dalkia on the Group's main income statement indicators for 2014

If the takeover of Dalkia had taken place at 1 January 2014, the impacts on the Group's main income statement indicators would have been as follows:

(in millions of Euros)	2014 as published	2014 restated [1]	Variation
Sales	72,874	74,318	1,444
Operating profit before depreciation and amortisation	17,279	17,384	105
Net income	3,701	3,737	36

(1) 2014 figures including full consolidation of Dalkia from 1 January 2014 (from 25 July 2014 for the figures as published).

3.2 Edison

3.2.1 Renegotiation of long-term gas supply contracts

On 29 August 2014 the Chamber of Commerce tribunal in Stockholm notified Edison and Promgas of its decision to review gas prices with Russia. This decision had a positive impact of €80 million on the Group's operating profit before depreciation and amortisation for 2014 (including compensation received for previous years).

The arbitrations and agreements reached in 2013 concerning the long-term gas supply contracts with Rasgas (Qatar) and Sonatrach (Algeria) had a positive €813 million impact on the Group's operating profit before depreciation and amortisation for 2013 (including compensation received for previous years).

3.2.2 Agreement between Edison, EDF Énergies Nouvelles and F2i for creation of a new renewable energy hub

On 6 November 2014, Edison, EDF Énergies Nouvelles and F2i finalised their agreements for creation of the third-largest Italian operator in the renewable energy sector, controlling a capacity of 600MW (mainly wind power) after combination of the units operated by Edison Energie Speciali (Edens) and certain units operated by EDF Énergies Nouvelles Italia.

This new player in renewable energy will draw on both Edison's skills in management and optimisation of electricity generation, and EDF Énergies Nouvelles' skills in operation and maintenance. The new entity's capacity and financial skills will be strengthened by the involvement of a strategic partner like F2i, a long-term investor with longstanding experience in the energy sector.

The shareholders of the newly formed company are F2i, with a 70% interest, and a holding company owned by Edison and EDF Énergies Nouvelles, with the remaining 30%.

Under the applicable accounting principles, the defined governance system and associated contractual agreements allow Edison to fully consolidate the new company.

3.3 Agreement with Exelon concerning CENG

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

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

CENG has also paid the Group a special dividend of US$400 million (€290 million), funded by a loan to CENG from Exelon. CENG has given a commitment that once this loan is fully repaid, it will pay Exelon a dividend of present value equivalent to US$400 million. EDF has also been granted an option to sell its holding in CENG to Exelon at fair value, which can be exercised between January 2016 and June 2022.

Following this operation, CENG is still owned 49.99% by EDF and 50.01% by Exelon, and its Board of Directors has equal numbers of directors appointed by Exelon and EDF. Nonetheless, in the light of the analysis criteria defined by the new standards IFRS 10 and IFRS 11, examination of the clauses of the new agreement leads to the conclusion that CENG should be considered as an associate for the EDF group from 1 April 2014 (it was previously classified as a joint venture). CENG is thus accounted for under the equity method.

3.4 EDF Energy: construction of two EPRs at Hinkley Point

On 8 October 2014 the European Commission approved the main terms of the agreements between the EDF group and the UK Government to build a new nuclear power station at Hinkley Point C in Somerset in south-west England. This decision was given after a 12-month-long rigorously detailed examination of the agreements by the European Commission, required by European Union rules on State aid. Approval by the European Commission marked a further milestone for the project, after the issuance of planning permission and nuclear site licences, approval of the EPR reactor design by the UK regulator, and the agreement reached in October 2013 on the project's key commercial terms, particularly the Contract for Difference (CfD) strike price over a duration of 35 years from the plant's date of commissioning, and confirmation of the project's eligibility for the UK Government's infrastructure funding guarantee programme ("Infrastructure UK").

The next steps required before a final investment decision is made include the conclusion of agreements with strategic and financial partners for the project, approval by the European Commission and the British government of the waste transfer contract arrangements, implementation of the funding guarantee through the "Infrastructure UK" programme, and finalisation of the CfD and contracts with the principal suppliers.

3.5 Issuance of perpetual subordinated bonds

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

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

These bonds are redeemable at the initiative of EDF after a minimum period that depends on the currency (between 8 and 15 years), then at every interest payment date, or in the event of certain very specific circumstances (such as a change in IFRSs or tax regime).

The annual yield is fixed and revalued on the basis of contractual clauses that differ according to the currency. There is no obligation for EDF to make any payment, due to the existence of contractual clauses allowing deferral of payment. However, those clauses stipulate that deferred payments must be made if it is decided to pay a dividend to EDF shareholders.

All these features give EDF an unconditional right to avoid paying out cash or another financial asset in reimbursement or interest on the principal. Consequently, in compliance with IAS 32, this issue is recorded in equity from reception of funds at the amount of €3,970 million.

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

3.6 Agreement between EDF and Exeltium

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

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

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

3.7 Significant events and transactions of 2013

3.7.1 Sales of the Group's investment in SSE

On 24 May 2013, the EDF group received an irrevocable offer from the Czech energy company Energetický a Prumyslový Holding, a.s. (EPH), which is a leading player in central and eastern Europe, for the acquisition of EDF's 49% minority stake in Stredoslovenska Energetika a.s. (SSE), Slovakia's number two electricity distributor and supplier.

The transaction was completed on 27 November 2013 after authorisation by the competition authorities, based on valuation of the Group's investment in SSE at approximately €400 million. A pre-tax gain of €54 million on the sale was recorded in "Other operating income and expenses".

3.7.2 Acquisition of Centrica's investment in Nuclear New Build Holdings

On 4 February 2013, Centrica announced its decision to end its partnership with EDF for the construction of EPRs in the United Kingdom, by exercising its option to sell EDF Energy its 20% investment in Nuclear New Build Holdings (NNBH), a company formed as a vehicle for "Nuclear New Build" projects in the UK. Since EDF already owned 80% of NNBH via EDF Energy, it held 100% of the company after this transaction.

The acquisition of Centrica's holding generated a positive impact of €228 million on equity (EDF share) in 2013, resulting from the positive difference between the share of assets received and the price paid after the option was exercised.

Centrica continues to work with EDF through its 20% interest in existing nuclear facilities in the United Kingdom, and retained its commercial electricity purchase contracts with the EDF group.

↗ Note 4 Regulatory events in France

4.1 Regulated tariffs

4.1.1 Cancellation of regulated sales tariffs by the Council of State

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

Based on those corrections, an additional €921 million of sales revenues (€908 million of which relate to EDF) was recorded in 2014 in the Group's consolidated income statement. After inclusion of various costs associated with this retroactive tariff adjustment, the impact on the Group's operating profit before depreciation and amortisation for 2014 amounts to €744 million.

4.1.2 Regulated electricity sales tariffs in France

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

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

4.2 TURPE 4 network access tariffs

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

The government also announced in a letter of 12 November 2013 to the President of the CRE that it intended shortly to propose a law laying down a secure legal framework for setting the TURPE network access tariff, so that a normative economic regulation method can be implemented. This point is addressed in an article of the proposed law on the energy transition, which was adopted at its first reading by the National Assembly on 14 October 2014.

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

4.3 Start of the "Linky" smart meter rollout

The rollout of smart meters complies with European and French regulations on electricity metering systems, and follows a 300,000-meter pilot scheme conducted by ERDF from 2009 to 2011. After carrying out an assessment of this scheme, the French energy regulator CRE recommended generalising the smart meter system in its decision of 7 July 2011. At the initiative of France's Minister for Ecology, Sustainable Development and Energy, a working party with representatives of all stakeholders was formed in late 2012. The work done during 2013 led the Prime Minister to announce on 9 July 2013 that ERDF would install 3 million smart meters by 2016.

ERDF therefore launched a call for tenders in October 2013 for supply of the first meters. Contracts were awarded in early August 2014 to six industrial firms, which will supply the first meters by the end of 2015. ERDF has also issued calls for tenders for the installation of millions of meters. The first household meters are due to be installed from autumn 2015.

Following the public consultation that opened on 30 April 2014, the CRE's deliberations of 17 July 2014 on the tariff regulation framework for the Linky project were published in France's *Journal officiel* on 30 July 2014. Given the unusually large scale of this industrial project (€5 billion will be invested between 2014 and 2021 to install 35 million meters), a specific rate of return on assets has been set for a 20-year period.

4.4 The NOME Law and the ARENH system

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

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

4.5 Energy transition bill

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

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

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

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

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

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

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

4.6 Pension reforms - Law of 20 january 2014

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

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

↗ Note 5 Changes in the scope of consolidation

Apart from the Group's takeover of Dalkia group activities and the sale of the activities of Dalkia International described in note 3.1, the main changes in the scope of consolidation during 2014 concern the following entities.

5.1 EDF Norte Fluminense

5.1.1 Acquisition of minority interests

On 11 April 2014, the EDF group acquired the 10% investment held by the Brazilian company Petrobas in the EDF Norte Fluminense SA thermal power plant located in Brazil. The Group now owns 100% of the company's capital. Acquisition of Petrobas' investment has a negative €35 million impact on equity (EDF share) resulting from the difference between the book value of the share of net assets acquired and the price paid.

5.1.2 Investment in SINOP Energy Company

In December 2014, EDF Norte Fluminense took a 51% investment in SINOP Energy Company (CES), which is in charge of building and operating the SINOP hydroelectric dam. The two other shareholders are Eletronorte (24.5%) and CHESF (24.5%), both subsidiaries of the Eletrobras group.

Work on the dam, which will have installed capacity of 400MW, began in spring 2014 and commercial operation is scheduled to start in the second half-year of 2017.

Based on analysis of the governance arrangements set up between the shareholders of CES, the Group's investment is classified as a joint venture under IFRS 10 and accounted for by the equity method.

5.2 Investment in Jiangxi Datang International Fuzhou Power Generation Company Ltd.

In April 2014 EDF and the electricity operator China Datang Corporation (CDT) signed an agreement for EDF to take a 49% stake in Jiangxi Datang International Fuzhou Power Generation Company Ltd. (FPC). This joint venture will build and operate an ultra-supercritical coal-fired power plant consisting of two 1,000MW units. Construction work has begun on the Fuzhou site in the south-east of China, and the new plant is scheduled for commissioning in 2016.

Based on analysis of the governance arrangements between the shareholders of FPC, the Group's investment is classified as a joint venture under IFRS 10 and accounted for under the equity method.

5.3 Sale of South Stream Transport BV

On 29 December 2014 EDF and Gazprom signed an agreement for the acquisition by Gazprom of EDF's 15% stake, held through its subsidiary EDF International, in the South Stream Transport BV gas pipeline project.

Given this development, in line with pre-existing agreements EDF International recovered the full amount invested in the project.

5.4 Merger of Group entities

- In Poland: EDF Wybrzeże SA merged with EDF Polska SA, an entity owned 97.26% by the EDF group;
- In Italy: Transalpina di Energia SRL and Wagram Holding 4 SpA merged to form Transalpina di Energia SpA (TdE SpA), an entity fully-owned by EDF that holds the Group's investment in Edison. Following this merger the Group's investment in Edison stands at 97.40% (unchanged from 31 December 2013).

These merger operations have no impact on the Group's consolidated financial statements.

5.5 Changes in the scope of consolidation in 2013

The main changes in the scope of consolidation during 2013 are presented in note 3.7.

Note 6 Segment reporting

6.1 Reporting by operating segment

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

Segment reporting is determined before inter-segment eliminations. Inter-segment transactions take place at market prices.

In accordance with IFRS 8, the breakdown used by the EDF group corresponds to the operating segments as regularly reviewed by the Management Committee. The Group uses the following segments:

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

No segments have been merged.

6.1.1 At 31 December 2014

(in millions of Euros)	France	United Kingdom	Italy	Other international	Other activities	Inter-segment eliminations	**Total**
Income statements:							
External sales	39,910	10,160	12,687	5,603	4,514	–	72,874
Inter-segment sales	931	–	3	193	1,374	(2,501)	–
TOTAL SALES	**40,841**	**10,160**	**12,690**	**5,796**	**5,888**	**(2,501)**	**72,874**
OPERATIONG PROFIT BEFORE DEPRECIATION AND AMORTISATION	**12,198**	**1,941**	**886**	**632**	**1,622**	**–**	**17,279**
OPERATING PROFIT	**6,238**	**810**	**228**	**(356)**	**1,064**	**–**	**7,984**
Balance sheet:							
Goodwill	–	8,652	–	42	1,000	–	9,694
Intangible assets and property, plant and equipment	96,404	14,531	8,915	4,206	12,328	–	136,384
Investments in associates and joint ventures	5,109	51	219	5,028	582	–	10,989
Other segment assets [(1)]	31,147	4,919	3,862	1,126	7,686	–	48,740
Assets classified as held for sale	–	–	–	–	18	–	18
Other non-allocated assets							62,164
TOTAL ASSETS	**132,660**	**28,153**	**12,996**	**10,402**	**21,614**	**–**	**267,989**
Other information:							
Net depreciation and amortisation	(5,343)	(1,007)	(714)	(385)	(491)	–	(7,940)
Impairment	(35)	(169)	(182)	(606)	(197)	–	(1,189)
Equity (non-controlling interests)	–	2,998	729	730	962	–	5,419
Investments in intangible assets and property, plant and equipment	9,025	1,585	444	511	2,156	–	13,721

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

6.1.2 At 31 December 2013

(in millions of Euros)	France	United Kingdom	Italy	Other international	Other activities	Inter-segment eliminations	**Total**
Income statements:							
External sales	40,210	9,782	12,689	6,349	2,886	–	71,916
Inter-segment sales	762	–	2	223	1,005	(1,992)	–
TOTAL SALES	**40,972**	**9,782**	**12,691**	**6,572**	**3,891**	**(1,992)**	**71,916**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION	**10,778**	**1,992**	**1,059**	**814**	**1,456**	**–**	**16,099**
OPERATING PROFIT	**6,229**	**1,021**	**243**	**(178)**	**1,019**	**–**	**8,334**
Balance sheet:							
Goodwill	–	8,140	–	337	604	–	9,081
Intangible assets and property, plant and equipment	91,702	13,286	9,256	4,327	10,096	–	128,667
Investments in associates and joint ventures	5,134	47	217	5,116	965	–	11,479
Other segment assets [1]	29,443	4,560	3,869	1,130	6,257	–	45,259
Assets classified as held for sale	–	–	–	–	1,154	–	1,154
Other non-allocated assets							55,279
TOTAL ASSETS	**126,279**	**26,033**	**13,342**	**10,910**	**19,076**	**–**	**250,919**
Other information:							
Net depreciation and amortisation	(4,698)	(903)	(716)	(397)	(440)	–	(7,154)
Impairment	(71)	(7)	(88)	(371)	(80)	–	(617)
Equity (non-controlling interests)	–	2,783	439	867	909	–	4,998
Investments in intangible assets and property, plant and equipment	9,015	1,339	339	392	1,957	–	13,042

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

6.2 Sales to external customers, by product and service group

The Group's sales are broken down by product and service group as follows:

- "**Generation/Supply**": energy generation and energy sales to industry, local authorities, small businesses and residential consumers. This segment also includes commodity trading activities;
- "**Distribution**": management of the low and medium-voltage public distribution network;
- "**Transmission**": operation, maintenance and development of the high-voltage and very-high-voltage electricity transmission network;
- "**Other**": energy services (district heating, thermal energy services, etc.) for industry and local authorities, and new businesses mainly aimed at boosting electricity generation through cogeneration and renewable energy sources (e.g. wind turbines, photovoltaic panels, etc.).

(in millions of Euros)	Generation/Supply	Distribution	Transmission	Other	Eliminations	**Total**
2014:						
External sales:						
– France	26,030	14,317	–	460	(897)	39,910
– International and other activities	29,428	588	245	2,703	–	32,964
TOTAL SALES	**55,458**	**14,905**	**245**	**3,163**	**(897)**	**72,874**
2013:						
External sales:						
– France	25,789	14,699	–	310	(588)	40,210
– International and other activities	29,715	806	219	966	–	31,706
TOTAL SALES	**55,504**	**15,505**	**219**	**1,276**	**(588)**	**71,916**

"Other" sales include a scope effect of €1,621 million due to the acquisition of Dalkia (energy services) on 25 July 2014.

Income statements

↗ Note 7 Sales

Sales are comprised of:

(in millions of Euros)	**2014**	2013
Sales of energy and energy-related services	70,449	69,653
Other sales of goods and services	1,515	1,416
Trading	910	847
SALES	**72,874**	**71,916**

Sales of energy and energy-related services for 2014 include the €921 million effects of the retroactive tariff adjustment for 2012 (see note 4.1.1) and the €1,456 million scope effect of consolidation of Dalkia from 25 July 2014.

After eliminating these factors, sales for 2014 were down compared to 2013, principally due to the lower volumes sold as a result of unfavourable weather effects in most European countries where the Group does business (notably France).

↗ Note 8 Fuel and energy purchases

Fuel and energy purchases comprise:

(in millions of Euros)	**2014**	2013
Fuel purchases used - power generation	(12,307)	(12,639)
Energy purchases	(15,380)	(15,900)
Transmission and delivery expenses	(9,316)	(9,134)
Gain/loss on hedge accounting	(122)	(125)
(Increase)/decrease in provisions related to nuclear fuels and energy purchases	421	(318)
FUEL AND ENERGY PURCHASES	**(36,704)**	**(38,116)**

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

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

↗ Note 9 Other external expenses

Other external expenses comprise:

(in millions of Euros)	**2014**	2013
External services	(11,316)	(10,539)
Other purchases (excluding external services, fuel and energy)	(2,707)	(2,218)
Change in inventories and capitalised production	4,673	4,260
(Increase)/decrease in provisions on other external expenses	169	210
OTHER EXTERNAL EXPENSES	**(9,181)**	**(8,287)**

Note 10 Personnel expenses

10.1 Personnel expenses

Personnel expenses comprise:

(in millions of Euros)	**2014**	2013
Wages and salaries	(7,426)	(7,027)
Social contributions	(1,668)	(1,543)
Employee profit sharing	(257)	(230)
Other contributions related to personnel	(373)	(388)
Other expenses linked to short-term benefits	(242)	(232)
Short-term benefits	**(9,966)**	**(9,420)**
Expenses under defined-contribution plans	(852)	(805)
Expenses under defined-benefit plans	(723)	(933)
Post-employment benefits	**(1,575)**	**(1,738)**
Other long-term expenses	(237)	(122)
Termination payments	(7)	(11)
Other personnel expenses	**(244)**	**(133)**
PERSONNEL EXPENSES	**(11,785)**	**(11,291)**

10.2 Average workforce

	2014	2013
IEG status	103,088	101,732
Other	44,936	38,142
AVERAGE WORKFORCE	**148,024**	**139,874**

Average workforce numbers for the controlled entities and joint operations are reported on a full-time equivalent basis.

The rise observed in 2014 principally results from inclusion of Dalkia in the scope of consolidation.

Note 11 Taxes other than income taxes

Taxes other than income taxes break down as follows:

(in millions of Euros)	**2014**	2013
Payroll taxes	(243)	(236)
Energy taxes	(1,494)	(1,476)
Other non-income taxes	(1,856)	(1,769)
TAXES OTHER THAN INCOME TAXES	**(3,593)**	**(3,481)**

Note 12 Other operating income and expenses

Other operating income and expenses comprise:

(in millions of Euros)	Notes	**2014**	2013
Operating subsidies	12.1	6,116	5,310
Net income on deconsolidation	12.2	254	301
Gains on disposal of fixed assets	12.2	(153)	(100)
Net increase in provisions on current assets		(195)	(208)
Net increase in provisions for operating contingencies and losses		(142)	(140)
Other items	12.3	(212)	195
OTHER OPERATING INCOME AND EXPENSES		**5,668**	**5,358**

12.1 Operating subsidies

This item mainly comprises the subsidy received or receivable by EDF in respect of the CSPE, reflected in the financial statements through recognition of income of €5,888 million for 2014 (€5,103 million for 2013). The difference is largely attributable to the decline in market electricity prices and the rise in purchase volumes of photovoltaic energy, which had the effect of increasing the subsidy receivable for purchase obligations in mainland France, and the rise in energy purchase volumes in non-interconnected zones.

12.2 Net income on deconsolidation and gains on disposal of fixed assets

In 2014, net income on deconsolidation and gains on disposal of property, plant and equipment included:

- gains on sales of EDF Énergies Nouvelles' generation assets as part of the Development and Sale of Structured Assets (DSSA) activities, amounting to €225 million (€188 million for 2013);
- gains on sales of real estate assets in France, amounting to €17 million (€62 million for 2013).

12.3 Other items

In 2013 and 2014, other items mainly include prior year effects of renegotiations in favour of Edison in connection with litigation and arbitration concerning price reviews on long-term gas supply contracts.

Note 13 Impairment/reversals

13.1 Impairment by category of asset

Details of impairment recognised and reversed are as follows:

(in millions of Euros)	Notes	**2014**	2013
Impairment of goodwill	18	(298)	(129)
Impairment of other intangible assets	19	(74)	(56)
Impairment of tangible assets and discontinued operations	21-22-46	(832)	(432)
Other items		15	–
IMPAIRMENT NET OF REVERSALS		**(1,189)**	**(617)**

In 2013, the €(617) million of impairment recorded principally includes €(229) million related to EDF Luminus and €(127) million related to EDF Polska.

In 2014, impairment amounts to €(1,189) million. Details are given below.

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

The following tables give details of impairment tests carried out on the main goodwill, intangible assets with indefinite useful lives and other Group assets in 2014, and the key assumptions used.

Impairment tests on goodwill and intangible assets with indefinite useful lives:

Operating segment	Cash-Generating Unit or asset	WACC after tax	Growth rate to infinity	**Impairment 2014** *(in millions of Euros)*
United Kingdom	EDF Energy goodwill	6.7%	–	–
Italy	Edison brand	7.9% – 9.5%	2.0%	–
Other international	EDF Luminus goodwill	6.5%	1.9%	(281)
Other activities	Dalkia goodwill and brand	7.0%	1.7%	–
Other impairment of goodwill				(17)
IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES				**(298)**

Impairment of other intangible assets and property, plant and equipment:

Operating segment	Cash-Generating Unit or asset	Impairment indicators	WACC after tax	**Impairment 2014** *(in millions of Euros)*
United Kingdom	CCGT and gas storage	Reduction of spreads	6.5% – 6.7%	(169)
Italy	Edison assets	Decline in electricity prices	6.9% – 8.9%	(167)
Other international	EDF Luminus assets in Belgium	Decline in electricity prices	6.5%	(305)
Other activities	Gas storage in Germany	Reduction of seasonal spreads	6.0%	(46)
Other activities	EDF Énergies Nouvelles CGU	New regulations	5.1% – 9.7%	(127)
Other impairment of assets				(92)
IMPAIRMENT OF OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT				**(906)**

General assumptions

Discount rates in the benchmark countries are relatively stable between 2013 and 2014, as the fall in the risk-free rate was offset by a rise in the market risk premium.

Long-term scenarios confirm ongoing tensions on the energy markets in Europe. Falling prices, falling demand, the rise of renewable energies and excess capacities are all affecting the profitability of the traditional forms of generation.

Against this background, regulations on capacity premium mechanisms are being considered, to keep generation facilities online for peakload supplies and send a sufficient price signal to trigger the investments necessary for network security. These systems have been taken into consideration in tests on a case by case basis, depending how advanced the regulations are.

United Kingdom – EDF Energy

EDF Energy's goodwill amounted to €8,652 million at 31 December 2014 and resulted from acquisition by the EDF group between 1998 and 2009 of various businesses currently operating in the United Kingdom.

The recoverable value of EDF Energy is estimated by discounting future cash flows. The useful life of the generation units incorporates the extension of useful lives of existing nuclear reactors and the commissioning of two new EPRs with a 60-year useful life at the Hinkley Point site.

The recoverable value of existing generation facilities is sensitive to assumptions regarding long-term movements in electricity prices in the United Kingdom. The assumptions used take into consideration the gradual reduction of current surplus capacities, especially given that retirement of existing coal-fired plants has led to a need for new generation facilities and a capacity premium mechanism for all assets.

Projections for the plan to build two EPRs at the Hinkley Point site incorporate electricity sale prices based on the Contract for Difference (CfD) between the Group and the UK government. The CfD sets stable, predictable prices for EDF Energy over a 35-year horizon: if market prices fall below the CfD exercise price, EDF Energy will receive an additional payment.

A 1 point increase in the WACC would not lead to any impairment of goodwill.

Impairment of €(169) million was also booked in respect of certain EDF Energy assets:

- €(115) million on the West Burton CCGT power plant commissioned in 2013, due to a long-term reduction in spark spreads;
- €(54) million on a gas storage asset whose first storage cavities should be commissioned in 2015. This impairment is driven by two main factors: a reduction in the number of cavities that can be developed, and a significant fall in volatility on the gas market.

Italy – Edison

As an intangible asset with an indefinite useful life, the Edison brand, recorded in the Group's consolidated financial statements at the value of €945 million, was subjected to an impairment test that did not lead to recognition of any impairment. The test used the relief-from-royalty method. The company is currently applying a policy to rationalise its residential customer base, and this is causing a reduction in associated sales in the short term. However, brand recognition and the margins on customer portfolios are improving.

For other Edison assets, the downturn in wholesale prices led to recognition of €(167) million of impairment, mainly concerning hydropower and wind power generation assets.

Sensitivity analyses were conducted for Edison's exploration-generation activities, taking the lower oil prices into account. No impairment was recorded on these assets in the consolidated financial statements as a result of these analyses.

Other international

EDF Luminus

As a result of the continuing decline in electricity prices in an environment that remains very difficult for energy operators in Belgium, impairment was recognised in the total amount of €(586) million, including €(281) million for goodwill (which was fully written off at 31 December 2014).

A 0.5 point increase in the WACC would have a negative impact of €(104) million on recoverable value.

EDF Luminus and Electrabel own a 10.2% share in the Doel 3 and Tihange 2 nuclear reactors, for a balance sheet value of €190 million at 31 December 2014. These two reactors have been out of operation since March 2014 for a series of in-depth tests on the vessels. Belgium's Federal Nuclear Control Agency (AFCN) will decide whether to authorise resumption of operations based on evidence to be provided by Electrabel. Electrabel considers that the reactors will remain unavailable until 1 July 2015. This unavailability was factored into the impairment test on goodwill.

Other activities

Germany – gas storage

Impairment of €(46) million was recorded in respect of a gas storage facility in Germany, jointly owned and controlled with EnBW. This asset has been affected by the long-term deterioration in seasonal spreads.

EDF Énergies Nouvelles

At 31 December 2014, impairment of €(127) million was recorded in respect of the various CGUs of EDF Énergies Nouvelles.

This impairment essentially concerns Italy (regulatory changes for renewable energies), Mexico (operational difficulties in a fleet) and the United States (projects in development).

↗ Note 14 Other income and expenses

Other income and expenses in 2014 include:

- a gain on sale of €217 million from operations in connection with the Group's investment in Dalkia (see note 3.1.4);
- an expense of €(388) million relating to decommissioning of French nuclear power plants that have been permanently shut down (UNGG plants, Creys-Malville, Brennilis and Chooz A) – see note 29.1.3.

Other income and expenses in 2013 included:

- income of €472 million relating to the favourable effect of the pension reform in France (see note 4.6);
- a provision of €(174) million concerning EDF's investment in SLOE, a combined cycle gas plant in the Netherlands;
- €(55) million of restructuring expenses for the Group's activities in Belgium and certain central European countries.

↗ Note 15 Financial result

15.1 Cost of gross financial indebtedness

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

(in millions of Euros)	**2014**	2013
Interest expenses on financing operations	(2,207)	(2,266)
Change in the fair value of derivatives and hedges of liabilities	(10)	(1)
Transfer to income of changes in the fair value of cash flow hedges	3	11
Net foreign exchange gain on indebtedness	(29)	(6)
COST OF GROSS FINANCIAL INDEBTEDNESS	**(2,243)**	**(2,262)**

15.2 Discount effect

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

Details of this expense are as follows:

(in millions of Euros)	**2014**	2013
Provisions for long-term and post-employment employee benefits	(1,273)	(1,243)
Provisions for the back-end of the nuclear cycle, decommissioning and last cores [1]	(1,633)	(1,580)
Other provisions and advances	(90)	(108)
DISCOUNT EFFECT	**(2,996)**	**(2,931)**

(1) Including the effect of discounting the receivable corresponding to amounts reimbursable by the NLF – see note 36.3.

15.3 Other financial income and expenses

Other financial income and expenses comprise:

(in millions of Euros)	**2014**	2013
Financial income on cash and cash equivalents	17	16
Gains/(losses) on available-for-sale financial assets	1,258	1,057
Gains/(losses) on other financial assets	376	373
Changes in financial instruments carried at fair value with changes in fair value included in income	16	120
Other financial expenses	(191)	(252)
Foreign exchange gain/loss on financial items other than debts	124	(102)
Return on hedging assets	594	560
Capitalised borrowing costs	494	479
OTHER FINANCIAL INCOME AND EXPENSES	**2,688**	**2,251**

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

In 2014, gains and losses on available-for-sale financial assets include net gains on sales of EDF's dedicated assets, amounting to €894 million (€714 million in 2013).

↗ Note 16 Income taxes

16.1 Breakdown of tax expense

Details are as follows:

(in millions of Euros)	**2014**	2013
Current tax expense	(2,115)	(2,069)
Deferred taxes	276	173
TOTAL	**(1,839)**	**(1,896)**

In 2014, €(1,499) million of the current tax expense relates to EDF's tax consolidated group in France, and €(616) million relates to other subsidiaries (€(1,545) million and €(524) million respectively in 2013).

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

(in millions of Euros)	**2014**	2013
Income of consolidated companies before tax	5,433	5,392
Income tax rate applicable to the parent company	38.00%	38.00%
Theoretical tax expense	(2,065)	(2,049)
Differences in tax rate	87	341
Permanent differences	34	(80)
Taxes without basis	94	(135)
Unrecognised deferred tax assets	8	20
Other	3	7
ACTUAL TAX EXPENSE	**(1,839)**	**(1,896)**
EFFECTIVE TAX RATE	**33.85%**	**35.16%**

The effective tax rate for 2014 and 2013 was driven up by impairment. After adjustment for this factor, the effective tax rate is 32.2% for 2014 and 34.0% for 2013.

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

- 2014:
  - the positive impact of differences in tax rates applicable to foreign subsidiaries (€87 million),
  - the favourable impact of payments made to the bearers of perpetual subordinated bonds (€111 million);
- 2013:
  - the positive impact of differences in tax rates applicable to foreign subsidiaries (€341 million, including €254 million related to the 3-point drop in tax rates in the UK),
  - the negative impact of the French finance Laws of 2012 and 2013 (€(135) million excluding the effect of the increase in the tax rate to 38%), mainly corresponding to the dividend tax and limitation of deductibility for financial interest.

16.3 Change in deferred tax assets and liabilities

(in millions of Euros)	**2014**	2013
Deferred tax assets	2,171	2,639
Deferred tax liabilities	(4,242)	(4,709)
NET DEFERRED TAXES AT 1 JANUARY	**(2,071)**	**(2,070)**
Change in net income	276	174
Change in equity	258	(192)
Translation adjustments	(101)	61
Changes in scope of consolidation	(67)	25
Other movements	16	(69)
NET DEFERRED TAXES AT 31 DECEMBER	**(1,689)**	**(2,071)**
Deferred tax assets	2,626	2,171
Deferred tax liabilities	(4,315)	(4,242)

€(241) million of the change in deferred tax assets in 2014 included in equity results from actuarial gains and losses on post-employment benefits (€(103) million in 2013).

16.4 Breakdown of deferred tax assets and liabilities by nature

(in millions of Euros)	**31/12/2014**	31/12/2013
Deferred taxes:		
Fixed assets	(7,072)	(7,270)
Provisions for employee benefits	7,723	5,963
Other provisions and impairments	318	719
Financial instruments	179	298
Tax loss carryforwards and unused tax credits	839	694
Other	261	(67)
Total deferred tax assets and liabilities	**2,248**	**337**
Unrecognised deferred tax assets	(3,937)	(2,408)
NET DEFERRED TAXES	**(1,689)**	**(2,071)**

At 31 December 2014, unrecognised deferred tax assets represent a potential tax saving of €3,937 million (€2,408 million at 31 December 2013). Of the potential tax saving in 2014, €3,097 million relates to deferred tax assets, mainly on employee benefits in France (€1,747 million in 2013).

Note 17 Basic earnings per share and diluted earnings per share

The diluted earnings per share is calculated by dividing the Group's share of net income, corrected for dilutive instruments and the payments made during the year to bearers of perpetual subordinated bonds, by the weighted average number of potential shares outstanding over the period after elimination of treasury shares.

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

(in millions of Euros)	**2014**	2013
Net income attributable to ordinary shares	3,701	3,517
Payments on perpetual subordinated bonds	(388)	(103)
Effect of dilutive instruments	–	–
Net income used to calculated earnings per share	3,313	3,414
Average weighted number of ordinary shares outstanding during the year	1,858,467,505	1,852,523,933
Average weighted number of diluted shares outstanding during the year	1,858,467,505	1,852,523,933
Earnings per share (in Euros):		
EARNINGS PER SHARE	**1.78**	**1.84**
DILUTED EARNINGS PER SHARE	**1.78**	**1.84**

Operating assets and liabilities, equity

↗ Note 18 Goodwill

18.1 Changes in goodwill

Goodwill on consolidated entities comprises the following:

(in millions of Euros)	**31/12/2014**	31/12/2013
Net book value at opening date	9,081	9,400
Acquisitions	394	6
Disposals	–	–
Impairment (note 13)	(298)	(129)
Translation adjustments	573	(179)
Other changes	(56)	(17)
NET BOOK VALUE AT CLOSING DATE	**9,694**	**9,081**
Gross value at closing date	10,624	9,716
Accumulated impairment at closing date	(930)	(635)

The changes in goodwill in 2014 primarily relate to:

- acquisitions, of which €392 million result from the takeover of Dalkia;
- impairment of €(298) million, including €(281) million for EDF Luminus goodwill;
- translation adjustments of €573 million, largely due to the pound sterling's increase against the Euro.

The changes in goodwill in 2013 primarily related to:

- impairment of €(129) million, including €(102) million for EDF Luminus goodwill;
- translation adjustments of €(179) million, largely due to the pound sterling's fall against the Euro.

18.2 Goodwill by operating segment

The breakdown of goodwill is as follows:

(in millions of Euros)	**31/12/2014**	31/12/2013
EDF Energy	8,652	8,140
Total United Kingdom	8,652	8,140
EDF Luminus (Belgium)	–	281
Other	42	56
Total Other international	42	337
Dalkia	392	–
EDF Énergies Nouvelles	179	176
Other	429	428
Total Other activities	1,000	604
GROUP TOTAL	**9,694**	**9,081**

Note 19 Other intangible assets

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

At 31 December 2014

(in millions of Euros)	31/12/2013	Acquisitions	Disposals	Translation adjustments	Changes in scope	Other movements	**31/12/2014**
Software	2,104	542	(134)	42	46	1	2,601
Positive fair value of commodity contracts acquired in a business combination	813	–	–	–	–	(3)	810
Greenhouse gas emission rights – green certificates	826	898	(1,082)	23	9	–	674
Other intangible assets	4,591	232	(7)	24	710	(5)	5,545
Intangible assets in development	1,974	234	–	17	–	(5)	2,220
Gross values	**10,308**	**1,906**	**(1,223)**	**106**	**765**	**(12)**	**11,850**
Accumulated amortisation and impairment	(2,448)	(743)	233	(24)	–	16	(2,966)
NET VALUES	**7,860**	**1,163**	**(990)**	**82**	**765**	**4**	**8,884**

The gross value of other intangible assets at 31 December 2014 includes:

- the Edison brand and intangible assets related to Edison's hydropower concessions, for amounts of €945 million and €831 million respectively;
- the Dalkia brand and intangible assets related to Dalkia's concession agreements in France, for respective amounts of €130 million and €601 million (see note 3.1).

Impairment of €(74) million was recorded in respect of other intangible assets in 2014.

EDF's research and development expenses recorded in the income statement total €550 million for 2014.

At 31 December 2013

(in millions of Euros)	31/12/2012	Acquisitions	Disposals	Translation adjustments	Changes in scope	Other movements	31/12/2013
Software	1,686	562	(120)	(13)	–	(11)	2,104
Positive fair value of commodity contracts acquired in a business combination	838	–	–	(1)	–	(24)	813
Greenhouse gas emission rights – green certificates	516	1,052	(739)	–	–	(3)	826
Other intangible assets	4,429	215	(9)	(1)	(60)	17	4,591
Intangible assets in development	1,757	171	–	(2)	–	48	1,974
Gross value	**9,226**	**2,000**	**(868)**	**(17)**	**(60)**	**27**	**10,308**
Accumulated amortisation and impairment	(1,893)	(770)	136	9	35	35	(2,448)
NET VALUE	**7,333**	**1,230**	**(732)**	**(8)**	**(25)**	**62**	**7,860**

The gross value of other intangible assets at 31 December 2013 included the Edison brand and intangible assets related to Edison's hydropower concessions, for amounts of €945 million and €831 million respectively.

Impairment of €(56) million was recorded in respect of other intangible assets in 2013.

EDF's research and development expenses recorded in the income statement totalled €543 million for 2013.

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

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

(in millions of Euros)	**31/12/2014**	31/12/2013
Property, plant and equipment	48,746	47,425
Property, plant and equipment in progress	1,511	1,371
PROPERTY, PLANT AND EQUIPMENT OPERATED UNDER FRENCH PUBLIC ELECTRICITY DISTRIBUTION CONCESSIONS	**50,257**	**48,796**

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

(in millions of Euros)	Land and buildings	Networks	Other installations, plant, machinery, equipment & other	Total
Gross value at 31/12/2013	2,256	78,371	3,488	84,115
Increases [1]	123	3,470	278	3,871
Decreases	(16)	(622)	(170)	(808)
Other movements	(2)	21	4	23
Gross value at 31/12/2014	**2,361**	**81,240**	**3,600**	**87,201**
Depreciation and impairment at 31/12/2013	(1,209)	(33,265)	(2,216)	(36,690)
Net depreciation	(43)	(206)	(152)	(401)
Disposals	14	499	163	676
Other movements [2]	(10)	(1,934)	(96)	(2,040)
Depreciation and impairment at 31/12/2014	**(1,248)**	**(34,906)**	**(2,301)**	**(38,455)**
Net value at 31/12/2013	1,047	45,106	1,272	47,425
NET VALUE AT 31/12/2014	**1,113**	**46,334**	**1,299**	**48,746**

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

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

21.1 Net value of property, plant and equipment operated under concessions for other activities

The net value of property, plant and equipment operated under concessions for other activities breaks down as follows:

(in millions of Euros)	**31/12/2014**	31/12/2013
Property, plant and equipment	6,495	6,421
Property, plant and equipment in progress	1,356	1,029
PROPERTY, PLANT AND EQUIPMENT OPERATED UNDER CONCESSIONS FOR OTHER ACTIVITIES	**7,851**	**7,450**

21.2 Movements in property, plant and equipment operated under concessions for other activities (excluding assets in progress)

(in millions of Euros)	Land and buildings	Thermal & hydropower plants	Networks	Other installations, plant, machinery, equipment & other	Total
Gross value at 31/12/2013	1,492	10,231	601	848	13,172
Increases	22	389	17	47	475
Decreases	(1)	(19)	(1)	(10)	(31)
Translation adjustments	9	45	(32)	47	69
Changes in the scope of consolidation	1	–	–	–	1
Other movements	(4)	41	1	(13)	25
Gross value at 31/12/2014	**1,519**	**10,687**	**586**	**919**	**13,711**
Depreciation and impairment at 31/12/2013	(819)	(4,982)	(302)	(648)	(6,751)
Net depreciation	(32)	(335)	(17)	(55)	(439)
Impairment net of reversals	–	(20)	–	–	(20)
Disposals	1	16	1	8	26
Translation adjustments	(1)	(22)	16	(43)	(50)
Changes in the scope of consolidation	–	–	–	–	–
Other movements	2	18	–	(2)	18
Depreciation and impairment at 31/12/2014	**(849)**	**(5,325)**	**(302)**	**(740)**	**(7,216)**
Net value at 31/12/2013	673	5,249	299	200	6,421
NET VALUE AT 31/12/2014	**670**	**5,362**	**284**	**179**	**6,495**

At 31 December 2014, property, plant and equipment operated under concessions for other activities comprise concession facilities mainly located in France (hydropower, excluding public electricity distribution) and Italy.

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

22.1 Net value of property, plant and equipment used in generation and other tangible assets owned by the Group

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

(in millions of Euros)	**31/12/2014**	31/12/2013
Property, plant and equipment	50,342	47,839
Property, plant and equipment in progress	18,813	16,432
Finance-leased property, plant and equipment	237	290
PROPERTY, PLANT AND EQUIPMENT USED IN GENERATION AND OTHER TANGIBLE ASSETS OWNED BY THE GROUP	**69,392**	**64,561**

At 31 December 2014, property, plant and equipment in progress primarily concern EPR construction projects in France and the United Kingdom, and the construction of the Dunkirk methane terminal.

Impairment of €(61) million and €(34) million was also recorded in 2014, respectively for assets in progress and finance-leased assets.

At 31 December 2013, impairment of €(214) million was recorded in respect of property, plant and equipment in progress, including €(125) million for the supercritical coal-fired power plant project in Poland.

22.2 Movements in property, plant and equipment used in generation and other tangible assets owned by the Group (excluding assets in progress and finance-leased assets)

(in millions of Euros)	Land and buildings	Nuclear power plants	Thermal & hydropower plants	Networks	Other installations, plant, machinery, equipment & other	**TOTAL**
Gross value at 31/12/2013	11,830	61,399	19,473	29	13,273	106,004
Increases	613	3,059	1,358	1	2,572	7,603
Decreases	(83)	(977)	(242)	–	(512)	(1,814)
Translation adjustments	35	726	205	–	485	1,451
Changes in the scope of consolidation	2	–	(4)	–	(316)	(318)
Other movements	5	79	62	(13)	(121)	12
Gross value at 31/12/2014	**12,402**	**64,286**	**20,852**	**17**	**15,381**	**112,938**
Depreciation and impairment at 31/12/2013	(6,545)	(37,550)	(9,204)	(3)	(4,863)	(58,165)
Net depreciation	(346)	(2,499)	(914)	(1)	(906)	(4,666)
Impairment net of reversals	(2)	(198)	(317)	–	(200)	(717)
Disposals	53	858	217	–	322	1,450
Translation adjustments	11	(242)	(87)	–	(106)	(424)
Changes in the scope of consolidation	5	–	(10)	–	35	30
Other movements	–	(109)	(1)	–	6	(104)
Depreciation and impairment at 31/12/2014	**(6,824)**	**(39,740)**	**(10,316)**	**(4)**	**(5,712)**	**(62,596)**
Net value at 31/12/2013	5,285	23,849	10,269	26	8,410	47,839
NET VALUE AT 31/12/2014	**5,578**	**24,546**	**10,536**	**13**	**9,669**	**50,342**

22.3 Finance lease contracts

(in millions of Euros)	31/12/2014				31/12/2013
		Maturity			
	Total	< 1 year	1-5 years	> 5 years	Total
Future minimum lease payments receivable as lessor	58	15	32	11	58
Future minimum lease payments payable as lessee	643	65	230	348	595

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

The Group is bound as lessee by irrevocable finance lease contracts for premises, equipment and vehicles used in the course of its business. The corresponding payments are subject to renegotiation at intervals defined in the contracts.

Note 23 Investments in associates and joint ventures

Investments in associates and joint ventures are as follows:

(in millions of Euros)	Principal activity [1]	31/12/2014 Ownership %	31/12/2014 Share of net equity	31/12/2014 Share of net income	31/12/2013 Share of net equity	31/12/2013 Share of net income
Principal investments in associates						
RTE	T	100.00	5,109	379	5,134	494
CENG [2]	G	49.99	2,621	(101)	2,784	(152)
Alpiq	G, D, O, T	25.00	735	(193)	947	(214)
Dalkia	O	–	–	8	363	22
Other investments in associates and joint ventures			**2,524**	**86**	**2,251**	**112**
TOTAL			**10,989**	**179**	**11,479**	**262**

(1) G = generation, D = distribution, T = transmission, O = other.
(2) CENG, previously classified as a joint venture, is now classified as an associate following the agreement of 1 April 2014 with Exelon (see note 3.3).

Other investments in associates and joint ventures principally concern Taishan (TNPJVC), Estag, Nam Theun Power Company (NTPC) and certain companies owned by EDF Énergies Nouvelles and Edison.

In 2014, €(425) million of impairment was booked in respect of investments in associates and joint ventures, including:

- €(122) million on CENG assets – see note 23.2.3;
- €(206) million on the investment in Alpiq, corresponding to the Group's share of past impairment in the financial statements of Alpiq – see note 23.3.2;
- impairment of €(83) million on the investment in the joint venture Estag, corresponding to impairment of the goodwill existing at EDF group level.

23.1 RTE Réseau de Transport d'Electricité (RTE)

23.1.1 RTE – financial indicators

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

(in millions of Euros)	**31/12/2014**	31/12/2013
Non-current assets	15,132	14,420
Current assets	3,000	2,161
Total assets	**18,132**	**16,581**
Equity	5,109	5,134
Non-current liabilities	8,623	8,182
Current liabilities	4,400	3,265
Total equity and liabilities	**18,132**	**16,581**
Sales	4,461	4,702
Operating profit before depreciation and amortisation	1,687	1,788
Net income	379	494
Net indebtedness	7,877	7,459
Gains and losses recorded directly in equity	(154)	31
Dividends paid to the EDF group	250	209

23.1.2 Transactions between the EDF group and RTE

At 31 December 2014 the main transactions between the EDF group and RTE are as follows:

Sales

ERDF uses RTE's high-voltage and very high-voltage networks to convey energy from its point of generation to the distribution network. This service generated €3,150 million in sales revenues for RTE from ERDF over 2014.

In executing its responsibility to ensure balance in the electricity system, during 2014 RTE also undertook:

- energy purchases and sales with EDF and ERDF, amounting to €96 million and €142 million respectively;
- system service purchases from EDF amounting to €282 million.

Other transactions

The EDF group contributes to financing of RTE through a loan amounting to a total of €670 million at 31 December 2014 (unchanged from 31 December 2013). RTE recorded a total of €36 million in interest expenses on this loan in 2014.

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

23.2 CENG

23.2.1 CENG – financial indicators

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

(in millions of Euros)	**31/12/2014**	31/12/2013
Non-current assets	9,968	8,331
Current assets	1,019	873
Total assets	**10,987**	**9,204**
Equity	5,243	5,569
Non-current liabilities	5,481	3,473
Current liabilities	263	162
Total equity and liabilities	**10,987**	**9,204**
Sales	1,140	1,169
Operating profit before depreciation and amortisation	285	374
Net income	(202)	(304)
Gains and losses recorded directly in equity	594	(27)
Dividends paid to the EDF group	315	–

23.2.2 Transactions between the EDF group and CENG

At 31 December 2014 the main transactions between the EDF group and CENG are as follows:

Sales

Electricity purchase contracts between CENG and the EDF group (EDF Trading North America) provide for delivery to EDF Trading North America of 15% of the energy generated by CENG that is not sold to former owners of its power plants, in application of the pre-existing electricity purchase contracts that terminate in 2014. From 1 January 2015 until the end of operation of the different plants, the Group will purchase 49.99% of CENG's power output at market prices. The electricity purchase contracts are unaffected by the agreement signed with Exelon in July 2013 and finalised on 1 April 2014, unless the Group exercises its option to sell its CENG shares to Exelon.

These electricity sales by CENG to EDF Trading North America represented a volume of 4.6TWh in 2014.

Other transactions

In application of the agreement signed with Exelon, on 1 April 2014 CENG paid the EDF group a special dividend of US$400 million (€290 million).

23.2.3 Impairment

In 2014, impairment of €(122) million was recorded on the Group's investment in CENG. This impairment was calculated by the Group's usual impairment test method (discounting future operating cash flows, Group assumptions). It results from a decline in long-term price curves in 2014.

In 2013, impairment of €(146) million was booked in respect of the Group's investment in CENG.

23.3 Alpiq

On 25 April 2013, the main Swiss shareholders of Alpiq subscribed to a hybrid loan of CHF 366.5 million. Following this first step, on 2 May 2013 Alpiq placed a public hybrid bond amounting to CHF 650 million, with 5% coupon and a redemption option after five and a half years at the earliest.

Due to their characteristics, in compliance with IAS 32, the hybrid loan from shareholders and the public hybrid bond were recorded in equity in Alpiq's consolidated financial statements from the date of reception of the funds. Since the EDF group did not subscribe to the operation, it has no impact on the value of the investment in Alpiq reported in "Investments in associates and joint ventures".

23.3.1 Published financial indicators

The main published indicators by the Alpiq group for 2013 were as follows:

(in millions of Euros)	31/12/2013
Non-current assets	7,411
Current assets	4,419
Total assets	**11,830**
Equity (1)	4,756
Non-current liabilities	4,480
Current liabilities	2,594
Total equity and liabilities	**11,830**
Sales	7,623
Operating profit before depreciation and amortisation	642
Net income	15
Gains and losses recorded directly in equity	115
Dividends paid to the EDF group	11

(1) Including €828 million of hybrid bonds.

The difference between the share of equity as published by Alpiq and as reported in the Group's consolidated financial statements largely results from the hybrid loan issued by Alpiq in 2013 to which the Group did not subscribe.

The value of the EDF group's investment in Alpiq, valued on the basis of the stock market price at 31 December 2014, is €509 million. The Group considers that this stock market value does not correspond to the value of the company, particularly as a result of the low level of floating stock.

23.3.2 Impairment

In 2014, impairment of €(206) million was recorded on the Group's investment in Alpiq. This impairment mostly concerns hydropower plants, power plant projects in Switzerland and long-term contracts for drawings and deliveries in view of market prices and a difficult regulatory context.

In 2013, impairment of €(284) million was booked in respect of the Group's investment in Alpiq.

↗ Note 24 Inventories

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

	31/12/2014			31/12/2013		
(in millions of Euros)	Gross value	Provision	Net value	Gross value	Provision	Net value
Nuclear fuel	10,807	(14)	10,793	10,539	(14)	10,525
Other fuel	1,916	(11)	1,905	2,023	(4)	2,019
Other raw materials	1,586	(266)	1,320	1,343	(253)	1,090
Work-in-progress for production of goods and services	197	(45)	152	90	(24)	66
Other inventories	596	(19)	577	523	(19)	504
TOTAL INVENTORIES	**15,102**	**(355)**	**14,747**	**14,518**	**(314)**	**14,204**

The long-term portion (more than one year) mainly concerns nuclear fuel inventories amounting to €7,943 million at 31 December 2014 (€7,733 million at 31 December 2013).

The value of EDF Trading's inventories stated at market value is €593 million at 31 December 2014 (€686 million at 31 December 2013).

↗ Note 25 Trade receivables

Details of net trade receivables are as follows:

(in millions of Euros)	31/12/2014	31/12/2013
Trade receivables, gross value – excluding EDF Trading	21,343	19,611
Trade receivables, gross value – EDF Trading	3,108	3,313
Impairment	(1,275)	(1,032)
TRADE RECEIVABLES, NET VALUE	**23,176**	**21,892**

Most trade receivables mature within one year.

25.1 Trade receivables due and not yet due

(in millions of Euros)	31/12/2014			31/12/2013		
	Gross value	Provision	Net value	Gross value	Provision	Net value
TRADE RECEIVABLES	**24,451**	**(1,275)**	**23,176**	**22,924**	**(1,032)**	**21,892**
overdue by up to 6 months	1,606	(245)	1,361	1,724	(308)	1,416
overdue by 6-12 months	662	(205)	457	626	(224)	402
overdue by more than 12 months	1,339	(623)	716	1,125	(432)	693
Trade receivables due	3,607	(1,073)	2,534	3,475	(964)	2,511
Trade receivables not yet due	20,844	(202)	20,642	19,449	(68)	19,381

25.2 Securitisation operations

(in millions of Euros)	31/12/2014	31/12/2013
Trade receivables assigned and wholly retained in the balance sheet	17	11
Trade receivables assigned and partly retained in the balance sheet	29	–
Trade receivables assigned and wholly derecognised	1,225	1,151

The Group undertook securitisation of trade receivables for a total of €1,225 million at 31 December 2014, including €610 million by the Edison group (€1,151 million at 31 December 2013, including €710 million by the Edison group).

As most securitisation operations are carried out on a recurrent, without-recourse basis, the corresponding receivables are not carried in the Group's consolidated balance sheet.

↗ Note 26 Other receivables

Details of other receivables are as follows:

(in millions of Euros)	31/12/2014	31/12/2013
Prepaid expenses	1,585	1,434
CSPE	2,057	1,357
VAT receivables	2,678	2,272
Other tax receivables	822	695
Other operating receivables	3,675	3,405
OTHER RECEIVABLES	**10,817**	**9,163**
Non-current portion	2,024	1,924
Current portion	8,793	7,239
Gross value	10,896	9,245
Impairment	(79)	(82)

The CSPE receivable corresponds to the amount receivable at 31 December 2014, except for the portion relating to the shortfall generated before 31 December 2012 and the associated costs, which are included in financial assets.

↗ Note 27 Equity

27.1 Share capital

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

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

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

27.2 Treasury shares

A share repurchase programme authorised by the General Shareholders' Meeting of 9 June 2006 was implemented by the Board of Directors, within the limit of 10% of the total number of shares making up the Company's capital. The initial duration of the programme was 18 months, renewed for 12 months then by tacit agreement every year.

A liquidity contract exists for this programme, as required by the French market regulator AMF *(Autorité des Marchés Financiers)*.

At 31 December 2014, treasury shares deducted from consolidated equity represent 1,682,181 shares with total value of €41 million.

27.3 Dividends

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

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

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

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

27.4 Issuance of perpetual subordinated bonds

In January 2014 the Group issued perpetual subordinated bonds totalling €3,970 million (net of transaction costs). Details of the operation are given in note 3.5.

At 31 December 2014, perpetual subordinated bonds are carried in equity at the amount of €10,095 million (net of transaction costs).

In 2014 an amount of €388 million was paid out to the bearers of perpetual subordinated bonds issued in January 2013 and January 2014 (€103 million in 2013).

27.5 Non-controlling interests (minority interests)

27.5.1 Details of non-controlling interests

(in millions of Euros)	31/12/2014			31/12/2013	
	Ownership %	Equity (non-controlling interests)	Net income attributable to non-controlling interests	Equity (non-controlling interests)	Net income attributable to non-controlling interests
Principal non-controlling interests:					
EDF Energy Nuclear Generation Ltd.	20.0%	2,998	155	2,783	220
EDF Luminus	36.5%	539	(96)	648	(23)
EDF Investissements Groupe	4.5%	515	19	527	17
Other non-controlling interests		**1,367**	**(6)**	**1,040**	**27**
TOTAL		**5,419**	**72**	**4,998**	**241**

Non-controlling interests in EDF Energy Nuclear Generation Ltd. (formerly British Energy), which is owned 80% by the Group via EDF Energy, correspond to Centrica's share.

Non-controlling interests in EDF Luminus correspond to the investments held by Belgian local authorities.

Non-controlling interests in EDF Investissements Groupe correspond to the investment held by Natixis Belgique Investissements.

Other non-controlling interests principally correspond to the investments held by Total and Fluxys in Dunkerque LNG, and minority interests in subsidiaries of the Edison subgroup (including the effect at 31 December 2014 of F2i's investment in Edens – see note 3.2.2).

27.5.2 Non-controlling interests in EDF Energy

The key financial indicators (100% basis) for EDF Energy Nuclear Generation Ltd. are as follows:

(in millions of Euros)	**31/12/2014**	31/12/2013
Non-current assets	23,810	22,316
Current assets	3,549	3,427
Total assets	**27,359**	**25,743**
Equity	14,999	13,914
Non-current liabilities	11,141	10,556
Current liabilities	1,219	1,273
Total equity and liabilities	**27,359**	**25,743**
Sales	3,864	3,794
Net income	776	1,103
Gains and losses recorded directly in equity	1,060	(398)
Net cash flow from operating activities	1,335	1,361
Net cash flow from investing activities	(622)	(505)
Net cash flow from financing activities	(809)	(1,099)
Cash and cash equivalents - opening balance	**528**	**792**
Net increase/(decrease) in cash and cash equivalents	(96)	(243)
Effect of currency fluctuations	34	(21)
Other	–	–
Cash and cash equivalents - closing balance	**466**	**528**
Dividends paid to shares of non-controlling interests	(153)	(230)

↗ Note 28 Provisions

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

		31/12/2014			31/12/2013		
(in millions of Euros)	Notes	Current	Non-current	Total	Current	Non-current	Total
Provisions for the back-end of the nuclear cycle		1,632	19,455	21,087	1,447	19,100	20,547
Provisions for decommissioning and last cores		290	22,943	23,233	265	21,327	21,592
Provisions related to nuclear generation	29	1,922	42,398	44,320	1,712	40,427	42,139
Provisions for decommissioning of non-nuclear facilities	30	37	1,297	1,334	51	1,182	1,233
Provisions for employee benefits	31	1,058	23,060	24,118	950	18,381	19,331
Other provisions	32	2,237	1,841	4,078	2,121	1,480	3,601
TOTAL PROVISIONS		**5,254**	**68,596**	**73,850**	**4,834**	**61,470**	**66,304**

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

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

Provisions are estimated under the principles presented in note 1.3.21.

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

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

(in millions of Euros)	31/12/2013	Increases	Decreases	Discount effect	Translation adjustments	Other movements	**31/12/2014**
Provisions for spent nuclear fuel management	11,954	498	(997)	572	147	56	12,230
Provisions for long-term radioactive waste management	8,593	34	(240)	396	75	(1)	8,857
Provisions for the back-end of the nuclear cycle	**20,547**	**532**	**(1,237)**	**968**	**222**	**55**	**21,087**
Provisions for nuclear plant decommissioning	18,094	423	(186)	859	350	(43)	19,497
Provisions for last cores	3,498	–	–	177	85	(24)	3,736
Provisions for decommissioning and last cores	**21,592**	**423**	**(186)**	**1,036**	**435**	**(67)**	**23,233**
PROVISIONS RELATED TO NUCLEAR GENERATION	**42,139**	**955**	**(1,423)**	**2,004**	**657**	**(12)**	**44,320**

The breakdown of provisions by company is shown below:

(in millions of Euros)	EDF Note 29.1	EDF Energy Note 29.2	Belgium	Total
Provisions for spent fuel management	10,105	2,125	–	12,230
Provisions for long-term radioactive waste management	7,676	1,178	3	8,857
PROVISIONS FOR THE BACK-END OF THE NUCLEAR CYCLE AT 31/12/2014	**17,781**	**3,303**	**3**	**21,087**
Provisions for the back-end of the nuclear cycle at 31/12/2013	**17,321**	**3,224**	**2**	**20,547**
Provisions for nuclear plant decommissioning	13,866	5,436	195	19,497
Provisions for last cores	2,413	1,323	–	3,736
PROVISIONS FOR DECOMMISSIONING AND LAST CORES AT 31/12/2014	**16,279**	**6,759**	**195**	**23,233**
Provisions for decommissioning and last cores at 31/12/2013	**15,337**	**6,067**	**188**	**21,592**

29.1 Nuclear provisions in France

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

In compliance with the accounting principles described in note 1.3.21:

- EDF books provisions to cover all obligations related to the nuclear facilities it operates;
- EDF holds dedicated assets for secure financing of long-term obligations (see note 47).

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

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

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

(in millions of Euros)	Notes	31/12/2013	Increases	Decreases	Discount effect	Other movements	**31/12/2014**
Provisions for spent fuel management	29.1.1	9,779	457	(648)	462	55	10,105
Provisions for long-term radioactive waste management	29.1.2	7,542	29	(240)	346	(1)	7,676
Provisions for the back-end of the nuclear cycle		**17,321**	**486**	**(888)**	**808**	**54**	**17,781**
Provisions for nuclear plant decommissioning	29.1.3	13,024	423	(164)	625	(42)	13,866
Provisions for last cores	29.1.4	2,313	–	–	111	(11)	2,413
Provisions for decommissioning and last cores		**15,337**	**423**	**(164)**	**736**	**(53)**	**16,279**
PROVISIONS RELATED TO NUCLEAR GENERATION		**32,658**	**909**	**(1,052)**	**1,544**	**1**	**34,060**

29.1.1 Provisions for spent fuel management

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

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

Consequently, provisions for spent fuel cover the following services:

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

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

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

29.1.2 Provisions for long-term radioactive waste management

This includes future expenses for:

- removal and storage of radioactive waste resulting from decommissioning of nuclear installations operated by EDF;
- removal and storage of radioactive waste packages resulting from spent fuel processing at La Hague;
- long-term and direct storage of spent fuel that cannot be recycled in existing installations: plutonium fuel (MOX) or uranium fuel derived from enriched processing, and fuel from Creys-Malville and Brennilis;
- EDF's share of the costs of studies, construction, shutdown and surveillance of existing and future storage centres.

The volumes of waste concerned by provisions include existing packages of waste and all waste to be conditioned, resulting from plant decommissioning or spent fuel processing at La Hague (comprising all fuel in reactors at 31 December, irradiated or otherwise). These volumes are regularly reviewed, in keeping with the data declared for the purposes of the national waste inventory undertaken by ANDRA.

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

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

Very low-level and low and medium-level waste

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

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

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

Long-lived low-level waste

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

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

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

Long-lived medium and high-level waste

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

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

Since 2005, the gross value and disbursement schedules for forecast expenses have been based on a scenario of industrial geological waste storage, following conclusions presented in the first half of 2005 by a working group formed under supervision of the State involving representatives of the administrations concerned, ANDRA and the producers of waste (EDF, AREVA, CEA). EDF has applied a reasonable approach to information from this working group, leading to a benchmark cost, for storage of waste from all producers, of €14.1 billion under the economic conditions of 2003 (€20.8 billion under 2011 economic conditions).

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

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

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

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

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

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

29.1.3 Decommissioning provisions for nuclear power plants

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

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

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

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

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

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

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

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

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

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

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

- measurement of the decommissioning cost for the Dampierre site, taking into consideration the most recent developments in regulations, past experience in decommissioning of shut-down plants and recommendations issued by the ASN;
- a review of the timeline for decommissioning operations (the total duration of decommissioning for one reactor is estimated at 15 years following shutdown);
- determination of the rules for extrapolation of cost estimates for the entire fleet of PWR plants in operation.

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

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

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

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

For permanently shut-down nuclear power plants

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

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

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

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

The decommissioning costs are based on contractor quotes, which in principle are fully revised every 3 years. The quotes established in 2008 were revised in 2012 to take account of accumulated industrial experience, unforeseen and regulatory developments, and the latest available figures. Full revision of these quotes is due in 2015, but preparatory work has led to a €388 million re-estimation at 31 December 2014 to reflect delays in physical progress at the sites, and cost reassessments for certain contracts. This change has led to recognition in the income statement of an expense included in "Other income and expenses".

29.1.4 Provisions for last cores

These provisions cover the future expenses resulting from scrapping fuel that will only be partially irradiated when the reactor is shut down. It is measured based on:

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

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

29.1.5 Discounting of provisions related to nuclear generation and sensitivity analyses

29.1.5.1 Discount rate

Calculation of the discount rate

The discount rate is determined based on long-series data for a sample of bonds with maturities as close as possible to that of the liability. However, some expenses covered by these provisions will be disbursed over periods significantly longer than the duration of instruments generally traded on the financial markets.

The benchmark used to determine the discount rate is the sliding 10-year average of the return on French OAT 2055 treasury bonds, which have a similar duration to the obligations, plus the spread of corporate bonds rated A to AA, which include EDF.

The assumed inflation rate is determined in line with the forecasts provided by consensus and expected inflation based on the returns on inflation-linked bonds.

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

Revision of the discount rate and regulatory limit

The methodology used to determine the discount rate, particularly the reference to sliding 10-year averages, is able to prioritise long-term trends in rates, in keeping with the long-term horizon for disbursements. The discount rate is therefore revised in response to structural developments in the economy leading to medium and long-term changes.

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

- a regulatory maximum "equal to the arithmetic average over the forty-eight most recent months of the constant 30-year rate (TEC 30 years), observed on the last date of the period concerned, plus one point";
- and the expected rate of return on assets covering the liability (dedicated assets).

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

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

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

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

29.1.5.2 Analyses of sensitivity to macro-economic assumptions

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

	31/12/2014		31/12/2013	
(in millions of Euros)	Costs based on year-end economic conditions	Amounts in provisions at present value	Costs based on year-end economic conditions	Amounts in provisions at present value
Spent fuel management	16,463	10,105	15,868	9,779
Long-term radioactive waste management	26,159	7,676	25,578	7,542
BACK-END NUCLEAR CYCLE EXPENSES	**42,622**	**17,781**	**41,446**	**17,321**
Decommissioning provisions for nuclear power plants	22,608	13,866	22,448	13,024
Provisions for last cores	4,050	2,413	3,979	2,313
DECOMMISSIONING AND LAST CORE EXPENSES	**26,658**	**16,279**	**26,427**	**15,337**

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

In application of Article 11 of the Decree of 23 February 2007, the following table reports these details for the main components of provisions for the back-end of the nuclear cycle, decommissioning of nuclear plants and last cores.

At 31 December 2014:

		Sensitivity to discount rate					
		Balance sheet provision			Pre-tax net income		
(in millions of Euros)	Amounts in provisions at present value	+0.20%	-0.20%	-0.30%	+0.20%	-0.20%	-0.30%
Back-end nuclear cycle expenses:							
– spent fuel management	10,105	(171)	180	274	141	(149)	(227)
– long-term radioactive waste management	7,676	(381)	425	657	327	(368)	(568)
Decommissioning and last cores:							
– decommissioning of nuclear power plants	13,866	(431)	449	681	52	(54)	(82)
– last cores	2,413	(64)	68	103	–	–	–
TOTAL	**34,060**	**(1,047)**	**1,122**	**1,715**	**520**	**(571)**	**(877)**

At 31 December 2013:

(in millions of Euros)	Amounts in provisions at present value	Sensitivity to discount rate			
		Balance sheet provision		Pre-tax net income	
		+0.20%	-0.20%	+0.20%	-0.20%
Back-end nuclear cycle expenses:					
– spent fuel management	9,779	(167)	177	139	(147)
– long-term radioactive waste management	7,542	(374)	417	320	(359)
Decommissioning and last cores:					
– decommissioning of nuclear power plants	13,024	(456)	476	45	(47)
– last cores	2,313	(66)	69	–	–
TOTAL	**32,658**	**(1,063)**	**1,139**	**504**	**(553)**

29.2 EDF Energy's nuclear provisions

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

- the obligations are reported in liabilities in the form of provisions amounting to €10,062 million at 31 December 2014;
- in the assets, EDF group reports receivables corresponding to the amounts payable under the restructuring agreements by the NLF, for non-contracted obligations or decommissioning obligations, and by the British Government for contracted obligations (or historical liabilities).

These receivables are discounted at the same real rate as the obligations they are intended to finance. They are included in "Financial assets" in the consolidated balance sheet (see note 36.3) at the amount of €8,617 million at 31 December 2014 (€7,958 million at 31 December 2013).

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

(in millions of Euros)	31/12/2013	Increases	Decreases	Discount effect	Translation adjustments	Other movements	**31/12/2014**
Provisions for spent fuel management	2,175	41	(349)	110	147	1	2,125
Provisions for long-term radioactive waste management	1,049	4	–	50	75	–	1,178
Provisions for the back-end of the nuclear cycle	3,224	45	(349)	160	222	1	3,303
Provisions for nuclear plant decommissioning	4,882	–	(22)	226	350	–	5,436
Provisions for last cores	1,185	–	–	66	85	(13)	1,323
Provisions for decommissioning and last cores	6,067	–	(22)	292	435	(13)	6,759
PROVISIONS RELATED TO NUCLEAR GENERATION	**9,291**	**45**	**(371)**	**452**	**657**	**(12)**	**10,062**

29.2.1 Regulatory and contractual framework

Amendments signed with the Nuclear Liabilities Fund (NLF – an independent trust set up by the UK Government as part of the restructuring of British Energy) following the EDF group's acquisition of British Energy have a limited impact on the contractual financing commitments made to British Energy by the UK Secretary of State and the NLF under the "Restructuring Agreements". These agreements were entered into by British Energy on 14 January 2005 as part of the restructuring led by the UK Government from 2005 in order to stabilise British Energy's financial position. British Energy Generation Limited changed its name to EDF Energy Nuclear Generation Limited on 1 July 2011 and replaced British Energy in these agreements and amendments.

Under the terms of the Restructuring Agreements:

- the NLF agreed to fund, to the extent of its assets: (i) qualifying contingent and/or latent nuclear liabilities (including liabilities for management of spent fuel from the Sizewell B power station); and (ii) qualifying decommissioning costs for EDF Energy's existing nuclear power stations;

- the Secretary of State agreed to fund: (i) qualifying contingent and/or latent nuclear liabilities (including liabilities for the management of spent fuel from the Sizewell B power station) and qualifying decommissioning costs related to EDF Energy's existing nuclear power stations, to the extent that they exceed the assets of the NLF; and (ii) subject to a cap of £2,185 million (in December 2002 monetary values, adjusted accordingly), qualifying known existing liabilities for EDF Energy's spent fuel (including liabilities for management of spent fuel from plants other than Sizewell B loaded in reactors prior to 15 January 2005);
- EDF Energy is responsible for funding certain excluded or disqualified liabilities (e.g. those defined as EDF Energy liabilities), and additional liabilities which could be created as a result of failure by EDF Energy to meet minimum performance standards under applicable law. The obligations of EDF Energy to the NLF and the Secretary of State are guaranteed by the assets of the principal members of EDF Energy.

EDF Energy has also undertaken commitments to pay:

- annual decommissioning contributions for a period limited to the useful lives of the plants as at the date of the "restructuring agreements"; the corresponding provision amounts to €168 million at 31 December 2014;
- £150,000 (indexed to inflation) per tonne of uranium loaded in the Sizewell B reactor after the date of the "restructuring agreements".

Furthermore, EDF Energy has entered into a separate contract with the Nuclear Decommissioning Authority (NDA) for management of AGR spent fuel and associated radioactive waste resulting from operation of power plants other than Sizewell B after 15 January 2005, and bears no responsibility for this fuel and waste once it is transferred to the processing site at Sellafield. The corresponding costs of £150,000 (indexed to inflation) per tonne of loaded uranium – plus a rebate or surcharge dependent on market electricity price and electricity generated in the year – are included in inventories (see note 1.3.17.1).

EDF Energy finalised work on updating estimates of nuclear liabilities in 2013. The conclusions led to a €1,173 million revision to the provisions booked in the liabilities, but an equivalent adjustment was also made to the amount receivable from the NLF (or the British government in the event the NLF is unable to meet its obligations). There was therefore no impact on the Group's income statement.

29.2.2 Provisions for the back-end of the nuclear cycle

Spent fuel from the Sizewell B PWR (pressurized water reactor) plant is stored on site. Spent fuel from other plants is transferred to Sellafield for storage and reprocessing.

EDF Energy's provisions for the back-end of the nuclear cycle concern obligations for reprocessing and storage of spent fuel and long-term storage of radioactive waste, required by the existing regulations in the UK approved by the Nuclear Decommissioning Authority (NDA). Their amount is based on contractual agreements or if this is not possible, on the most recent technical estimates.

	31/12/2014		31/12/2013	
(in millions of Euros)	Costs based on year-end economic conditions	Amounts in provisions at present value	Costs based on year-end economic conditions	Amounts in provisions at present value
Spent fuel management	3,192	2,125	3,228	2,175
Long-term radioactive waste management	7,741	1,178	7,132	1,049
BACK-END NUCLEAR CYCLE EXPENSES	**10,933**	**3,303**	**10,360**	**3,224**

29.2.3 Decommissioning provisions

Provisions for decommissioning of nuclear plants result from management's best estimates. They cover the full cost of decommissioning and are measured on the basis of existing techniques and methods that are most likely to be used for application of current regulations. The current costs are based on Baseline Decommissioning Plans produced in 2012 and approved in 2013 and assume that plants will be decommissioned and the land will ultimately be reused.

	31/12/2014		31/12/2013	
(in millions of Euros)	Costs based on year-end economic conditions	Amounts in provisions at present value	Costs based on year-end economic conditions	Amounts in provisions at present value
PLANT DECOMMISSIONING EXPENSES	**16,088**	**5,268**	**14,823**	**4,712**

The table above concerns decommissioning obligations excluding the present value of decommissioning contributions payable to the NLF (€168 million at 31 December 2014, see note 29.2.1).

29.2.4 Discounting of provisions related to nuclear generation

The discount rate has been calculated using an average series of data for a sample of UK Government gilts over the longest available durations plus the spread of UK Corporate bonds rated A to AA, again over the longest-term duration. The implicit inflation rate used in determining a discount rate is based on long-term forecast of adjusted retail prices (the UK's RPIJ index).

At 31 December 2014, EDF Energy applied a real discount rate of 3.0% to nuclear liabilities in the United Kingdom. This rate was unchanged from 2013.

Note 30 Provisions for decommissioning of non-nuclear facilities

The breakdown by company is as follows:

(in millions of Euros)	EDF	EDF Energy	Edison	Other entities	Total
PROVISIONS FOR DECOMMISSIONING OF NON-NUCLEAR FACILITIES AT 31/12/2014	**589**	**88**	**521**	**136**	**1,334**
Provisions for decommissioning of non-nuclear facilities at 31/12/2013	572	66	489	106	1,233

Provisions for decommissioning of non-nuclear facilities principally concern thermal power plants and hydropower plants.

The costs of decommissioning thermal power plants are calculated using regularly updated studies based on estimated future costs, measured by reference to the charges recorded on past operations and the most recent estimates for plants still in operation.

The provision recorded at 31 December 2014 reflects the most recent known contractor quotes and commissioning of new generation assets.

Note 31 Provisions for employee benefits

31.1 EDF group

(in millions of Euros)	**31/12/2014**	31/12/2013
Provisions for employee benefits - current portion	1,058	950
Provisions for employee benefits - non-current portion	23,060	18,381
PROVISIONS FOR EMPLOYEE BENEFITS	**24,118**	**19,331**

31.1.1 Breakdown of the change in the provision

(in millions of Euros)	Obligations	Fund assets	Provision in the balance sheet
Balance at 31/12/2013	34,190	(14,859)	19,331
Net expense for 2014	2,233	(594)	1,639
Actuarial gains and losses	7,088	(2,477)	4,611
Employer's contributions to funds	–	(667)	(667)
Employees' contributions to funds	4	(4)	–
Benefits paid	(1,525)	585	(940)
Translation adjustment	504	(482)	22
Changes in scope of consolidation	125	–	125
Other movements	(3)	–	(3)
BALANCE AT 31/12/2014	**42,616**	**(18,498)**	**24,118**

31.1.2 Post-employment and long-term employee benefit expenses

(in millions of Euros)	**2014**	2013
Current service cost	(792)	(948)
Past service cost	75	477
Actuarial gains and losses – long-term benefits	(243)	(112)
Net expenses recorded as operating expenses	(960)	(583)
Interest expense (discount effect)	(1,273)	(1,243)
Return on fund assets	594	560
Net interest expense included in financial result	(679)	(683)
EMPLOYEE BENEFIT EXPENSES RECORDED IN THE INCOME STATEMENT	**(1,639)**	**(1,266)**
Actuarial gains and losses – post-employment benefits	(7,088)	(2)
Actuarial gains and losses on fund assets	2,477	78
Actuarial gains and losses	(4,611)	76
Translation adjustments	(22)	11
GAINS AND LOSSES ON EMPLOYEE BENEFITS RECORDED DIRECTLY IN EQUITY	**(4,633)**	**87**

The past service cost for 2013 includes income of €472 million resulting from the positive effect of the pension reform in France (see note 4.6).

31.1.3 Provisions for employee benefits by operating segment

(in millions of Euros)	France	United Kingdom	Italy	Other international	Other activities	Total
Obligations at 31/12/2013	27,069	6,703	52	163	203	34,190
Net expense for 2014	1,678	549	5	(22)	23	2,233
Actuarial gains and losses	6,304	716	3	13	52	7,088
Employees' contributions to funds	–	4	–	–	–	4
Benefits paid	(1,259)	(223)	(3)	(23)	(17)	(1,525)
Translation adjustment	–	504	–	–	–	504
Changes in scope of consolidation	–	–	–	–	125	125
Other movements	–	–	(4)	(1)	2	(3)
OBLIGATIONS AT 31/12/2014	**33,792**	**8,253**	**53**	**130**	**388**	**42,616**
Fair value of fund assets	(10,421)	(7,990)	-	(56)	(31)	(18,498)
PROVISIONS FOR EMPLOYEE BENEFITS AT 31/12/2014	**23,371**	**263**	**53**	**74**	**357**	**24,118**

(in millions of Euros)	France	United Kingdom	Italy	Other international	Other activities	Total
Obligations at 31/12/2013	27,069	6,703	52	163	203	34,190
Fair value of fund assets	(8,458)	(6,313)	–	(58)	(30)	(14,859)
PROVISIONS FOR EMPLOYEE BENEFITS AT 31/12/2013	**18,611**	**390**	**52**	**105**	**173**	**19,331**

31.2 France

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

31.2.1 Details of changes in the provision

(in millions of Euros)	Obligations	Fund assets	Provision in the balance sheet
Balances at 31/12/2013	27,069	(8,458)	18,611
Net expense for 2014	1,678	(296)	1,382
Actuarial gains and losses	6,304	(1,671)	4,633
Contributions to funds	–	(352)	(352)
Benefits paid	(1,259)	356	(903)
BALANCES AT 31/12/2014	**33,792**	**(10,421)**	**23,371**

31.2.2 Post-employment and long-term employee benefit expenses

(in millions of Euros)	**2014**	2013
Current service cost	(546)	(732)
Past service cost	55	472
Actuarial gains and losses – long-term benefits	(244)	(105)
Net expenses recorded as operating expenses	(735)	(365)
Interest expense (discount effect)	(943)	(959)
Return on fund assets	296	295
Net interest expense included in financial result	(647)	(664)
EMPLOYEE BENEFIT EXPENSES RECORDED IN THE INCOME STATEMENT	**(1,382)**	**(1,029)**
Actuarial gains and losses – post-employment benefits	(6,304)	358
Actuarial gains and losses on fund assets	1,671	(121)
Actuarial gains and losses	(4,633)	237
GAINS AND LOSSES ON EMPLOYEE BENEFITS RECORDED DIRECTLY IN EQUITY	**(4,633)**	**237**

The past service cost for 2013 includes income of €472 million resulting from the positive effect of the pension reform in France (see note 4.6).

Actuarial gains and losses on post-employment benefits break down as follows:

(in millions of Euros)	**2014**	2013
Experience adjustments	244	(401)
Changes in demographic assumptions	–	(38)
Changes in financial assumptions [1]	(6,792)	692
ACTUARIAL GAINS AND LOSSES ON OBLIGATIONS	**(6,548)**	**253**
Including:		
actuarial gains and losses on post-employment benefits	(6,304)	358
actuarial gains and losses on long-term benefits	(244)	(105)

(1) Financial assumptions are mainly the discount rate, inflation rate and wage increase rate.

The actuarial gains and losses on obligations generated over 2014 amount to €(6,548) million, and mainly relate to the effect of revised financial assumptions (particularly the lower assumptions for the discount rate and changes in assumptions concerning valuation of benefits in kind in the form of electricity or gas).

In 2013, actuarial gains and losses on obligations amounted to €253 million, mainly related to the favourable effect of revised financial assumptions (particularly the lower assumptions for the inflation rate and wage increase rate).

31.2.3 Provisions for employee benefits by nature

At 31 December 2014:

(in millions of Euros)	Obligations	Fund assets	Provision in the balance sheet
Provisions for post-employment benefits at 31/12/2014	**32,310**	**(10,421)**	**21,889**
Comprising			
Pensions	23,504	(9,683)	13,821
Benefits in kind (electricity/gas)	6,752	–	6,752
Retirement gratuities	916	(724)	192
Other	1,138	(14)	1,124
Provisions for other long-term employee benefits at 31/12/2014	**1,482**	–	**1,482**
Comprising			
Annuities following work-related accident and illness, and invalidity	1,278	–	1,278
Long service awards	170	–	170
Other	34	–	34
PROVISIONS FOR EMPLOYEE BENEFITS AT 31/12/2014	**33,792**	**(10,421)**	**23,371**

At 31 December 2013:

(in millions of Euros)	Obligations	Fund assets	Provision in the balance sheet
Provisions for post-employment benefits at 31/12/2013	**25,756**	**(8,458)**	**17,298**
Comprising			
Pensions	19,414	(7,810)	11,604
Benefits in kind (electricity/gas)	4,551	–	4,551
Retirement gratuities	853	(635)	218
Other	938	(13)	925
Provisions for other long-term employee benefits at 31/12/2013	**1,313**	–	**1,313**
Comprising			
Annuities following work-related accident and illness, and invalidity	1,125	–	1,125
Long service awards	155	–	155
Other	33	–	33
PROVISIONS FOR EMPLOYEE BENEFITS AT 31/12/2013	**27,069**	**(8,458)**	**18,611**

31.2.4 Breakdown of obligations by type of beneficiary

(in millions of Euros)	**31/12/2014**	31/12/2013
Current employees	20,452	16,530
Retirees	13,340	10,539
OBLIGATIONS	**33,792**	**27,069**

31.2.5 Fund assets

For France, these assets amount to €10,421 million at 31 December 2014 (€8,458 million at 31 December 2013) and concern retirement gratuities (with target coverage of 100%) and the specific benefits of the special pension system.

They consist of insurance contracts with the following risk profile:

- 70% in a hedging pocket consisting of bonds, designed to replicate variations in the obligation caused by changes in interest rates;
- 30% in a growth asset pocket consisting of international equities.

These assets break down as follows:

(in millions of Euros)	**31/12/2014**	31/12/2013
FUND ASSETS	**10,421**	**8,458**
Assets funding special pension benefits	***9,683***	***7,810***
(%)		
Listed equity instruments (shares)	29%	31%
Listed debt instruments (bonds)	71%	69%
Assets funding retirement gratuities	***724***	***635***
(%)		
Listed equity instruments (shares)	31%	32%
Listed debt instruments (bonds)	69%	68%
Other fund assets	***14***	***13***

At 31 December 2014, the equities held as part of fund assets are distributed as follows:

- approximately 50% of the total are shares in North American companies;
- approximately 25% of the total are shares in European companies;
- approximately 25% of the total are shares in companies in the Asia-Pacific zone and emerging countries.

This distribution is stable compared to the distribution at 31 December 2013.

At 31 December 2014, the bonds held as part of fund assets are distributed as follows:

- approximately 85% of the total are AAA and AA-rated bonds;
- approximately 15% of the total are bonds with A, BBB and other ratings.

Around 80% of bonds are sovereign bonds issued by Euro zone countries, and the balance mainly consists of bonds issued by financial and non-financial firms.

This distribution is stable compared to the distribution at 31 December 2013.

31.2.6 Future cash flows

Cash flows related to future employee benefits are as follows:

(in millions of Euros)	Cash flow in year-end economic conditions	Amount covered by provision (present value)
Less than one year	1,433	1,419
One to five years	6,130	5,720
Five to ten years	6,586	5,542
More than ten years	42,740	21,111
CASH FLOWS RELATED TO EMPLOYEE BENEFITS	**56,889**	**33,792**

At 31 December 2014, the average duration of employee benefit commitments in France is 18.1 years.

31.2.7 Actuarial assumptions

(in %)	**31/12/2014**	31/12/2013
Discount rate/rate of return on assets	2.20%	3.50%
Inflation rate	1.70%	1.90%
Wage increase rate (1)	1.70%	1.70%

(1) Excluding inflation.

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

Changes in the economic and market parameters used has led the Group to review the discount rate to 2.20% at 31 December 2014.

From 1 January 2014, the inflation rate used to calculate provisions for employee benefits is derived from an internally-determined inflation curve by maturity which is used in the Group as a benchmark for Euro zone countries. The inflation rate determined in this way at 31 December 2014 is an average 1.70%.

31.2.8 Sensitivity analysis

Sensitivity analyses on the amount of the obligation are as follows:

(in %)	31/12/2014
Impact of a 25bp increase or decrease in the discount rate	-4.4% / +4.8%
Impact of a 25bp increase or decrease in the wage increase rate	+3.0% / -3.0%
Impact of a 25bp increase or decrease in the inflation rate	+4.8% / -4.4%

31.3 United Kingdom

The United Kingdom segment chiefly comprises EDF Energy, whose principal employee benefits are described in note 1.3.22.

31.3.1 Details of the change in the provision

(in millions of Euros)	Obligations	Fund assets	Provision in the balance sheet
Balances at 31/12/2013	6,703	(6,313)	390
Net expense for 2014	549	(294)	255
Actuarial gains and losses	716	(808)	(92)
Employer's contributions to funds	–	(313)	(313)
Employees' contributions to funds	4	(4)	–
Benefits paid	(223)	223	–
Translation adjustment	504	(481)	23
BALANCES AT 31/12/2014	**8,253**	**(7,990)**	**263**

31.3.2 Post-employment benefit and long-term employee benefit expenses

(in millions of Euros)	2014	2013
Current service cost	(227)	(196)
Past service cost	(6)	(2)
Actuarial gains and losses – long-term benefits	–	–
Net expenses recorded as operating expenses	(233)	(198)
Interest expense (discount effect)	(316)	(269)
Return on fund assets	294	261
Net interest expense included in financial result	(22)	(8)
EMPLOYEE BENEFIT EXPENSES RECORDED IN THE INCOME STATEMENT	**(255)**	**(206)**
Actuarial gains and losses – post-employment benefits	(716)	(371)
Actuarial gains and losses on fund assets	808	198
Actuarial gains and losses	92	(173)
Translation adjustments	(23)	10
GAINS AND LOSSES ON EMPLOYEE BENEFITS RECORDED DIRECTLY IN EQUITY	**69**	**(163)**

31.3.3 Breakdown of obligations by type of beneficiary

(in millions of Euros)	31/12/2014	31/12/2013
Current employees	5,013	3,980
Retirees	3,240	2,723
OBLIGATIONS	**8,253**	**6,703**

31.3.4 Fund assets

Pension obligations in the United Kingdom are partly covered by external funds with a present value of €7,990 million at 31 December 2014 (€6,313 million at 31 December 2013).

The investment strategy applied in these funds is a liability driven investment strategy. The allocation between growth and back-to-back is regularly reviewed by the trustees, at least after every actuarial valuation, to ensure that the funds' overall investment strategy remains coherent in order to achieve the target coverage level required.

These assets break down as follows:

(in millions of Euros)	**31/12/2014**	31/12/2013
BEGG pension fund	6,560	5,177
EEGSG pension fund	892	732
EEPS pension fund	538	404
FUND ASSETS	**7,990**	**6,313**
(%)		
Listed equity instruments (shares)	35%	36%
Listed debt instruments (bonds)	47%	48%
Real estate properties	6%	7%
Cash and cash equivalents	1%	2%
Other	11%	7%

At 31 December 2014, the equities held as part of fund assets are distributed as follows:

- approximately 30% of the total are shares in North American companies;
- approximately 40% of the total are shares in European companies;
- approximately 30% of the total are shares in companies in the Asia-Pacific zone and emerging countries.

This distribution is stable compared to the distribution at 31 December 2013.

At 31 December 2014, the bonds held as part of fund assets are distributed as follows:

- approximately 65% of the total are AAA and AA-rated bonds;
- approximately 35% of the total are bonds with A, BBB and other ratings.

Around 60% of bonds are sovereign bonds issued by Euro zone countries, the United Kingdom and the United States. The balance mainly consists of bonds issued by financial and non-financial firms.

This distribution is stable compared to the distribution at 31 December 2013.

31.3.5 Future cash flows

Cash flows related to future employee benefits are as follows:

(in millions of Euros)	Cash flow under year-end economic conditions	Amount covered by provision (present value)
Less than one year	270	270
One to five years	1,356	1,224
Five to ten years	2,393	1,832
More than ten years	12,818	4,927
CASH FLOWS RELATED TO EMPLOYEE BENEFITS	**16,837**	**8,253**

The contribution to funds for 2015 is estimated at approximately €300 million.

The average weighted duration of funds in the United Kingdom is 19.9 years at 31 December 2014.

31.3.6 Actuarial assumptions

(in %)	**31/12/2014**	31/12/2013
Discount rate / rate of return on assets	3.60%	4.50%
Inflation rate	3.10%	3.50%
Wage increase rate	3.10%	3.50%

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

31.3.7 Sensitivity analyses

Sensitivity analyses on the amount of the obligations are as follows:

(in %)	31/12/2014
Impact of a 25bp increase or decrease in the discount rate	-4.6% / +4.9%
Impact of a 25bp increase or decrease in the wage increase rate	+1.2% / -1.1%
Impact of a 25bp increase or decrease in the inflation rate	+4.6% / -4.5%

Note 32 Other provisions

Details of changes in other provisions are as follows:

(in millions of Euros)	31/12/2013	Increases	Decreases		Changes in scope	Other changes	31/12/2014
			Utilisations	Reversals			
Provisions for contingencies related to investments	414	117	(172)	–	2	(1)	360
Provisions for tax liabilities	506	72	(9)	–	14	1	584
Provisions for litigation	518	121	(12)	(11)	12	(95)	533
Provisions for onerous contracts	144	9	(49)	–	55	–	159
Provisions related to environmental schemes [(1)]	873	918	(884)	(6)	16	35	952
Other provisions	1,146	551	(362)	(65)	125	95	1,490
TOTAL	**3,601**	**1,788**	**(1,488)**	**(82)**	**224**	**35**	**4,078**

(1) Provisions related to environmental schemes include provisions for greenhouse gas emission rights and renewable energy certificates (see note 49).

Note 33 Special French public electricity distribution concession liabilities

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

(in millions of Euros)	31/12/2014	31/12/2013
Value in kind of assets	44,183	43,050
Unamortised financing by the operator	(21,599)	(21,013)
Rights in existing assets - net value	**22,584**	**22,037**
Amortisation of financing by the grantor	11,586	11,006
Provisions for renewal	10,176	10,411
Rights in assets to be replaced	**21,762**	**21,417**
SPECIAL FRENCH PUBLIC ELECTRICITY DISTRIBUTION CONCESSION LIABILITIES	**44,346**	**43,454**

Note 34 Trade payables

(in millions of Euros)	**31/12/2014**	31/12/2013
Trade payables - excluding EDF Trading	11,151	10,331
Trade payables - EDF Trading	3,713	3,826
TRADE PAYABLES	**14,864**	**14,157**

Note 35 Other liabilities

Details of other liabilities are as follows:

(in millions of Euros)	**31/12/2014**	31/12/2013
Advances and progress payments received	7,283	6,986
Liabilities related to property, plant and equipment	3,647	3,234
Tax liabilities	5,910	5,356
Social charges	3,671	3,345
Deferred income on long-term contracts	3,762	3,751
Other deferred income	763	1,016
Other	3,069	2,469
OTHER LIABILITIES	**28,105**	**26,157**
Non-current portion	4,956	5,001
Current portion	23,149	21,156

35.1 Advances and progress payments received

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

35.2 Tax liabilities

At 31 December 2014 tax liabilities mainly include an amount of €1,122 million for the CSPE income to be collected by EDF on energy supplied but not yet billed (€984 million at 31 December 2013).

35.3 Deferred income on long-term contracts

EDF's deferred income on long-term contracts at 31 December 2014 comprises €1,989 million (€2,112 million at 31 December 2013) of partner advances made to EDF under the nuclear plant financing plans.

Deferred income on long-term contracts also include an advance paid to the EDF group in 2010 under the agreement with the Exeltium consortium. The clauses of the agreement signed by the two parties on 24 October 2014 (see note 3.6) do not provide for any additional payment or reimbursement in connection with this advance.

Financial assets and liabilities

↗ Note 36 Current and non-current financial assets

36.1 Breakdown between current and non-current financial assets

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

	31/12/2014			31/12/2013		
(in millions of Euros)	Current	Non-current	Total	Current	Non-current	Total
Financial assets at fair value through profit or loss	4,194	–	**4,194**	3,030	–	**3,030**
Available-for-sale financial assets	13,474	15,953	**29,427**	13,008	14,926	**27,934**
Positive fair value of hedging derivatives	1,519	3,349	**4,868**	634	1,045	**1,679**
Loans and financial receivables	1,565	14,183	**15,748**	1,175	13,640	**14,815**
CURRENT AND NON-CURRENT FINANCIAL ASSETS (1)	**20,752**	**33,485**	**54,237**	**17,847**	**29,611**	**47,458**

(1) Including impairment of €(373) million at 31 December 2014 (€(290) million at 31 December 2013).

36.2 Details of financial assets

36.2.1 Financial assets carried at fair value with changes in fair value included in income

(in millions of Euros)	31/12/2014	31/12/2013
Positive fair value of trading derivatives	4,194	3,023
Fair value of financial assets held for trading	–	7
FINANCIAL ASSETS CARRIED AT FAIR VALUE WITH CHANGES IN FAIR VALUE INCLUDED IN INCOME	**4,194**	**3,030**

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

36.2.2 Available-for-sale financial assets

	31/12/2014			31/12/2013		
(in millions of Euros)	Equities (1)	Debt securities	Total	Equities (1)	Debt securities	Total
EDF dedicated assets	8,301	7,064	**15,365**	8,170	5,941	**14,111**
Liquid assets	1,774	11,216	**12,990**	3,182	9,384	**12,566**
Other securities	987	85	**1,072**	1,024	233	**1,257**
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**11,062**	**18,365**	**29,427**	**12,376**	**15,558**	**27,934**

(1) Equities or investment funds.

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

(in millions of Euros)	2014		2013	
	Gross changes in fair value recorded in equity (1)	Gross changes in fair value transferred to income (2)	Gross changes in fair value recorded in equity (1)	Gross changes in fair value transferred to income (2)
EDF dedicated assets	1,439	976	1,197	579
Liquid assets	223	68	30	31
Other securities	(83)	–	(227)	(266)
AVAILABLE-FOR-SALE FINANCIAL ASSETS (3)	**1,579**	**1,044**	**1,000**	**344**

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

Gross changes in fair value included in equity (EDF share) in 2014 and 2013 principally concern EDF.

No significant impairment was recorded in 2014.

36.2.2.1 Dedicated assets

Diversified bond investments and equities included in EDF's dedicated assets are recorded as "available-for-sale financial assets". The general management policy for dedicated assets is presented in note 47.

36.2.2.2 Liquid assets

Liquid assets are financial assets consisting of funds or interest rate instruments with initial maturity of over three months that are readily convertible into cash, and are managed according to a liquidity-oriented policy.

EDF's monetary investment funds, included in liquid assets, amount to €1,595 million at 31 December 2014 (€2,809 million at 31 December 2013).

36.2.2.3 Other securities

At 31 December 2014, other securities mainly include EDF's shares in Areva (€78 million).

36.3 Loans and financial receivables

Loans and financial receivables are recorded at amortised cost.

(in millions of Euros)	31/12/2014	31/12/2013
Loans and financial receivables - amounts receivable from the NLF	8,617	7,958
Loans and financial receivables - CSPE	5,144	5,051
Loans and financial receivables - other	1,987	1,806
LOANS AND FINANCIAL RECEIVABLES	**15,748**	**14,815**

Loans and financial receivables include:

- amounts representing reimbursements receivable from the NLF and the British government for coverage of long-term nuclear obligations, totalling €8,617 million at 31 December 2014 (€7,958 million at 31 December 2013), discounted at the same rate as the provisions they finance;
- the receivable corresponding to the CSPE shortfall at 31 December 2012, in application of the agreement of 14 January 2013 with the authorities;
- EDF's loan to RTE, amounting to €670 million at 31 December 2014 (unchanged from 31 December 2013).

36.4 Change in financial assets other than derivatives

The variation in financial assets is as follows:

36.4.1 At 31 December 2014

(in millions of Euros)	31/12/2013	Net increases	Changes in fair value	Discount effect	Changes in scope	Translation adjustments	Other	**31/12/2014**
Available-for-sale financial assets	27,934	(151)	1,599	–	(1)	(2)	48	**29,427**
Loans and financial receivables	14,815	(270)	–	384	201	577	41	**15,748**

36.4.2 At 31 December 2013

(in millions of Euros)	31/12/2012	Net increases	Changes in fair value	Discount effect	Changes in scope	Translation adjustments	Other	31/12/2013
Available-for-sale financial assets	26,618	190	1,037	–	(4)	(43)	136	**27,934**
Held-to-maturity investments	–	1	–	–	–	–	(1)	–
Loans and financial receivables	13,962	(859)	–	404	316	(134)	1,126	**14,815**

Other changes in loans and financial receivables include €1,173 million reflecting the effect of EDF Energy's work updating estimates of its nuclear liabilities in 2013 (see note 29.2) on the receivable representing reimbursements due from the NLF and the British government.

↗ Note 37 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and investments in money market instruments. Cash and cash equivalents as stated in the cash flow statements include the following amounts recorded in the balance sheet:

(in millions of Euros)	**31/12/2014**	31/12/2013
Cash	3,037	2,593
Cash equivalents [(1)]	1,649	2,473
Financial current accounts	15	30
CASH AND CASH EQUIVALENTS	**4,701**	**5,096**

(1) Items stated at fair value amount to €1,635 million at 31 December 2014 (€2,458 million at 31 December 2013).

Note 38 Current and non-current financial liabilities

38.1 Breakdown between current and non-current financial liabilities

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

(in millions of Euros)	31/12/2014			31/12/2013		
	Non-current	Current	Total	Non-current	Current	Total
Loans and other financial liabilities	46,537	9,115	**55,652**	40,613	11,024	**51,637**
Negative fair value of derivatives held for trading	–	2,855	**2,855**	–	2,583	**2,583**
Negative fair value of hedging derivatives	737	2,214	**2,951**	800	1,040	**1,840**
FINANCIAL LIABILITIES	**47,274**	**14,184**	**61,458**	**41,413**	**14,647**	**56,060**

38.2 Loans and other financial liabilities

38.2.1 Changes in loans and other financial liabilities

(in millions of Euros)	Bonds	Loans from financial institutions	Other financial liabilities	Loans related to finance-leased assets	Accrued interest	Total
Balances at 31/12/2013	**40,725**	**3,899**	**5,339**	**428**	**1,246**	**51,637**
Increases	4,983	343	1,671	–	68	7,065
Decreases	(5,720)	(476)	(1,374)	(68)	(41)	(7,679)
Translation adjustments	762	113	108	–	1	984
Changes in scope of consolidation	–	(127)	323	117	(9)	304
Changes in fair value	2,845	–	472	3	–	3,320
Other changes	(11)	16	22	11	(17)	21
BALANCES AT 31/12/2014	**43,584**	**3,768**	**6,561**	**491**	**1,248**	**55,652**

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

(in millions of Euros)	31/12/2014	31/12/2013
EDF and other affiliated subsidiaries [1]	43,358	37,732
EDF Energy [2]	4,898	6,665
EDF Énergies Nouvelles	4,060	3,311
Edison [3]	2,349	2,833
Other	987	1,096
LOANS AND OTHER FINANCIAL LIABILITIES	**55,652**	**51,637**

(1) ERDF, PEI, EDF International, C3 and EDF Investissements Groupe.
(2) Including holding companies.
(3) Edison excluding TdE.

At 31 December 2014, none of these entities was in default on any borrowing.

The Group's principal borrowings at 31 December 2014 are as follows:

Type of borrowing *(in millions of currencies)*	Entity	Issue (1)	Maturity	Issue amount	Currency	Rate
Euro MTN	EDF	01/2009	01/2015	2,000	EUR	5.13%
Euro MTN	EDF	10/2001	10/2016	1,100	EUR	5.50%
Euro MTN	EDF	02/2008	02/2018	1,500	EUR	5.00%
Bond	EDF	01/2009	01/2019	2,000	USD	6.50%
Bond	EDF	01/2010	01/2020	1,400	USD	4.60%
Euro MTN	EDF	05/2008	05/2020	1,200	EUR	5.38%
Euro MTN	EDF	01/2009	01/2021	2,000	EUR	6.25%
Euro MTN (Green Bond)	EDF	11/2013	04/2021	1,400	EUR	2.25%
Euro MTN	EDF	01/2012	01/2022	2,000	EUR	3.88%
Euro MTN	EDF	09/2012	03/2023	2,000	EUR	2.75%
Euro MTN	EDF	09/2009	09/2024	2,500	EUR	4.63%
Euro MTN	EDF	11/2010	11/2025	750	EUR	4.00%
Euro MTN	EDF	03/2012	03/2027	1,000	EUR	4.13%
Euro MTN	EDF	04/2010	04/2030	1,500	EUR	4.63%
Euro MTN	EDF	07/2001	07/2031	650	GBP	5.88%
Euro MTN	EDF	02/2003	02/2033	850	EUR	5.63%
Euro MTN	EDF	06/2009	06/2034	1,500	GBP	6.13%
Bond	EDF	01/2009	01/2039	1,750	USD	6.95%
Euro MTN	EDF	11/2010	11/2040	750	EUR	4.50%
Euro MTN	EDF	10/2011	10/2041	1,250	GBP	5.50%
Euro MTN	EDF	09/2010	09/2050	1,000	GBP	5.13%
Bond	EDF	01/2014	01/2017	1,000	USD	1.15%
Bond	EDF	01/2014	01/2019	1,250	USD	2.15%
Bond	EDF	01/2014	01/2044	1,000	USD	4.88%
Bond	EDF	01/2014	01/2114	1,350	GBP	6.00%

(1) Date funds were received.

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

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

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

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

38.2.2 Maturity of loans and other financial liabilities

At 31 December 2014:

(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	2,006	1,095	4,862	46	1,106	**9,115**
From one to five years	8,624	1,345	1,295	185	25	**11,474**
More than five years	32,954	1,328	404	260	117	**35,063**
LOANS AND OTHER FINANCIAL LIABILITIES AT 31/12/2014	**43,584**	**3,768**	**6,561**	**491**	**1,248**	**55,652**

At 31 December 2013:

(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	5,732	1,231	2,878	39	1,144	**11,024**
From one to five years	6,024	1,251	1,910	137	13	**9,335**
More than five years	28,969	1,417	551	252	89	**31,278**
LOANS AND OTHER FINANCIAL LIABILITIES AT 31/12/2013	**40,725**	**3,899**	**5,339**	**428**	**1,246**	**51,637**

38.2.3 Breakdown of loans and other financial liabilities by currency

	31/12/2014			31/12/2013		
(in millions of Euros)	Initial debt structure	Impact of hedging instruments (1)	Debt structure after hedging	Initial debt structure	Impact of hedging instruments (1)	Debt structure after hedging
Euro (EUR)	30,110	7,647	37,757	31,629	(472)	31,157
American dollar (USD)	12,948	(10,073)	2,875	10,192	(4,786)	5,406
Pound sterling (GBP)	11,095	1,939	13,034	7,945	5,116	13,061
Other	1,499	487	1,986	1,871	142	2,013
LOANS AND OTHER FINANCIAL LIABILITIES	**55,652**	**–**	**55,652**	**51,637**	**–**	**51,637**

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

38.2.4 Breakdown of loans and other financial liabilities by type of interest rate

	31/12/2014			31/12/2013		
(in millions of Euros)	Initial debt structure	Impact of derivatives	Final debt structure	Initial debt structure	Impact of derivatives	Final debt structure
Fixed rates	48,795	(15,377)	33,418	46,966	(7,549)	39,417
Floating rates	6,857	15,377	22,234	4,671	7,549	12,220
LOANS AND OTHER FINANCIAL LIABILITIES	**55,652**	**–**	**55,652**	**51,637**	**–**	**51,637**

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

38.2.5 Credit lines

At 31 December 2014, the Group has unused credit lines with various banks totalling €10,756 million (€10,353 million at 31 December 2013).

	31/12/2014				31/12/2013
	Total	Maturity			Total
(in millions of Euros)		< 1 year	1-5 years	> 5 years	
CONFIRMED CREDIT LINES	**10,756**	**498**	**10,258**	**–**	**10,353**

38.2.6 Early repayment clauses

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

No early repayment took place in 2014 as a result of any Group entity's failure to comply with contractual clauses concerning loans.

38.3 Net indebtedness

Net indebtedness is not defined in the accounting standards and is not directly presented in the consolidated balance sheet. It comprises total loans and financial liabilities, less cash and cash equivalents and liquid assets. Liquid assets are financial assets consisting of funds or interest rate instruments with initial maturity of over three months that are readily convertible into cash and are managed according to a liquidity-oriented policy.

Net indebtedness includes the loan by the Group to RTE, a consolidated entity which has been accounted for under the equity method since 31 December 2010.

(in millions of Euros)	Notes	**31/12/2014**	31/12/2013
Loans and other financial liabilities	38.2.1	55,652	51,637
Derivatives used to hedge liabilities		(3,083)	128
Cash and cash equivalents	37	(4,701)	(5,096)
Available-for-sale financial assets - Liquid assets	36.2.2	(12,990)	(12,566)
Loan to RTE	36.3	(670)	(670)
NET INDEBTEDNESS		**34,208**	**33,433**

Note 39 Other information on financial assets and liabilities

39.1 Fair value of financial instruments

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

39.1.1 At 31 December 2014

(in millions of Euros)	**Balance sheet value**	Fair value	Level 1 Unadjusted quoted prices	Level 2 Observable data	Level 3 Non-observable data
Financial assets carried at fair value with changes in fair value included in income (1)	**4,194**	4,194	352	3,754	88
Available-for-sale financial assets	**29,427**	29,427	1,147	27,265	1,015
Positive fair value of hedging derivatives	**4,868**	4,868	21	4,847	-
Cash equivalents carried at fair value	**1,635**	1,635	105	1,530	-
Financial assets carried at fair value in the balance sheet	**40,124**	**40,124**	**1,625**	**37,396**	**1,103**
Loans and financial receivable – Assets receivable from the NLF	**8,617**	8,617	–	8,617	–
Loans and financial receivable – CSPE	**5,144**	5,144	–	5,144	–
Other loans and financial receivable	**1,987**	2,071	–	2,071	–
Financial assets recorded at amortised cost	**15,748**	**15,832**	**–**	**15,832**	**–**
Negative fair value of hedging derivatives	**2,951**	2,951	20	2,929	2
Negative fair value of trading derivatives	**2,855**	2,855	272	2,518	65
Financial liabilities carried at fair value in the balance sheet	**5,806**	**5,806**	**292**	**5,447**	**67**
Loans and other financial liabilities	**55,652**	63,460	–	63,460	–
Financial liabilities recorded at amortised cost	**55,652**	**63,460**	**–**	**63,460**	**–**

(1) Including €4,194 million for the positive fair value of trading derivatives.

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

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

39.1.2 At 31 December 2013

(in millions of Euros)	Balance sheet value	Fair value	Level 1 Unadjusted quoted prices	Level 2 Observable data	Level 3 Non-observable data
Financial assets carried at fair value with changes in fair value included in income (1)	3,030	3,030	26	2,832	172
Available-for-sale financial assets	27,934	27,934	1,680	25,289	965
Positive fair value of hedging derivatives	1,679	1,679	–	1,679	–
Cash equivalents carried at fair value	2,458	2,458	–	2,458	–
Financial assets carried at fair value in the balance sheet	**35,101**	**35,101**	**1,706**	**32,258**	**1,137**
Loans and financial receivable – Assets receivable from the NLF	7,958	7,958	–	7,958	–
Loans and financial receivable – CSPE	5,051	5,051	–	5,051	–
Other loans and financial receivable	1,806	1,918	–	1,918	–
Financial assets recorded at amortised cost	**14,815**	**14,927**	**–**	**14,927**	**–**
Negative fair value of hedging derivatives	1,840	1,840	6	1,834	–
Negative fair value of trading derivatives	2,583	2,583	21	2,402	160
Financial liabilities carried at fair value in the balance sheet	**4,423**	**4,423**	**27**	**4,236**	**160**
Loans and other financial liabilities	51,637	56,469	–	56,469	–
Financial liabilities recorded at amortised cost	**51,637**	**56,469**	**–**	**56,469**	**–**

(1) Including €3,023 million for the positive fair value of trading derivatives.

39.2 Offsetting of financial assets and liabilities

39.2.1 At 31 December 2014

(in millions of Euros)	As reported in balance sheet	Balance without offsetting	Balance with offsetting under IAS 32			Amounts covered by a general offsetting agreement but not offset under IAS 32		
			Gross amount recognised (before offsetting)	Gross amount offset under IAS 32	Net amount recognised after offsetting under IAS 32	Financial instruments	Fair value of financial collateral	Net amount
Fair value of derivatives – assets	9,062	594	12,764	(4,296)	8,468	(1,522)	(1,307)	5,639
Fair value of derivatives – liabilities	(5,806)	(721)	(9,381)	4,296	(5,085)	1,522	238	(3,325)

39.2.2 At 31 December 2013

(in millions of Euros)	As reported in balance sheet	Balance without offsetting	Balance with offsetting under IAS 32			Amounts covered by a general offsetting agreement but not offset under IAS 32		
			Gross amount recognised (before offsetting)	Gross amount offset under IAS 32	Net amount recognised after offsetting under IAS 32	Financial instruments	Fair value of financial collateral	Net amount
Fair value of derivatives – assets	4,702	1,121	6,468	(2,887)	3,581	(998)	(332)	2,251
Fair value of derivatives – liabilities	(4,423)	(1,213)	(6,097)	2,887	(3,210)	998	36	(2,176)

↗ Note 40 Management of market and counterparty risks

As an operator in the energy sector worldwide, the EDF group is exposed to financial market risks, energy market risks and counterparty risks. All these risks could generate volatility in the financial statements.

- Financial market risks

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

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

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

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

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

A more detailed description of these risks can be found in chapter 9 ("Operating and financial review"), section 9.5 ("Management and control of market risks") of the Reference Document.

- Energy market risks

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

A more detailed description of these risks can be found in chapter 9 ("Operating and financial review"), section 9.5.2 ("Management and control of energy market risks") of the Reference Document.

- Counterparty risks

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

A more detailed description of these risks can be found in chapter 9 ("Operating and financial review"), section 9.5.1.7 ("Management of counterparty/credit risks") of the Reference Document.

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

The sensitivity analyses required by IFRS 7 are presented in chapter 9 ("Operating and financial review"), section 9.5.1 ("Management and control of financial risks") of the Reference Document:

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

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

- Liquidity risks:
  - maturity of loans and other financial liabilities: note 38.2.2 to the consolidated financial statements,
  - credit lines: note 38.2.5 to the consolidated financial statements,
  - early repayment clauses for borrowings: note 38.2.6 to the consolidated financial statements,
  - off-balance sheet commitments: note 44 to the consolidated financial statements;
- Foreign exchange risks:
  - breakdown of loans by currency and type of interest rate: notes 38.2.3 and 38.2.4 to the consolidated financial statements;
- Equity risks (chapter 9 ("Operating and financial review"), sections 9.5.1.5 ("Management of equity risks") and 9.5.1.6 ("Management of financial risk on EDF's dedicated asset portfolio") of the Reference Document):
  - coverage of nuclear obligations: note 47 and 29.1.5 to the consolidated financial statements,
  - coverage of social obligations: note 31.2.5 and 31.3.4 to the consolidated financial statements,
  - long-term cash management,
  - direct investments;
- Interest rate risks:
  - discount rate for nuclear provisions: calculation method and sensitivity: note 29.1.5.1 to the consolidated financial statements,
  - discount rate used for employee benefits: notes 31.2.7 and 31.3.6 to the consolidated financial statements,
  - breakdown of loans by currency and interest rate: notes 38.2.3 and 38.2.4 to the consolidated financial statements;
- Balance sheet treatment of financial and market risks:
  - derivatives and hedge accounting: note 41 to the consolidated financial statements, and the statement of changes in equity,
  - derivatives not classified as hedges: note 42 to the consolidated financial statements.

↗ Note 41 Derivatives and hedge accounting

Hedge accounting is applied in compliance with IAS 39, and concerns interest rate derivatives used to hedge long-term indebtedness, currency derivatives used to hedge net foreign investments and debts in foreign currencies, and currency and commodity derivatives used to hedge future cash flows.

The fair value of hedging derivatives reported in the balance sheet breaks down as follows:

(in millions of Euros)	Notes	**31/12/2014**	31/12/2013
Positive fair value of hedging derivatives	36.1	4,868	1,679
Negative fair value of hedging derivatives	38.1	(2,951)	(1,840)
FAIR VALUE OF HEDGING DERIVATIVES		**1,917**	**(161)**
Interest rate hedging derivatives	41.4.1	2,339	395
Exchange rate hedging derivatives	41.4.2	959	(472)
Commodity-related cash flow hedges	41.4.3	(1,374)	(124)
Commodity-related fair value hedges	41.5	(7)	40

41.1 Fair value hedges

The EDF group hedges the exposure to changes in the fair value of fixed-rate debts. The derivatives used for this hedging are fixed/floating interest rate swaps and cross currency swaps, with changes in fair value recorded in the income statement. Fair value hedges also include currency hedging instruments on certain firm purchase commitments.

In 2014, the ineffective portion of fair value hedges represents a loss of €(8) million (loss of €(3) million in 2013), included in the financial result.

41.2 Cash flow hedges

The EDF group uses cash flow hedging principally for the following purposes:

- to hedge its floating-rate debt, using interest-rate swaps (floating/fixed rate);
- to hedge the exchange rate risk related to debts contracted in foreign currencies, using cross currency swaps;
- to hedge future cash flows related to expected sales and purchases of electricity, gas, and coal, using futures, forwards and swaps.

The EDF group also hedges the currency risk associated with fuel and commodity purchases.

In 2014, the ineffective portion of cash flow hedges represents a loss of €(2) million (gain of €1 million in 2013).

41.3 Hedges of net investments in foreign entities

Hedging of net foreign investments is used for protection against exposure to the exchange rate risk related to net investments in the Group's foreign entities.

This risk is hedged at Group level either by contracting debts for investments in the same currency, or through the markets, in which case the Group uses currency swaps and forward exchange contracts.

41.4 Impact of hedging derivatives on equity

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

(in millions of Euros)	**2014** Gross changes in fair value recorded in equity (1)	Gross changes in fair value transferred to income – Recycling (2)	Gross changes in fair value transferred to income – Ineffectiveness	2013 Gross changes in fair value recorded in equity (1)	Gross changes in fair value transferred to income – Recycling (2)	Gross changes in fair value transferred to income – Ineffectiveness
Interest rate hedging	(36)	–	(2)	84	–	–
Exchange rate hedging	1,004	628	40	(514)	(460)	1
Net foreign investment hedging	(1,076)	–	–	551	(5)	5
Commodity hedging	(1,946)	(698)	(29)	(468)	(692)	–
HEDGING DERIVATIVES (3)	**(2,054)**	**(70)**	**9**	**(347)**	**(1,157)**	**6**

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

41.4.1 Interest rate hedging derivatives

Interest rate hedging derivatives break down as follows:

	Notional at 31/12/2014				Notional at 31/12/2013	Fair value	
(in millions of Euros)	< 1 year	1-5 years	> 5 years	**Total**	Total	**31/12/2014**	31/12/2013
Purchases of CAP contracts	–	–	–	–	20	–	–
Purchases of options	–	–	–	–	25	–	–
Interest rate transactions	–	–	–	–	45	–	–
Fixed rate payer/floating rate receiver	158	1,166	486	1,810	2,545	(172)	(162)
Floating rate payer/fixed rate receiver	225	696	15,787	16,708	9,727	2,609	565
Floating rate/floating rate	657	1,267	837	2,761	2,222	7	(2)
Fixed rate/fixed rate	54	6,146	2,143	8,343	7,914	(105)	(6)
Interest rate swaps	1,094	9,275	19,253	29,622	22,408	2,339	395
INTEREST RATE HEDGING DERIVATIVES	**1,094**	**9,275**	**19,253**	**29,622**	**22,453**	**2,339**	**395**

The fair value of interest rate/exchange rate cross-currency swaps comprises the interest rate effect only.

The notional value of cross-currency swaps is included both in this note and the note on Exchange rate hedging derivatives (41.4.2).

41.4.2 Exchange rate hedging derivatives

Exchange rate hedging derivatives break down as follows:

At 31 December 2014:

	Notional amount to be received at 31/12/2014				Notional amount to be given at 31/12/2014				Fair value
(in millions of Euros)	< 1 year	1-5 years	> 5 years	**Total**	< 1 year	1-5 years	> 5 years	**Total**	**31/12/2014**
Forward exchange transactions	2,289	340	–	**2,629**	2,252	333	–	**2,585**	48
Swaps	9,600	9,597	7,824	**27,021**	9,160	9,380	7,539	**26,079**	911
EXCHANGE RATE HEDGING DERIVATIVES	**11,889**	**9,937**	**7,824**	**29,650**	**11,412**	**9,713**	**7,539**	**28,664**	**959**

At 31 December 2013:

	Notional amount to be received at 31/12/2013				Notional amount to be given at 31/12/2013				Fair value
(in millions of Euros)	< 1 year	1-5 years	> 5 years	Total	< 1 year	1-5 years	> 5 years	Total	31/12/2013
Forward exchange transactions	2,966	769	–	**3,735**	2,993	784	–	**3,777**	(45)
Swaps	13,687	5,441	5,604	**24,732**	13,961	5,352	5,884	**25,197**	(427)
EXCHANGE RATE HEDGING DERIVATIVES	**16,653**	**6,210**	**5,604**	**28,467**	**16,954**	**6,136**	**5,884**	**28,974**	**(472)**

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

41.4.3 Commodity-related cash flow hedges

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

(in millions of Euros)	**31/12/2014**	31/12/2013
Electricity hedging contracts	42	(178)
Gas hedging contracts	(290)	(27)
Coal hedging contracts	(462)	(395)
Oil product hedging contracts	(1,243)	93
CO_2 emission rights hedging contracts	7	39
CHANGES IN FAIR VALUE BEFORE TAXES	**(1,946)**	**(468)**

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

(in millions of Euros)	**31/12/2014**	31/12/2013
Electricity hedging contracts	(274)	(177)
Gas hedging contracts	42	(79)
Coal hedging contracts	(423)	(420)
Oil product hedging contracts	33	24
CO_2 emission rights hedging contracts	(76)	(40)
CHANGES IN FAIR VALUE BEFORE TAXES	**(698)**	**(692)**

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

		31/12/2014					31/12/2013	
		Net notional				Fair value	Net notional	Fair value
(in millions of Euros)	Units of measure	< 1 year	1-5 years	> 5 years	Total			
Forwards/futures		(1)	(18)	–	(19)	193	(11)	(16)
Electricity	**Terrawatt hours**	**(1)**	**(18)**	**–**	**(19)**	**193**	**(11)**	**(16)**
Swaps		(271)	(30)	–	(301)	42	(361)	6
Forwards/futures		1,299	1,082	–	2,381	(402)	2,253	4
Gas	**Millions of therms**	**1,028**	**1,052**	**–**	**2,080**	**(360)**	**1,892**	**10**
Swaps		33,514	15,637	–	49,151	(1,153)	39,843	123
Oil products	**Thousands of barrels**	**33,514**	**15,637**	**–**	**49,151**	**(1,153)**	**39,843**	**123**
Swaps		5	1	–	6	(104)	11	(179)
Coal	**Millions of tonnes**	**5**	**1**	**–**	**6**	**(104)**	**11**	**(179)**
Swaps		21,219	4,782	–	26,001	40	–	–
Forwards/futures		3,628	3,974	–	7,602	10	38,572	(62)
CO_2	**Thousands of tonnes**	**24,847**	**8,756**	**–**	**33,603**	**50**	**38,572**	**(62)**
COMMODITY-RELATED CASH FLOW HEDGES						**(1,374)**		**(124)**

41.5 Commodity-related fair value hedges

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

		31/12/2014		31/12/2013	
(in millions of Euros)	Units of measure	Net notional	Fair value	Net notional	Fair value
Coal and freight	Millions of tonnes	27	(7)	(42)	40
COMMODITY-RELATED FAIR VALUE HEDGES			**(7)**		**40**

↗ Note 42 Non-hedging derivatives

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

(in millions of Euros)	Notes	31/12/2014	31/12/2013
Positive fair value of trading derivatives	36.2.1	4,194	3,023
Negative fair value of trading derivatives	38.1	(2,855)	(2,583)
FAIR VALUE OF TRADING DERIVATIVES		**1,339**	**440**
Interest rate derivatives held for trading	42.1	(42)	(46)
Currency derivatives held for trading	42.2	(12)	18
Non-hedging commodity derivatives	42.3	1,393	468

42.1 Interest rate derivatives held for trading

Interest rate derivatives held for trading break down as follows:

	Notional at 31/12/2014				Notional at 31/12/2013	Fair value	
(in millions of Euros)	< 1 year	1-5 years	> 5 years	**Total**	Total	**31/12/2014**	31/12/2013
Purchases of options	–	–	515	515	–	21	–
Interest rate operations	**–**	**–**	**515**	**515**	**–**	**21**	**–**
Fixed rate payer/floating rate receiver	10,185	980	515	11,680	3,478	(145)	(160)
Floating rate payer/fixed rate receiver	4,800	828	241	5,869	1,555	84	126
Floating rate/floating rate	225	–	–	225	725	(2)	(12)
Interest rate swaps	**15,210**	**1,808**	**756**	**17,774**	**5,758**	**(63)**	**(46)**
INTEREST RATE DERIVATIVES HELD FOR TRADING	**15,210**	**1,808**	**1,271**	**18,289**	**5,758**	**(42)**	**(46)**

42.2 Currency derivatives held for trading

Currency derivatives held for trading break down as follows:

At 31 December 2014:

	Notional amount to be received at 31/12/2014				Notional amount to be given at 31/12/2014				**Fair value**
(in millions of Euros)	< 1 year	1-5 years	> 5 years	**Total**	< 1 year	1-5 years	> 5 years	**Total**	**31/12/2014**
Forward transactions	1,050	318	19	1,387	1,048	320	22	1,390	22
Swaps	9,845	320	–	10,165	9,868	323	–	10,191	(34)
CURRENCY DERIVATIVES HELD FOR TRADING	**10,895**	**638**	**19**	**11,552**	**10,916**	**643**	**22**	**11,581**	**(12)**

At 31 December 2013:

	Notional amount to be received at 31/12/2013				Notional amount to be given at 31/12/2013				Fair value
(in millions of Euros)	< 1 year	1-5 years	> 5 years	Total	< 1 year	1-5 years	> 5 years	Total	31/12/2013
Forward transactions	2,243	308	22	2,573	2,264	312	25	2,601	(25)
Swaps	7,956	184	–	8,140	7,913	186	–	8,099	43
CURRENCY DERIVATIVES HELD FOR TRADING	**10,199**	**492**	**22**	**10,713**	**10,177**	**498**	**25**	**10,700**	**18**

42.3 Non-hedging commodity derivatives

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

		31/12/2014		31/12/2013	
(in millions of Euros)	Unit of measure	Net notional	Fair value	Net notional	Fair value
Swaps		(26)	(29)	(95)	430
Options		93	11	91	(24)
Forwards/futures		(65)	173	10	332
Electricity	Terrawatt hours	**2**	**155**	**6**	**738**
Swaps		2,722	248	2,156	(90)
Options		6,359	17	22,204	47
Forwards/futures		(2,051)	487	(1,033)	(527)
Gas	Millions of therms	**7,030**	**752**	**23,327**	**(570)**
Swaps		260	(79)	2,927	11
Options		1,039	67	218	1
Forwards/futures		10,879	16	(258)	–
Oil products	Thousands of barrels	**12,178**	**4**	**2,887**	**12**
Swaps		(15)	394	(27)	113
Options		(21)	(1)	–	–
Forwards/futures		87	(41)	101	(8)
Freight		(27)	108	42	87
Coal and freight	Millions of tonnes	**24**	**460**	**116**	**192**
Swaps		(156)	11	(156)	23
Options		–	–	168	–
Forwards/futures		10,663	(4)	(9,288)	69
CO_2	Thousands of tonnes	**10,507**	**7**	**(9,276)**	**92**
Forwards/futures			11		–
Other commodities			**11**		**–**
Embedded commodity derivatives			**4**		**4**
NON-HEDGING COMMODITY DERIVATIVES			**1,393**		**468**

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

Cash flows and other information

↗ Note 43 Cash flows

43.1 Change in working capital

(in millions of Euros)	**2014**	2013
Change in inventories	(111)	(678)
Change in the CSPE receivable	(699)	(360)
Change in trade receivables	(504)	(559)
Change in trade payables	147	366
Change in other receivables and payables (excluding CSPE)	126	(480)
CHANGE IN WORKING CAPITAL	**(1,041)**	**(1,711)**

43.2 Investments in intangible and tangible assets

(in millions of Euros)	**2014**	2013
Acquisitions of intangible assets	(1,006)	(946)
Acquisitions of tangible assets	(13,067)	(12,659)
Change in payables to suppliers of fixed assets	352	563
INVESTMENTS IN INTANGIBLE AND TANGIBLE ASSETS	**(13,721)**	**(13,042)**

↗ Note 44 Off-balance sheet commitments

This note presents off-balance sheet commitments given and received by the Group at 31 December 2014. The amounts of commitments correspond to non-discounted contractual values.

44.1 Commitments given

The table below shows off-balance sheet commitments given by the Group that have been valued at 31 December 2014. Other commitments are described separately in the detailed notes.

(in millions of Euros)	Notes	**31/12/2014**	31/12/2013
Operating commitments given	44.1.1	40,933	40,136
Investment commitments given	44.1.2	14,437	14,471
Financing commitments given	44.1.3	5,425	5,596
TOTAL COMMITMENTS GIVEN		**60,795**	**60,203**

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.

44.1.1 Operating commitments given

Operating commitments given by the Group at 31 December 2014 are as follows:

(in millions of Euros)	**31/12/2014**	31/12/2013
Fuel and Energy purchase commitments [1]	29,147	28,978
Operating contract performance commitments given	8,207	7,482
Operating lease commitments as lessee	3,579	3,676
TOTAL OPERATING COMMITMENTS GIVEN	**40,933**	**40,136**

(1) Excluding gas purchases and related services

44.1.1.1 Fuel and energy purchase commitments

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

The Group has also entered into long-term purchase contracts with a certain number of electricity producers, by contributing to the financing of power plants.

At 31 December 2014, fuel and energy purchase commitments mature as follows:

	31/12/2014					31/12/2013
	Total	Maturity				Total
(in millions of Euros)		< 1 year	1-5 years	5-10 years	> 10 years	
Electricity purchases and related services [1]	8,672	1,920	3,090	1,374	2,288	8,963
Other energy and commodity purchases [2]	1,362	679	513	170	–	1,188
Nuclear fuel purchases	19,113	1,937	7,558	5,870	3,748	18,827
FUEL AND ENERGY PURCHASE COMMITMENTS	**29,147**	**4,536**	**11,161**	**7,414**	**6,036**	**28,978**

(1) Including commitments given by controlled entities to joint ventures, amounting to €697 million at 31 December 2014 (€723 million at 31 December 2013).
(2) Excluding gas purchases and related services – see note 44.1.1.1.4.

The changes primarily relate to EDF and result from an increase in commitments to purchase nuclear fuel, partially offset by the decrease in electricity purchase contracts.

44.1.1.1.1 Electricity purchases and related services

Electricity purchase commitments mainly concern EDF, ERDF and EDF Energy. In the case of EDF they are borne by the Island Energy Systems (IES), which have made commitments to purchase the electricity generated using bagasse and coal.

In addition to the obligations reported above and under Article 10 of the Law of 10 February 2000, in mainland France EDF is obliged, at the producer's request and subject to compliance with certain technical features, to purchase the power produced by co-generation plants and renewable energy generation units (wind turbines and small hydro-electric plants, photovoltaic power, etc). The additional costs generated by this obligation are offset, after validation by the CRE, by the CSPE. These purchase obligations total 35TWh for 2014 (34TWh for 2013), including 5TWh for co-generation (7TWh for 2013), 16TWh for wind power (15TWh for 2013), 6TWh for photovoltaic power (4TWh for 2013) and 3TWh for hydropower (3TWh for 2013).

44.1.1.1.2 Other energy and commodity purchases

Purchase commitments for other energies and commodities mainly concern coal and oil used to operate the thermal plants, and purchases of biomass fuel used by Dalkia in the course of its business.

44.1.1.1.3 Nuclear fuel purchases

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

44.1.1.1.4 Gas purchases and related services

Gas purchase commitments are principally undertaken by Edison and EDF. The volumes concerned for both entities at 31 December 2014 are as follows:

	31/12/2014				31/12/2013
	Total	Maturity			Total
(in billions of m³)		< 1 year	1-5 years	> 5 years	
Edison	191	11	53	127	202
EDF	58	2	5	51	57

Edison has entered into agreements to import natural gas from Russia, Libya, Algeria and Qatar, for a total maximum volume of 14.4 billion m³ per year. These contracts contain "take-or-pay" clauses committing the buyer to pay for a minimum volume of gas every year, whether or not it actually takes delivery of that volume. At 31 December 2014, off-balance sheet commitments under Edison's take-or-pay clauses amount to €116 million, corresponding to the value of the volumes of gas not withdrawn at that date and for which delivery is deferred to a subsequent period.

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

Gas purchase commitments have also been given by EDF in connection with its expanding gas supply business.

EDF and Gazprom signed an agreement in 2013 defining the essential conditions of a gas supply contract.

Gas purchase commitments are also borne by subsidiaries, through commitments generally covered by electricity sale agreements which include "pass-through" clauses allowing almost all fluctuations in supply source costs to be passed on to the customer.

44.1.1.2 Operating contract performance commitments given

At 31 December 2014, these commitments mature as follows:

	31/12/2014				31/12/2013
	Total	Maturity			Total
(in millions of Euros)		< 1 year	1-5 years	> 5 years	
Operating guarantees given	3,751	1,808	511	1,432	3,122
Operating purchase commitments (1)	4,294	2,428	1,543	323	4,210
Other operating commitments	162	72	43	47	150
OPERATING CONTRACT PERFORMANCE COMMITMENTS GIVEN (2)	**8,207**	**4,308**	**2,097**	**1,802**	**7,482**

(1) Excluding fuel and energy.
(2) Including commitments given by controlled entities to joint ventures, amounting to €128 million at 31 December 2014 (€172 million at 31 December 2013).

44.1.1.2.1 Operating guarantees given

Operating guarantees given are as follows:

(in millions of Euros)	31/12/2014	31/12/2013
EDF	1,382	871
Edison	1,179	1,290
EDF Énergies Nouvelles	356	551
Other entities	834	410
TOTAL	**3,751**	**3,122**

44.1.1.2.2 Operating purchase commitments

Operating purchase commitments are as follows:

(in millions of Euros)	**31/12/2014**	31/12/2013
EDF	2,418	2,539
EDF Energy	738	668
ERDF	527	414
Other entities	611	589
TOTAL	**4,294**	**4,210**

44.1.1.3 Operating lease commitments as lessee

At 31 December 2014, operating lease commitments as lessee break down as follows:

	31/12/2014				31/12/2013
	Total	Maturity			Total
(in millions of Euros)		< 1 year	1-5 years	> 5 years	
OPERATING LEASE COMMITMENTS AS LESSEE	**3,579**	**610**	**1,570**	**1,399**	**3,676**

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

44.1.2 Investment commitments given

At 31 December 2014, details of investment commitments are as follows:

	31/12/2014				31/12/2013
	Total	Maturity			Total
(in millions of Euros)		< 1 year	1-5 years	> 5 years	
Commitments related to acquisition of tangible and intangible assets	13,628	6,419	6,700	509	13,269
Commitments related to acquisition of financial assets	248	144	76	28	1,004
Other commitments related to investments	561	95	466	–	198
TOTAL INVESTMENT COMMITMENTS GIVEN (1)	**14,437**	**6,658**	**7,242**	**537**	**14,471**

(1) Including commitments given by controlled entities to joint ventures, amounting to €317 million at 31 December 2014 (€4 million at 31 December 2014).

44.1.2.1 Commitments related to acquisition of tangible and intangible fixed assets

At 31 December 2014, commitments related to acquisition of tangible and intangible fixed assets are as follows:

(in millions of Euros)	**31/12/2014**	31/12/2013
EDF	9,391	8,856
EDF Énergies Nouvelles	1,506	1,361
ERDF	1,163	1,129
EDF Energy	642	454
PEI (1)	78	400
Dunkerque LNG (2)	261	352
Other entities	587	717
TOTAL	**13,628**	**13,269**

(1) These commitments mainly concern construction of thermal power plants.
(2) These commitments mainly concern construction of the Dunkirk methane terminal.

The higher level of EDF's commitments related to acquisition of tangible and intangible fixed assets is largely explained by the signature of contracts for the supply of "last resort" diesel generators for the nuclear power plants.

At EDF Énergies Nouvelles, the rise essentially concerns orders for turbines, particularly in the United States.

44.1.2.2 Commitments related to acquisition of financial assets

The Group no longer has any significant commitment related to acquisition of financial assets at 31 December 2014.

Following the sale of its investment in South Stream to Gazprom on 29 December 2014, EDF International's commitment existing at 31 December 2013 to make capital contributions or shareholder advances to the project company has been cancelled.

The main share purchase commitments that cannot be valued concern EDF Luminus.

The shareholder agreement signed on 16 April 2010 defines a liquidity commitment for the shares held by EDF Luminus' minority shareholders which could, subject to certain conditions and at EDF's initiative, result in disposal of their shares through an IPO, or result in the Group buying their shares at a price made up of variable components. The agreement states that this liquidity commitment can be applied in two liquidity windows, one in 2015 and one in 2018. The minority shareholders thus triggered the preparatory phase for implementation of this liquidity clause in 2014, in compliance with the procedure and timeline set out in the agreement. The minority shareholders may now, during the first quarter of 2015, notify their application to sell their shares via an IPO. If they do not give such notification, they still retain the second liquidity window of 2018.

In view of these characteristics, it is not possible to value this commitment at 31 December 2014.

Regarding the investment in EDF Investissements Groupe, C3 (a fully-owned EDF subsidiary) and NBI (Natixis Belgique Investissement, a subsidiary of the Natixis group) amended the agreements for their investment in EDF Investissements Groupe (EIG) on 12 February 2014.

C3 now has a unilateral promise to sell EIG shares held by NBI at a fixed price, exercisable at any time until May 2021. Meanwhile, NBI has a put option to sell EDF all of its EIG shares for a fixed amount of cash, exercisable subject to certain conditions between February 2019 and May 2020.

Due to their features, in compliance with IAS 39, NBI's put option and C3's unilateral promise of sale are considered as derivatives and their net value is included in the positive or negative fair value of trading derivatives. At 31 December 2014, the fair value of these trading derivatives is not significant.

44.1.2.3 Other commitments related to investments

Other commitments given related to investments at 31 December 2014 mainly comprise guarantees given by EDF Norte Fluminense in connection with its 51% investment in CES, the company in charge of constructing and operating a hydroelectric dam on the Teles Pires river in Brazil (the SINOP project).

44.1.3 Financing commitments given

Financing commitments given by the Group at 31 December 2014 comprise the following:

	31/12/2014				31/12/2013
	Total	Maturity			Total
(in millions of Euros)		< 1 year	1-5 years	> 5 years	
Security interests in real property	4,316	90	1,272	2,954	4,512
Guarantees related to borrowings	860	359	332	169	743
Other financing commitments	249	219	25	5	341
TOTAL FINANCING COMMITMENTS GIVEN (1)	**5,425**	**668**	**1,629**	**3,128**	**5,596**

(1) Including commitments given by controlled entities to joint ventures, amounting to €900 million at 31 December 2014 (€642 million at 31 December 2013). These financing commitments to joint ventures mainly concern EDF Énergies Nouvelles.

Security interests and assets provided as guarantees mainly concern pledges or mortgages of tangible assets and shares representing investments in consolidated subsidiaries which own property, plant and equipment, for EDF Énergies Nouvelles. The decrease observed in these commitments at 31 December 2014 essentially results from sales of power plants in the United States.

44.2 Commitments received

The table below shows off-balance sheet commitments received by the Group that have been valued at 31 December 2014. Other commitments received are described separately in the detailed notes.

(in millions of Euros)	Notes	31/12/2014	31/12/2013
Operating commitments received [1]	44.2.1	2,964	2,765
Investment commitments received	44.2.2	102	24
Financing commitments received	44.2.3	124	130
TOTAL COMMITMENTS RECEIVED [2]		**3,190**	**2,919**

(1) Excluding commitments related to supplies of energy and related services – see notes 44.2.1.4 and note 44.2.1.5.
(2) Excluding commitments related to credit lines, which are described in note 38.2.5.

44.2.1 Operating commitments received

Operating commitments received by the Group at 31 December 2014 comprise the following:

	31/12/2014				31/12/2013
	Total	Maturity			Total
(in millions of Euros)		< 1 year	1-5 years	> 5 years	
Operating lease commitments as lessor	1,241	242	481	518	1,358
Operating sale commitments	480	103	227	150	142
Operating guarantees received	1,164	914	154	96	1,195
Other operating commitments received	79	24	37	18	70
OPERATING COMMITMENTS RECEIVED	**2,964**	**1,283**	**899**	**782**	**2,765**

44.2.1.1 Operating lease commitments as lessor

The Group benefits from commitments as lessor in operating leases amounting to €1,241 million.

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

44.2.1.2 Operating sale commitments

Operating sale commitments received principally concern EDF Énergies Nouvelles and relate to operation and maintenance service agreements. The increase in these commitments mainly concerns activities in Canada and France.

44.2.1.3 Operating guarantees received

Operating guarantees received primarily concern EDF and relate to guarantees received from suppliers, notably in connection with deliveries under the ARENH scheme.

44.2.1.4 Electricity supply commitments

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

- long-term contracts with a number of European electricity operators, for a specific plant or for a defined group of plants in the French nuclear generation fleet, corresponding to installed power capacity of 3.5GW;
- in execution of France's NOME Law on organisation of the French electricity market, EDF has a commitment to sell some of the energy generated by its "traditional" nuclear power plants to other suppliers. This covers volumes of up to 100TWh each year until 31 December 2025;
- in the United Kingdom, EDF made a commitment in 2009 to supply 18TWh of electricity to Centrica at market price for a 5-year period starting in 2011. The residual commitment at 31 December 2014 concerns a volume of 4.9TWh;
- EDF is still committed to supplying residual volumes of around 345GWh by March 2015 corresponding to rights acquired at VPP or Virtual Power Plant capacity auctions, which ended in 2011.

44.2.1.5 Sale commitments for gas and related services

The Total group has subscribed a liquified natural gas (LNG) regasification capacity from Dunkerque LNG for a 20-year period, covering a cumulative volume of 31.5 billion cubic metres. Once commissioned in late 2015, the Dunkirk methane terminal will have annual regasification capacity of some 13 billion cubic metres.

44.2.2 Investment commitments received

(in millions of Euros)	31/12/2014 Total	Maturity < 1 year	Maturity 1-5 years	Maturity > 5 years	31/12/2013 Total
INVESTMENT COMMITMENTS RECEIVED	**102**	**26**	**76**	**–**	**24**

Under the terms of the agreement signed with Exelon on 29 July 2013 and finalised on 1 April 2014 (see note 3.3), EDF has an option to sell its share in CENG to Exelon at fair value, which can be exercised between January 2016 and June 2022. Due to its features, this commitment has nil value at 31 December 2014.

The Group had not received any significant commitment of this type at 31 December 2014.

44.2.3 Financing commitments received

(in millions of Euros)	31/12/2014 Total	Maturity < 1 year	Maturity 1-5 years	Maturity > 5 years	31/12/2013 Total
FINANCING COMMITMENTS RECEIVED	**124**	**82**	**41**	**1**	**130**

No significant financing commitment received exists at 31 December 2014.

↗ Note 45 Contingent liabilities

45.1 Proceedings by the Baden-Württemberg region / EnBW

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

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

The arbitration procedure is currently in process. Neckarpri's statement of claim and EDF's statement in defence have been exchanged, including EDF's counterclaim for damages for the prejudices caused by this legal action, which EDF considers unfounded and a misuse of law. The ruling is expected to be issued by the end of 2015, after a further exchange of conclusions between the parties.

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

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

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

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

45.3 Tax inspections

EDF

Following inspections of previous years' accounts, the French tax authorities are challenging the tax-deductibility of the provision for annuities following work-related accidents and illness. As this is an issue that relates to the special gas and electricity (IEG) statutes, it also concerns RTE, ERDF and Électricité de Strasbourg. The Group is contesting the tax authorities' position on this question. In late 2014 the National Commission of direct taxes and sales taxes issued several opinions that were favourable to RTE and EDF. The subsidiaries RTE and Électricité de Strasbourg also received favourable rulings from Montreuil Administrative Court. If the outcome of this dispute is unfavourable, the financial risk for the Group (payment of back income taxes) could amount to some €250 million.

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

The tax has authorities have also proposed a reassessment concerning an interest-free advance made by EDF to its indirect subsidiary Lake Acquisitions Ltd. in connection with the acquisition of British Energy. EDF is contesting this reassessment.

EDF International

The tax inspection of EDF International for the years 2008 to 2011 led to proposed rectifications received in late 2011 and late 2013. Two main reassessments amounting to some €265 million concerned the amount of the loss on the contribution of CEG shares to the American subsidiary EDF Inc., which arose in late 2009 and was deducted from EDF International's income, and the valuation of the bond convertible into shares issued to refinance the acquisition of British Energy. In 2012 EDF International contested these reassessments, and considers it has good chances of winning the dispute. In late 2012 EDF International began amicable proceedings, involving France and the USA and based on the US-France tax treaty, concerning the valuation of CEG shares at the time of the contribution.

45.4 Labour litigation

EDF is party to a number of labour lawsuits with employees, primarily regarding implementation of legislation regarding working hours. EDF estimates that none of these lawsuits, individually, is likely to have a significant impact on its profits and financial position. However, because they relate to situations likely to concern a large number of EDF's employees in France, any increase in such litigations could present a risk with a potentially significant, negative impact on the Group's financial results.

45.5 ERDF – litigation with photovoltaic producers

During 2010, announcements of lower tariffs for electricity purchases caused an upsurge in the number of applications for connection received by ERDF, as the applicable tariff depended on the application filing date.

The "moratorium" Decree of 9 December 2010 suspended conclusion of all new contracts for a three-month period and stipulated that applications for which the technical and financial proposals had not been accepted by 2 December 2010 would have to be resubmitted after that three-month period.

When the moratorium ended, new arrangements for electricity purchases were introduced, mainly through a decision issued on 4 March 2011 that had the effect of significantly reducing the purchase price for photovoltaic electricity.

The Decree of December 2010 led to a large number of appeals, which were rejected by the Council of State on 16 November 2011. This generated an increase in new legal action, now against ERDF, from November 2011 and continuing during 2012, 2013 and 2014. The number of appeals rose by 132 in 2014, mostly in the first half of the year.

These appeals are mainly initiated by generators who found themselves forced to abandon their projects because the new electricity purchase tariffs made operating conditions less favourable. They consider ERDF responsible for this situation, alleging that as a public company it did not issue the technical and financial connection proposals in time for them to benefit from more advantageous electricity purchase terms.

The first instance and appeal court rulings given have varied in their grounds and verdicts: some have rejected all claims while others have awarded indemnities, which have generally been smaller than the amounts initially claimed.

ERDF considers that it cannot be held liable, and has lodged appeals against all the first instance rulings issued against it since 2011.

The Court of Cassation is expected to give its first decision in 2015.

↗ Note 46 Assets held for sale and related liabilities

(in millions of Euros)	**31/12/2014**	31/12/2013
ASSETS HELD FOR SALE	**18**	**1,154**
LIABILITIES RELATED TO ASSETS HELD FOR SALE	**–**	**–**

At 31 December 2013, assets held for sale and the related liabilities consist of the Group's investment in Dalkia International, which was sold on 25 July 2014.

↗ Note 47 Dedicated assets

47.1 Regulations

The French Law of 28 June 2006 and the implementing regulations require assets (dedicated assets) to be set aside for secure financing of nuclear plant decommissioning expenses and long-term storage expenses for radioactive waste (spent fuel and fuel recovered from decommissioning). The regulations govern the way dedicated assets are built up, and the management and governance of the funds themselves. These assets are clearly identified and managed separately from the company's other financial assets and investments. They are also subject to specific monitoring and control by the Board of Directors and the administrative authorities.

The initial aim of these laws and regulations was to cover the full discounted cost of long-term nuclear obligations by 29 June 2011. The "NOME" Law enacted in 2010 introduced a 5-year extension, subject to certain conditions, of the deadline for constitution of dedicated assets.

The Decree of 29 December 2010 made RTE shares eligible for inclusion in dedicated assets subject to certain conditions and administrative authorisation. The Decree of 24 July 2013 revised the list of eligible assets by reference to the insurance code, and unlisted securities are also now eligible subject to certain conditions.

47.2 Portfolio contents and measurement

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

Dedicated assets are structured and managed according to a strategic allocation defined by the Board of Directors and reported to the administrative authorities. The strategic allocation is designed to meet the overall objective of long-term coverage of obligations, and determines the structure and management of the portfolio as a whole. It takes into account regulatory constraints concerning the nature and liquidity of the dedicated assets, the financial outlook for the equity and bond markets, and the diversifying contribution of unlisted assets.

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

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

47.2.1 Diversified equity and bond investments

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

These investments are structured and managed in line with the strategic allocation, which takes into consideration international stock market cycles, for which the statistical inversion generally observed between equity market cycles and bond market cycles – as well as between geographical areas – has led the Group to define an overall composite benchmark indicator that guarantees continuation of the long-term investment policy.

As a result, for accounting purposes the portfolio is evaluated as a whole, all funds combined, treating the cash flows generated as a group of financial assets. This ensures consistency with the specificities of the dedicated asset portfolio, in particular the legal matching with the liability and the distant timing of significant payments – the first important due date is not until 2021, and payments will continue until 2117 for the plants currently in operation.

At the year-end, dedicated assets are presented in available-for-sale financial assets in the balance sheet, at their liquidation value. In view of the specific financial characteristics of the dedicated asset portfolio, the Group exercises judgment in determining whether indicators of impairment appropriate to the structure of the portfolio should be taken into consideration.

The Group thus takes a 5-year period as the basis for assessment of prolonged decline compared to historical value. This period is at the low end of the range of statistical estimates concerning stock markets. Also, based on statistical observations of the asset/liability management model used for this portfolio, the Group considers impairment of dedicated assets to be significant when the value is 40% or more below the portfolio's historical value.

In parallel to these general criteria for impairment, in the course of operational asset monitoring the Group exercises judgment through long-term, specific management rules defined and supervised by its governance bodies (maximum investment ratios, volatility analyses and assessment of individual fund manager quality).

47.2.2 Unlisted assets (EDF Invest)

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

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

- 50% of the Group's investment in RTE, with a value of €2,555 million at 31 December 2014 (€2,567 million at 31 December 2013). This value is the net consolidated value of 50% of the Group's investment in RTE, as presented in investments in associates and joint ventures in the consolidated balance sheet;
- the Group's investment in TIGF, presented in available-for-sale financial assets in the consolidated balance sheet;
- and since October 2014, the Group's investment in Porterbrook Rail Finance Limited ("Porterbrook"), presented in available-for-sale financial assets in the consolidated balance sheet.

47.3 Valuation of EDF's dedicated assets

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

(in millions of Euros)	Balance sheet presentation	**31/12/2014**	31/12/2013
Equities		7,592	7,904
Debt instruments		6,419	5,147
Cash portfolio		640	790
Dedicated assets – equities and debt instruments	Available-for-sale financial assets	*14,651*	*13,841*
Derivatives	Fair value of derivatives	(23)	10
Other	Available-for-sale financial assets	5	4
Diversified equity and bond investments		**14,633**	**13,855**
CSPE receivable	Loans and financial receivables	5,144	5,051
Derivatives	Fair value of derivatives	(8)	(2)
CSPE receivable after derivatives		**5,136**	**5,049**
RTE (50% of the investment held by the Group)	Investments in associates and joint ventures	2,555	2,567
Other assets	Available-for-sale financial assets	709	266
Unlisted assets (EDF Invest)		**3,264**	**2,833**
TOTAL DEDICATED ASSETS		**23,033**	**21,737**

47.4 Changes in dedicated assets in 2014

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

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

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

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

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

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

A total of €894 million in net gains on disposals was recorded in the financial result in 2014 (€714 million in 2013).

The difference between the fair value and acquisition cost of diversified bond and equity investments included in equity was a positive €2,299 million before taxes at 31 December 2014 (€1,839 million at 31 December 2013).

The Group's assessment of the value of the dedicated asset portfolio did not lead to recognition of any impairment in 2014.

47.5 Present cost of long-term nuclear obligations

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

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

↗ Note 48 Related parties

Details of transactions with related parties are as follows:

	Associates and joint ventures		Joint operations		French State or State-owned entities		Group Total	
(in millions of Euros)	**31/12/2014**	31/12/2013	**31/12/2014**	31/12/2013	**31/12/2014**	31/12/2013	**31/12/2014**	31/12/2013
Sales	584	638	–	–	833	867	1,417	1,505
Energy purchases	3,572	3,926	4	4	1,738	2,051	5,314	5,981
External purchases	50	(7)	4	4	1,173	1,197	1,227	1,194
Financial assets	670	670	–	–	94	84	764	754
Other assets	459	565	–	–	715	639	1,174	1,204
Financial liabilities	–	–	–	–	–	–	–	–
Other liabilities	1,139	1,242	–	1	1,134	1,509	2,273	2,752

48.1 Transactions with entities included in the scope of consolidation

Transactions with the principal associates (RTE, CENG and Alpiq) are presented in note 23.

Transactions with other associates, joint ventures, and partner entities in joint arrangements with the Group mainly consist of sales and purchases of energy.

48.2 Relations with the French State and State-owned entities

48.2.1 Relations with the French State

The French State holds 84.49% of the capital of EDF at 31 December 2014, and is thus entitled in the same way as any majority shareholder to control decisions that require approval by the shareholders.

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

Under an agreement entered into by the French State and the EDF group on 27 July 2001 concerning the monitoring of external investments, procedures exist for prior approval by the French State or notification (advance or otherwise) of the State in respect of certain planned investments, additional investments or disposals by the Group. This agreement also introduced a procedure for monitoring the results of external growth operations.

The public service contract between the French State and EDF was signed on 24 October 2005. This contract is intended to form the framework for public service missions assigned to EDF by the lawmaker for an unlimited period. The Law of 9 August 2004 does not stipulate the duration of the contract.

EDF, like other electricity producers, also participates in the multi-annual generation investment program defined by the minister in charge of energy, which sets objectives for the allocation of generation capacity.

Finally, the French State intervenes through the regulation of electricity and gas markets, particularly for authorisation to build and operate generation facilities, establishment of sales tariffs for customers that have stayed on the regulated tariffs, transmission and distribution tariffs, and also determination of the ARENH price in accordance with the "NOME" Law, and the level of the Contribution to the Public Electricity Service.

48.2.2 Relations with GDF Suez

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

48.2.3 Relations with public sector entities

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

Transactions with AREVA concern:

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

Front-end of the cycle

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

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

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

Back-end of the cycle

Relations between EDF and AREVA concerning transportation, processing and recycling of spent fuels are formally defined for the period 2008-2040 in a framework agreement signed on 19 December 2008. In execution of this agreement, EDF and AREVA signed an application contract on 12 July 2010 setting the prices and quantities for these services, for the period 2008-2012. The conditions for processing and recycling services over the period 2013-2020 are covered by general terms signed by EDF and AREVA in June 2014, and will be transposed into the application contract for 2013-2020 due to be signed in early 2015.

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

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

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

The Group also holds shares in AREVA, as stated in note 36.2.2.3.

48.3 Management compensation

The Company's key management and governance personnel are the Chairman and CEO, the members of the Comex (Executive Committee) throughout 2014 or since their date of appointment if they joined the Comex during the year, and the Directors. Directors representing the employees receive no remuneration for their services.

The total compensation paid by EDF and controlled companies to the Group's key management and governance personnel amounted to €8.4 million in 2014 (€10 million in 2013). This amount covered short-term benefits (basic salaries, performance-related salary, profit share and benefits in kind), special IEG post-employment benefits where relevant, and the corresponding employer contributions, plus director's fees. The change observed in 2014 is mostly attributable to the retirement of a Comex member in late 2013.

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

↗ Note 49 Environment

49.1 Greenhouse gas emission rights

In application of the Kyoto protocol, the EU Directive aiming to reduce greenhouse gas emissions came into effect in 2005 for an initial three-year period, followed by a second period from 2008 to 2012, with progressive reduction of the emission rights allocated.

One of the main features of the third phase, running from 2013 to 2020, is the discontinuation of free allocation of emission rights in certain countries, including France and United Kingdom.

In the EDF group, the entities subject to this Directive are EDF, EDF Energy, Edison, Fenice, Dalkia, BERT, Kogeneracja, Zielona Gora, EDF Polska and EDF Luminus.

In 2014, the Group surrendered 60 million tonnes in respect of emissions generated in 2013. In 2013, the Group surrendered 67 million tonnes in respect of emissions generated in 2012.

The Group's total emission rights allocation for 2014 recorded in the national registers is 6 million tonnes (10 million tonnes for 2013).

The volume of emissions at 31 December 2014 stood at 51 million tonnes. The provision resulting from over-quota emissions amounts to €314 million at 31 December 2014 (€356 million at 31 December 2013).

49.2 Energy savings certificates

In all its subsidiaries, the Group is engaged in a process to control energy consumption through various measures developed by national legislations, in application of European Union Directives.

The French Law of 13 July 2005, for example, introduced a system of energy savings certificates. Companies selling electricity, gas, heat or cold to end-users with sales above a certain level are subject to energy savings obligations for a defined period. They fulfil these obligations by making direct or indirect energy savings rewarded by certificates, or by purchasing energy savings certificates. At the end of the set period, the entities concerned must provide evidence of compliance with obligations by surrendering the certificates, or pay a fine to the Treasury.

In France, the system was extended to new obligated actors (fuel distributors) in the second period, which began on 1 January 2011 and ran until 31 December 2014, with stricter requirements for obtaining energy savings certificates. EDF is well-placed to meet its obligation thanks to energy-efficient offers for each market segment: residential customers, business customers, local authorities and organisations funding social projects.

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

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

49.3 Renewable energy certificates

Through the renewable energy certificates scheme, the EDF group has an obligation to surrender renewable energy certificates, particularly in the United Kingdom, Italy and Belgium (see note 1.3.27.2).

At 31 December 2014, a provision of €638 million was booked, essentially by EDF Energy (United Kingdom) and EDF Luminus (Belgium) to cover the shortfall in renewable energy certificates compared to the assigned obligations.

↗ Note 50 Subsequent events

50.1 Payment to bearers of perpetual subordinated bonds

In January 2015, EDF paid a total of €387 million to the bearers of the perpetual subordinated bonds issued in January 2013 and January 2014. In compliance with IAS 32, an amount corresponding to the cash disbursed will be charged to Group equity in the first half of 2015.

↗ Note 51 Scope of consolidation

51.1 Fully consolidated companies at 31 december 2014

		Percentage of ownership at 31/12/2014	Percentage of ownership at 31/12/2013	Business sector
France				
Electricité de France – Parent Company		100.00	100.00	G, D, O
Electricité Réseau Distribution France (ERDF)		100.00	100.00	D
EDF Production Électrique Insulaire (PEI)		100.00	100.00	G
United Kingdom				
EDF Energy plc. (EDF Energy)		100.00	100.00	G, O
EDF Energy UK Ltd.		100.00	100.00	O
EDF Development Company Ltd.		100.00	100.00	O
Italy				
Edison SpA (Edison)		97.40	97.40	G, D, O
Transalpina di Energia SpA (TdE SpA) (1)		100.00	–	O
Transalpina di Energia SRL (TdE) (1)		–	100.00	O
WGRM Holding 4 SpA (1)		–	100.00	O
Fenice Qualita'Per L'Ambiante SpA (Fenice)		100.00	100.00	G, O
Other international				
EDF International SAS	France	100.00	100.00	O
EDF Belgium SA	Belgium	100.00	100.00	G
EDF Luminus SA	Belgium	63.53	63.53	G
EDF Norte Fluminense SA	Brazil	100.00	90.00	G
Ute Paracambi SA	Brazil	100.00	100.00	G
French Investment Guangxi Laibin Electric Power Co, Ltd. (Figlec)	China	100.00	100.00	G
EDF (China) Holding Ltd.	China	100.00	–	O
EDF Inc.	USA	100.00	100.00	O
Unistar Nuclear Energy LLC	USA	100.00	100.00	G
Budapesti Erőmű ZRt (Bert)	Hungary	95.62	95.62	G
EDF Démász ZRt.	Hungary	100.00	100.00	G, D, O
EDF Wybrzeże SA (2)	Poland	–	99.87	G
EDF Paliwa Sp. z o.o. (Energokrak)	Poland	97.26	96.93	O
EDF Polska SA (2)	Poland	97.26	96.51	G
Zec Kogeneracja SA (Kogeneracja)	Poland	49.51	49.38	G, D
Elektrocieplownia Zielona Gora SA (Zielona Gora)	Poland	48.72	48.59	G, D
EDF Alpes Investissements SARL	Switzerland	100.00	100.00	O
Mekong Energy Company Ltd. (Meco)	Vietnam	56.25	56.25	G

(1) In 2014, TdE SRL and Wagram Holding 4 SpA merged to form TdE SpA.
(2) In 2014, EDF Wybrzeże SA merged with EDF Polska SA.
Business segments: G = Generation, D = Distribution, T = Transmission, O = Other.

		Percentage of ownership at 31/12/2014	Percentage of ownership at 31/12/2013	Business sector
Other activities				
EDF Développement Environnement SA	France	100.00	100.00	O
Société pour le Conditionnement des Déchets et Effluents Industriels (SOCODEI)	France	100.00	100.00	O
Compagnie Financière de Valorisation pour l'Ingénierie (COFIVA)	France	100.00	100.00	O
Société Française d'Ingénierie Électronucléaire et d'Assistance (SOFINEL)	France	55.00	55.00	O
Électricité de Strasbourg	France	88.64	88.64	D
Tiru SA – Traitement Industriel des Résidus Urbains	France	51.00	51.00	O
Dunkerque LNG	France	65.00	65.00	O
EDF Énergies Nouvelles	France	100.00	100.00	G, O
EDF IMMO et filiales immobilières	France	100.00	100.00	O
EDF Optimal Solutions SAS	France	100.00	100.00	O
Société C2	France	100.00	100.00	O
Société C3	France	100.00	100.00	O
EDF Holding SAS	France	100.00	100.00	O
CHAM SAS	France	100.00	100.00	O
Dalkia	France	99.94	34.00	O
Citelum	France	100.00	34.00	O
EDF Trading Ltd.	UK	100.00	100.00	O
EDF Production UK Ltd.	UK	–	100.00	O
EDF DIN UK Ltd.	UK	100.00	100.00	O
Wagram Insurance Company Ltd.	Ireland	100.00	100.00	O
EDF Investissements Groupe SA	Belgium	95.51	95.51	O
Océane Re	Luxembourg	99.98	99.98	O
EDF Gas Deutschland GmbH	Germany	100.00	100.00	O

Business segments: G = Generation, D = Distribution, T = Transmission, O = Other.

51.2 Company held in the form of joint operations at 31 December 2014

		Percentage of ownership at 31/12/2014	Percentage of ownership at 31/12/2013	Business sector
Other activities				
Friedeburger Speicherbetriebsgesellschaft GmbH (Crystal)	Germany	50.00	50.00	O

Business segments: G = Generation, D = Distribution, T = Transmission, O = Other.

51.3 Companies accounted for by the equity method at 31 December 2014

		Percentage of ownership at 31/12/2014	Percentage of ownership at 31/12/2013	Business sector
France				
RTE Réseau de Transport d'Électricité (RTE)		100.00	100.00	T
Other international				
Energie Steiermark Holding AG (Estag)	Austria	25.00	25.00	G, O
Constellation Energy Nuclear Group LLC (CENG)	USA	49.99	49.99	G
SLOE Centrale Holding BV	Netherlands	50.00	50.00	G
Shandong Zhonghua Power Company Ltd.	China	19.60	19.60	G
Datang Sanmenxia Power Generation Co. Ltd.	China	35.00	35.00	G
Taishan Nuclear Power Joint Venture Company Ltd.	China	30.00	30.00	G
Jiangxi Datang International Fuzhou Power Generation Company Ltd.	China	49.00	–	G
Nam Theun 2 Power Company	Laos	40.00	40.00	G
Alpiq	Switzerland	25.00	25.00	G, D, T, O
Other activities				
Dalkia Holding	France	–	34.00	O
Dalkia Investissement	France	–	67.00	O
Domofinance SA	France	45.00	45.00	O
South Stream Transport BV	Netherlands	–	15.00	T

Business segments: G = Generation, D = Distribution, T = Transmission, O = Other.

51.4 Companies in which the EDF group's voting rights differ from its percentage ownership at 31 December 2014

At 31 December 2014 the percentage of voting rights, which is decisive for assessing control, differs from the Group's percentage ownership for the following entities:

	Percentage of ownership at 31/12/2014	Percentage of voting rights at 31/12/2014
Edison SpA	97.40	99.48
Zec Kogeneracja SA (Kogeneracja)	49.51	50.00
Elektrocieplownia Zielona Gora SA (Zielona Gora)	48.72	98.40
EDF Paliwa Sp. z o.o.	97.26	100.00
Société Française d'Ingénierie Électronucléaire et d'Assistance (SOFINEL)	55.00	54.98
EDF Investissements Groupe SA	95.51	50.00

2 Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English speaking readers.

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

The report also includes information relating to the specific verification of information given in the Group's management report.

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

Year ended 31 December 2014

To the Shareholders,

Following our appointment as Statutory Auditors by your General Meeting, we hereby report to you, for the year ended 31 December 2014 on:

- the audit of the accompanying consolidated financial statements of Electricité de France S.A. ("the Group");
- the justification of our assessments;
- the specific verification required by law.

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

Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting policies used and significant accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities, and of the financial position of the Group as of 31 December 2014 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the following matters:

- the change in accounting principles described in note 1.2.1.1 and 2.1, and related to the application as of 1 January 2014 of IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" standards;
- the valuation of long-term provisions relating to nuclear electricity production, which results from management's best estimates and assumptions as described in notes 1.3.2.1 and 29. This valuation is sensitive to the assumptions made concerning technical processes, costs, inflation rates, long-term discount rates and forecast cash outflows. Changes in these parameters could lead to a material revision of the level of provisioning.

Justification of assessments

In accordance with the requirements of article L. 823-9 of the French commercial Code, we have made our own assessments which are brought to your attention, in relation to the following matters:

Accounting policies

We have verified the appropriateness of the disclosures presented in note 1.3.27.1 with respect to the accounting treatments of greenhouse gas emission quotas, an area which is not mandatory or specifically addressed in IFRS as adopted in the European Union as of 31 December 2014.

Management judgments and estimates

Note 1.3.2 to the consolidated financial statements describes the main sensitive accounting policies for which management makes significant estimates and assumptions and exercises judgment, based on macro-economic assumptions appropriate to the very long-term cycle of Group assets. It may be possible that future results could differ from those estimates, which were made in a context of economic and financial crisis and significant market volatility, thus resulting in difficulties to assess the economic outlook in the medium term.

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

- the methods used to account for the shortfall in the compensation for the Contribution to the Electricity Public Service Costs *(Contribution au Service Public de l'Électricité)* as at 31 December 2012, subsequent to the agreement announced on 14 January 2013 with the French State and the allocation during the period ended 31 December 2013 of the related receivable held to the dedicated assets for secure financing of long-term nuclear expenses on 8 February 2013 (notes 36.3 and 47.2);

- the main assumptions and indicators used for the purposes of testing goodwill and long-lived assets for impairment as well as the impairment charges recognized during the period (notes 1.3.15 and 13);
- the provisions for employee benefits, other provisions and contingent liabilities (notes 31, 32 and 45).

Our procedures consisted in assessing these estimates, the data and assumptions, and as applicable, the legal opinions on which they are based, reviewing, on a test basis, the technical data and calculations performed by the Group, comparing accounting estimates of prior periods with corresponding actual amounts, reviewing the procedures for approving these estimates by management and finally verifying that the notes to the consolidated financial statements provide appropriate disclosures.

Verification procedures

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

These assessments were made as part of our audit of the consolidated financial statements taken as a whole and contributed to the opinion we formed which is expressed in the first part of this report.

Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information relating to the Group, given in the management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

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

The Statutory Auditors

KPMG Audit
Department of KPMG SA
Jacques-François Lethu

Deloitte & Associés

Patrick E. Suissa

3 Fees paid by the Group to Statutory Auditors

The following table sets forth the fees related to the 2014 financial year for EDF and its fully consolidated subsidiaries for services by its Statutory Auditors and their respective affiliates:

	Deloitte		KPMG	
(In thousands of Euros)	Amount (taxes excluded)	%	Amount (taxes excluded)	%
Audit:				
Statutory audit, certification, review of company and consolidated accounts				
Issuer	3,709	25.0	3,425	28.8
Fully consolidated subsidiaries	7,112	47.8	6,746	56.7
Other tasks and services directly connected to the Statutory Auditor's mission				
Issuer	617	4.1	1,102	9.3
Fully consolidated subsidiaries	177	1.2	309	2.7
Sub-total	**11,615**	**78.1**	**11,582**	**97.5**
Other services provided by the auditors' networks to fully integrated subsidiaries:				
Legal, tax, social	1,362	9.2	179	1.5
Other	1,888	12.7	123	1.0
Sub-total	**3,250**	**21.9**	**302**	**2.5**
TOTAL	**14,865**	**100.0**	**11,884**	**100.0**

Information given for the 2013 financial year:

The following table sets forth the fees related to the 2013 financial year for EDF and its fully consolidated subsidiaries for services by its Statutory Auditors and their respective affiliates:

	Deloitte		KPMG	
(In thousands of Euros)	Amount (taxes excluded)	%	Amount (taxes excluded)	%
Audit:				
Statutory audit, certification, review of company and consolidated accounts				
Issuer	3,781	27.8	3,637	29.9
Fully consolidated subsidiaries	6,354	46.7	6,171	50.8
Other tasks and services directly connected to the Statutory Auditor's mission				
Issuer	623	4.6	1,579	13.0
Fully consolidated subsidiaries	66	0.5	196	1.6
Sub-total	**10,824**	**79.6**	**11,583**	**95.3**
Other services provided by the auditors' networks to fully integrated subsidiaries:				
Legal, tax, social	1,314	9.7	166	1.4
Other	1,458	10.7	401	3.3
Sub-total	**2,772**	**20.4**	**567**	**4.7**
TOTAL	**13,596**	**100.0**	**12,150**	**100.0**

4 Dividend policy

4.1 Dividends and interim dividends paid within the last three fiscal years

The amount of dividends and interim dividends paid within the last three fiscal years was as follows:

Financial year	Number of shares	Dividend per share *(in Euros)*	Total dividends paid [(1)] *(in Euros)*	Dividend payment date
2011	1,848,866,662	1.15	2,124,757,978.20 [(2)]	6 June 2012
2012	1,848,866,662	1.25	2,308,912,900.34 [(3)]	8 July 2013
2013	1,860,008,468	1.25 [(4)]	2, 327,462,364.03 [(5)]	6 June 2014

(1) After deduction of treasury shares.
(2) €1,053,169,658.76 of which paid on 16 December 2011 as an interim dividend 2011.
(3) €1,052,601,974.10 of which paid on 17 December 2012 as an interim dividend 2012 and €170,358,213.74 of which paid on 8 July 2013 in newly-issued shares.
(4) I.e. €1.375 for shares benefiting from the loyalty dividend.
(5) €1,059,290,112.42 of which paid on 17 December 2013 as an interim dividend 2013.

On 10 December 2014, the Board of Directors decided to pay an interim dividend in cash of €0.57 per share relating to fiscal year 2014. The total amount of the interim dividend (excluding treasury shares) is €1,059,262,163.04, and was paid on 17 December 2014.

At its meeting of 11 February 2015, the Board of Directors decided to propose to the Shareholders' Meeting of 19 May 2015 the distribution of a dividend of €1.25 per share under the year 2014. Given the interim dividend of €0.57 per share paid on 17 December 2014, the balance of the dividend to be distributed for the 2014 fiscal year amounts to €0.68 per share for the shares with ordinary dividend and to €0.805 per share for the shares which benefit from loyalty dividend.

Dividend will be paid on 5 June 2015 (ex-date being 3 June 2015), subject to the Shareholders' Meeting approval.

4.2 Dividend policy, increased dividend

The dividend distribution policy, determined by its Board of Directors, will take into account its investment needs, the economic context and all other factors considered to be relevant.

In line with the statutory modification made at the general meeting on 24 May 2011, the first loyalty dividend was paid in 2014 in regards to financial year 2013. Shareholders having held their shares at nominal value for at least two years are eligible for loyalty dividends. The number of shares giving entitlement to such increase of 10% may not exceed 0.5% of the share capital per shareholder.

The Shareholders' Meeting of 21 November 2014 amended the Company's articles of association which now provide that the Shareholders' Meeting can decide to pay any dividend, interim dividend, reserve or premium distributed or any reduction of the share capital, via the distribution of Company's assets, including financial assets.

4.3 Prescription

Dividends that are not claimed within five years of the declared date of payment become time barred and are paid to the French State.

5 Legal proceedings and arbitration

In the ordinary course of its business, the Group is involved in certain legal, arbitration and administrative proceedings. Charges that result from such proceedings are only provided for where such charges are likely and can be either quantified or assessed within a reasonable range. In the latter case, the amount of the provision is calculated on a case-by-case basis, based on the best possible estimate. The amounts of any provisions made depend on the case-by-case risk assessments and do not depend primarily on the status of the proceedings; however, developments in the proceedings may nonetheless lead to a reassessment of such risks.

To the knowledge of the Company, except for the proceedings set out below, there are no other administrative, legal or arbitration proceedings (including pending or threatened proceedings), likely to have or having had in the past 12 months a material impact on the financial situation or the profitability of the Company and/or the Group.

5.1 Legal proceedings concerning EDF

French utilities network (*Réseau d'alimentation général* – RAG)

In October 2002, the European Commission initiated proceedings against France, claiming that State aid had been granted to EDF when its balance sheet was restructured on 1 January 1997. By a decision dated 16 December 2003, the European Commission set the principal amount of aid to be repaid at €889 million. On 11 February 2004, the French State issued a collection note for €1,224 million, consisting of the principal amount and interest. This amount was paid by EDF. On 27 April 2004, EDF initiated an action before the European Union General Court, at the time known as the European Court of First Instance, to annul the European Commission's decision. The European Union General Court issued, on 15 December 2009, a ruling annulling the European Commission's decision of 16 December 2003, holding that when making its decision, it should have applied the informed market economy investor test to determine whether or not the action constituted State aid. As this ruling was binding on the parties, the State repaid €1,224 million to EDF on 30 December 2009. On 26 February 2010, the European Commission filed an appeal against the European Union General Court's ruling before the Court of Justice of the European Union. By order dated 5 June 2012, the Court of Justice rejected the appeal by the European Commission and confirmed the order of the General Court of the European Union of 15 December 2009.

On 2 May 2013, the European Commission decided to reopen its investigation and will therefore re-examine the question of whether or not the action constituted State aid under the tests established by the European courts. This decision marks a new adversarial exchange between the French State and the European Commission. This does not affect the final decision that will be adopted by the European Commission.

Asbestos

In the past, EDF has used products containing asbestos. Thus, certain employees, in particular those working in thermal power plant maintenance, may have been exposed to asbestos, principally before such asbestos was replaced or protective measures were implemented by EDF from the late 1970s.

Between 1997 and the middle of December 2014, EDF and ERDF have been party to 627 strict liability (*faute inexcusable*) actions in France in relation to the alleged exposure of its employees to asbestos in their workplace. A finding of liability in such an action could lead to the payment of additional compensation by the employer to victims or their legal successors.

The number of proceedings issued has stabilised since 2010 (approximately 20 new cases each year). Accordingly, there should not be any significant variations in the financial burden for the CNIEG (Pension fund for Electricity and Gas Industry companies). A €30 million provision was created in EDF's financial statements in 2008 to cover the financial risk.

As at the end of December 2014, the cumulative amount of the final judgments against EDF, in relation to litigations relating to the *faute inexcusable* of the employer amounted to approximately €26.2 million.

Solaire Direct

On 17 December 2013, the Competition Authority (ADLC) fined the EDF group €13.5 million for practices constituting an abuse of a dominant position which the ADLC felt allowed it to favour its subsidiaries operating in the photovoltaic sector to the detriment of other market players. The ADLC criticised the fact that EDF had made various material and non-material resources available to its subsidiaries which could not be reproduced by competitors (in particular, the *Bleu Ciel*® brand, trademark and logo and customer data), thereby creating confusion among customers between its role as an electricity supplier subject to regulated rates and the role of its subsidiaries operating in the photovoltaic sector. EDF has lodged an appeal against this decision before the Court of Appeal in Paris. The Court of Appeal's judgment should be handed down in April 2015.

Litigation by photovoltaic operators for compensation

On 26 July 2013, the liquidator of Evasol, a company operating in the energy-saving sector, issued proceedings against EDF, EDF EN, EDF ENR and EDF ENR Solaire before the Commercial Court in Lyon, claiming alleged breaches of competition law by these companies in the photovoltaic sector in France. It claims that this is the direct cause of Evasol's liquidation and seeks damages of €33 million.

On 13 May 2014, Solaire Direct issued proceedings against EDF, EDF EN, EDF ENR and EDF ENR Solaire before the Commercial Court in Paris seeking compensation for the damage it claims to have suffered as a result of the practices condemned by the ADLC in its decision issued on 17 December 2013, assessed by Solaire Direct at €8.7 million.

On 11 December 2014, Apem Énergie, Arkeos, Biosystem-AD, Cap Eco Énergie, Cap Sud, Isowatt, PCI-m, Photen and Sol'Air Confort issued proceedings against EDF, EDF ENR and EDF ENR Solaire before the Commercial Court in Paris on the same grounds. They claim interim damages of €100,000 each, to be applied against their loss, and the appointment of a court expert to assess the final amount of this loss.

SUN'R

On 21 June 2012, SUN'R filed a complaint and an application for protective measures *(mesures conservatoires)* with France's ADLC. SUN'R accuses ERDF of delays in the procedure for the connection of its photovoltaic facilities and EDF of delays in the implementation of the purchase obligation contracts and the payment of the related invoices. In addition, according to SUN'R, EDF ENR benefited from special treatment for the connection of its facilities by ERDF and the payment of its invoices by EDF. The *inter partes* proceedings were opened on 16 November 2012. The discussions with the ADLC regarding the admissibility of the action and the possible granting of protective measures took place on 23 January 2013.

In a decision of 14 February 2013, the ADLC issued a decision rejecting all the applications for protective measures made by SUN'R but the proceedings on the merits are still ongoing. This decision does not in any way affect the outcome of the proceedings. If the ADLC's investigation leads to a finding that EDF's practices are anti-competitive, it could, notably, in accordance with Article L. 464-2 of the French Commercial Code, impose a financial sanction, the amount of which would be determined in proportion to the seriousness of the charges made, the significance of the damage made to the economy and to the company's situation, up to a maximum of 10% of the global turnover of the company before taxes.

At the same time, SUN'R filed on 29 August 2012 a petition at an urgent applications hearing for expert assessment and provision before the Administrative Court in Paris including a claim for provisional compensation of €1 million for EDF and €2.5 million for ERDF. By order of 27 November 2012, the urgent applications judge *(juge des référés)* at the Administrative Court in Paris dismissed this petition.

CSPE ceiling investigation

On 27 March 2014, the European Commission opened an in-depth investigation into the reductions on the contribution to the public electricity service (CSPE) granted to large energy consumers and self-generators based on State aid rules. As an interested third party, EDF submitted it comments on the decision, following its publication in the Official Journal of the European Union on 3 October 2014.

Labour litigation

EDF is a party to a number of labour lawsuits with employees relating in particular to working time. EDF does not consider that any of these lawsuits, taken individually, is likely to have a significant impact on its financial results or its financial position. However, as these disputes relate to situations that could involve a significant number of EDF's employees in France, if they were to multiply, they could then potentially have a significant negative impact on the Group's financial results.

Environmental litigation

Due to its industrial activities, the Group is a party to various environmental lawsuits, in particular, regarding ground decontamination. As of the date of the filing of this reference document, the Group does not believe that any of these lawsuits, individually, is likely, in the event of an unfavourable outcome, to have a material negative impact on the Group's financial results.

Tax litigation

Following audits of its accounts for previous financial years, the authorities dispute the tax deductibility of the provision for benefits for work-related accidents and sicknesses (*accident du travail et maladies professionnelles* – AT/MP). This also concerns RTE, ERDF and Électricité de Strasbourg, since this issue is linked to the nature of Electricity and Gas Industry companies. The Group challenged the position of the tax authorities. At the end of 2014, the French national commission on direct taxes and turnover taxes rendered several decisions in favour of RTE and EDF. Moreover, judgments have also been issued in favour of the RTE and Électricité de Strasbourg subsidiaries by the Administrative Court in Montreuil. In case of unfavourable outcome, the financial risk for the Group in relation to the payment of corporate income tax amounts to approximately €250 million.

At the end of 2011, EDF received a proposed correction for the 2008 financial year relating, primarily, to the deductibility of certain long-term liabilities. In 2013, EDF received a letter from the authorities accepting part of its arguments, reducing this risk to €600 million. The Company considers it has good chances to be successful in this litigation and no provision has been recorded to cover these claims.

In addition, an adjustment was proposed by the authorities regarding a non-remunerated advance granted by EDF to its indirect subsidiary Lake Acquisition Limited in connection with the acquisition of British Energy. EDF contests this adjustment claim.

Greenpeace

A preliminary investigation was initiated in February 2009 before the Nanterre Criminal Court in relation to a "concealment of invasion of an automated data processing system" *(complicité et recel d'atteinte à un système de traitement automatisé de données)* after a computer expert from a non-Group company stated that he had hacked into the computer used by former Greenpeace spokesman in 2006, Mr. Yannick Jadot, at the request of an EDF employee. Said employee and his supervisor were formally placed under investigation *(mis en examen)* on 24 March and 10 June 2009 respectively, and have been subject to disciplinary transfers. EDF was placed under investigation on 26 August 2009. By judgment delivered on 10 November 2011, EDF and the two employees were sentenced by the Nanterre Court.

By order delivered on 6 February 2013, the Court of Appeal in Versailles cleared EDF and the supervisor of the allegations. In terms of the other employee, the Court of Appeal confirmed the judgment of guilt and sentenced him to 6 months in prison. The employee, Greenpeace and Mr. Yannick Jadot appealed to the Court of Cassation. Mr. Jadot is the sole party to have maintained his appeal, which only relates to civil matters (potential damages). The appeal could be examined in 2015.

Fessenheim

On 25 July 2008, an association and individuals petitioned the French Ministers in charge of nuclear safety (the Ministers for Energy and Ecology) to order the permanent shutdown and dismantling of the Fessenheim nuclear power plant. The petitioners based their request on Article 34 of the law of 13 June 2006 relating to transparency and safety in nuclear matters (the "TSN" law), which allows the enactment of a decree adopted in the French Council of State, after consultation with the French Nuclear Safety Authority (*Autorité de Sûreté Nucléaire* – ASN), to order the final shutdown and dismantling of a basic nuclear installation that presents serious risks, when no other course of action is possible.

After the dismissal of the petition by the Ministers, the petitioners filed an appeal with the Strasbourg Administrative Tribunal on 10 December 2008, which was dismissed in the judgment of 9 March 2011. The petitioners lodged an appeal on 4 May 2011, which was dismissed in a judgment issued by the Administrative Court of Appeal in Nancy on 16 May 2013.

The same petitioners filed an application for review on 18 April 2011, requesting the Ministers in charge of nuclear safety and ASN suspend the operation of the Fessenheim power plant. The petitioners base their request on Articles 34 and 35 of the decree of 2 November 2007 relating to basic nuclear facilities and to the monitoring of nuclear safety and security for the transportation of radioactive substances, which enables Ministers or the ASN to suspend the operation of a basic nuclear facilities in case of serious risk. After the refusal of the Ministers and the ASN to adhere to their request, the petitioners respectively initiated actions with the Administrative Court in Strasbourg (for the Ministers' implied refusal) and French Council of State (for ASN's implied refusal).

By order of 9 March 2012, the President of the Administrative Court in Strasbourg referred to the Council of State the applications regarding the Ministers' implied refusal. In a decision issued on 28 June 2013, the Council of State dismissed the applications finding that the existence of serious and imminent risks for the protection of security, health and public health, nature and the environment justifying the suspension of the power plant had not been established.

Finally, by an application for interim measures dated 23 March 2013, several associations including *Réseau Sortir du Nucléaire* applied for the suspension of the works related to the safety review and including the strengthening of the slab. This application was dismissed in an order issued by the Council of State on 10 April 2013. The Council of State then examined the merits of the case, and again dismissed the application in a judgment issued on 28 November 2014, thus bringing an end to this dispute.

Vent de colère

Following an appeal lodged by an association, *Vent de Colère,* against the order issued on 17 November 2008 fixing the price at which wind-generated electricity is purchased, the Council of State stayed the proceedings and submitted a reference for a preliminary ruling to the European Court of Justice on whether the mechanism for financing the obligation to purchase electricity binding on CSPE (*Contribution au Service Public de l'Électricité* – Contribution to the Public Electricity Service) is to be regarded as an intervention by the State or through State resources within the meaning of and for the application of the provisions of the TEU relating to State aid.

On 11 July 2013, the advocate general to the European Court of Justice issued his opinion, concluding that the mechanism for financing is covered by the concept of "intervention by the State or through State resources".

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

In a judgment issued on 28 May 2014, the Council of State set aside the order issued on 17 November 2008 on the ground that the prices it fixes constitute State aid that had not been notified to the European Commission prior to its implementation. As an alternative, on 17 June 2014, the Ministry of Ecology, Sustainable Development and Energy signed an order setting the conditions for the purchase of wind-generated electricity produced on land. This new legislation restates the conditions for the purchase of wind-generated electricity stated in the 2008 order and the impact on the CSPE remains the same.

Photovoltaic producers litigation

The announcement by the public authorities in autumn 2009 of an upcoming decrease in the photovoltaic electricity purchase prices triggered a massive increase in requests for purchase contracts, likely to generate a very significant increase in costs to be compensated by the CSPE. Several successive ministerial orders were then issued reducing purchase prices.

As these price decreases were not sufficient to stem the flow of requests for contracts, by decree of 9 December 2010, the Government provisionally suspended the obligation to purchase photovoltaic electricity for a period of three months.

In this context, a certain number of producers brought legal proceedings against EDF with the aim of being able to benefit from the most favourable purchase price or to be exempted from the suspension.

In addition, in Corsica and in the French overseas departments where EDF also operates as a network manager, some producers brought action for compensation against it.

Given the steep increase in connection requests for photovoltaic facilities and despite the resources implemented to process them, EDF has sometimes been unable to meet the deadlines set in the connection procedures, and accordingly, producers are seeking compensation for the loss in earnings they consider that they incurred as a result of these delays, which caused them to be affected by the suspension of the purchase obligation.

Although certain decisions issued at first instance rejected all of their claims, others have awarded compensation to them.

EDF disputes its liability and has routinely appealed against the judgments issued against it at first instance.

Radioactive waste packaging and interim storage facility (ICEDA)

A decree of 23 April 2010 authorised EDF to set up a regulated nuclear facility, known as a "radioactive waste processing and interim storage facility" in the city of Saint-Vulbas, in the Ain département. The lawfulness of this decree was upheld by the Council of State on two occasions (judgments issued on 1 March 2013 and 24 March 2014) following various petitions lodged by third parties.

Moreover, following the cancellation of the first building permit for the ICEDA for violation of the city's local zoning plan by the Administrative Court in Lyon on 13 December 2011, upheld by the Administrative Court of Appeal in Lyon on 19 June 2012, EDF lodged a further appeal with the French Council of State.

In a decision issued on 24 March 2014, the Council of State upheld EDF's appeal and set aside the judgment appealed against, referring the case back to the Administrative Court of Appeal in Lyon. The latter, in a judgment issued on 8 December 2014, set aside the above-mentioned judgment of the Administrative Court in Lyon and thus upheld the lawfulness of the building permit which means that the works can resume. The works are scheduled to resume in April 2015.

Without waiting for the decision of the Council of State on its appeal relating to the first building permit, EDF had applied for a second building permit, which was issued by the Prefect of Ain on 21 August 2013. This new permit was challenged by third parties before the Administrative Court in Lyon which held, on 2 July 2014, that it should be cancelled as the application did not contain an updated cutaway plan, also holding *"that the irregularity affecting the building permit application can be resolved by applying for an amending building permit"*. All of the third parties involved lodged an appeal against this decision before the Administrative Court of Appeal in Lyon on 9 and 17 September 2014. However, given the above-mentioned decision issued by the Administrative Court of Appeal in Lyon on 8 December 2014, a judgment against EDF would not affect the lawfulness of the first building permit and the resumption of work previously suspended.

Flamanville

On 15 November 2006, EDF filed an application with the ASN to authorise the retention and disposal of liquid and gaseous effluents from the nuclear plant in Flamanville (Manche). This application included the retention and disposal of the two existing reactors on the site (Flamanville 1 and Flamanville 2), as well as those of the future EPR reactor (Flamanville 3) currently under construction.

The ASN decided, on 7 July 2010, to limit EDF disposals in the environment of the liquid and gaseous effluents for the operation of the three reactors. This decision was validated by an order of the Ministers in charge of nuclear safety on 15 September 2010.

A local association, CRILAN, initiated proceedings with the Administrative Court in Caen on 23 March 2011 to have this order cancelled.

By order of 20 July 2012, the President of the Administrative Court in Caen referred the case to the French Council of State. The Court deemed that CRILAN's request did not relate to the ministerial approval order but rather to the decision by the ASN of 7 July 2010. However, under the terms of Article R. 351-2 of the French Administrative Justice Code, the French Council of State has jurisdiction over appeals against decisions by ASN. In a judgment handed down on 17 October 2014, the Council of State dismissed the petition filed by the association, thus bringing the dispute to an end.

Arbitration following the termination of a gas supply contract

On 2 August 2012, EDF received a demand for arbitration filed with the International Chamber of Commerce by one of its gas suppliers. This supplier is contesting the termination by EDF of a 4-year natural gas supply contract which had one year left to run, and is claiming one hundred million US dollars in compensation. EDF considers that the conditions required for it to terminate the contract had been met and therefore deems unfounded the amount claimed by the plaintiff. The court of arbitration, formed in January 2013, suspended the proceedings in March 2014 at the parties' request, as the supplier had proposed negotiations with EDF to attempt to find an overall commercial solution to end the dispute. In December 2014, the Court extended this suspension at the parties' request, but the parties reserved the right to decide to resume the arbitration at any time, in which case the arbitration would resume in January 2016.

Superphénix

Following the State's decision to abandon the construction of the Superphénix nuclear reactor, AREVA NC considered that EDF should be responsible for providing the preliminary services for the construction of core 3 and cover the cost of processing the manufacturing waste of cores 1 and 2 to extract the excess plutonium. As no amicable agreement could be reached between the companies, AREVA NC issued proceedings against EDF on 19 June 2013 seeking a decision ordering EDF to pay €148 million – to be adjusted (under the original economic conditions). A hearing before the Commercial Court in Paris was scheduled to be held in January 2015 to fix the dates of the pleadings. However, as the two companies have managed to reach a settlement, the dispute is over and withdrawal submissions were filed, by both parties, on 23 February 2015 before the Commercial Court in Paris, which has formally noted the said withdrawals.

Bugey 2 and 4

Following the third safety review of reactors 2 and 4 at the Bugey site to allow their continued operation for a further ten years, ASN adopted decisions establishing additional technical requirements in 2012 (reactor 2) and in 2013 (reactor 4). These requirements apply in addition to other technical requirements, also applicable to reactors 2 and 4, adopted by ASN on 26 June 2012 following the additional safety assessments performed in the wake of the Fukushima accident.

In December 2013, the Republic and Canton of Geneva filed two applications before the Council of State seeking the cancellation of these decisions. EDF submitted its statement of defence on 23 June 2014.

5.2 Legal proceedings concerning EDF's subsidiaries and holdings

RTE

Sale of high voltage electricity transmission by SNCF

The French law of 9 August 2004 on the public electricity and gas service and electricity and gas companies had set out that SNCF's high voltage electricity transmission network facilities should be sold to RTE. On 9 July 2009 a specially-formed commission issued its decision on the transfer value of the network, estimating it at €140 million. SNCF filed an appeal against this decision with the French Council of State on 20 August 2009, considering the transfer value of the facilities to be much higher. Until the French Council of State rules on the appeal, SNCF has transferred its electricity facilities to RTE and the sale was agreed on 26 May 2010 for an amount of €140 million, of which only €80 million have been paid by RTE as down-payment. The Council of State appointed an expert in February 2014 to value the assets. The expert filed his report at the end of December 2014, valuing the assets at a price of €129 million. The Council of State will now rule on the dispute based on this valuation.

Tax litigation

RTE was subject to an audit of its accounts for the 2005-2011 financial years. One of the main grounds for adjustment refers to the tax deductibility of the provision for benefits for work-related accidents and sicknesses (*accident du travail et maladies professionnelles* – AT/MP), which remains contested by the Group. At the end of 2013, the French national commission on direct taxes and turnover taxes rendered several decisions in favour of the company on the deductibility of the provision for benefits for work-related accidents and sicknesses. Moreover, a judgment has also been issued in favour of this company in this respect by the Administrative Court in Montreuil. The authorities lodged an appeal against this decision in 2014.

ERDF

Tax litigation

EDF received at the end of 2009 a proposed correction related to an accounts audit for the 2004, 2005 and 2006 financial years, including the share connected to the distribution, since consolidated. The adjustment claim relating to the deductibility of the provision for the benefits for work-related accidents and sicknesses remains contested by the Group.

Photovoltaic producers litigation

The rapid and successive announcements and changes made in 2010 to the regulations and prices for the purchase of photovoltaic electricity led to a considerable surge in the number of connection requests received by ERDF. Despite its best efforts, connection deadlines were not always met and accordingly, several disputes have arisen with photovoltaic electricity producers.

Mixed decisions have been issued at first instance and by the Court of Appeal. Some decisions dismiss all of the claims filed by the claimants while others award them compensation, but more often than not the compensation is much lower than requested.

EDF considers that it cannot be held liable and since 2011, has lodged an appeal against the judgments issued against it at first instance.

The Court of Cassation is scheduled to rule on this matter for the first time in 2015.

Claim against the TURPE 3 and 4 price decisions

By order of 28 November 2012, the French Council of State pronounced the cancellation of the TURPE 3 price decision of 5 May and 5 June 2009, which set the prices for the use of the distribution network for 2010-2013.

The grounds for cancellation were the method used to determine the "average weighted capital cost" (AWCC): the Council of State deemed this method "legally incorrect", on the grounds that it does not take into account *"the specific accounts of concessions, which correspond to the rights of grantors to recover free of charge the assets belonging to the concession at the end of the contract (…) as well as the provisions for the renewal of long-term assets"*.

In order to take into account the Council of State's decision, the State approved a TURPE 3*bis* based on the proposal submitted by the CRE to retroactively cover the period commencing on 1 August 2009 and ending on 31 July 2013. The effective date of TURPE 4 was then put back to 1 January 2014 and a TURPE 3*ter* was produced to cover the period commencing on 31 July 2013 and ending on 31 December 2013. Finally, on 12 December 2013, the CRE adopted the TURPE 4 decision. On 17 February 2014, Direct Energie lodged an appeal against this decision before the Council of State, requesting the cancellation of the CRE's decision on the ground that, in particular, the method used by the CRE is partially economic and accordingly, incompatible with the applicable French and European provisions and with the judgment issued by the Council of State on 21 December 2012 on TURPE 3.

Application filed by UFC Que Choisir before the CoRDIS

On 25 June 2014, UFC Que Choisir, an association, filed an application with the standing committee for disputes and sanctions (*Comité de règlement de différends et des sanctions* or CoRDIS) seeking an end to alleged breaches by ERDF of its obligations to remain independent from EDF. These proceedings are pending.

EDF International

Tax disputes

EDF International's tax audit relating to the 2008 to 2011 financial years led to a correction proposal being issued in late 2011 and late 2013. Two main adjustment claims, amounting to an approximate total of €265 million, relate firstly to the loss of value recorded at the end of 2009 and deducted from EDF International's income following the contribution of the CEG shares to its American subsidiary, EDF Inc., and secondly the valuation of the convertible bond created for the refinancing of the acquisition of British Energy. In 2012, EDF International contested these adjustment claims, for which it considers it has good chances to be successful in this litigation. In late 2012, EDF International sought to reach an amicable settlement in both France and the US regarding the valuation of the CEG shares recorded at the time of the contribution, based on the tax agreement to prevent double taxation in both France and the US.

ICC Arbitration – SOROOF vs. EDFI

EDF implemented a partnership with SOROOF International (SOROOF) in order to penetrate the Saudi Arabian market and expand its services business in the electricity transmission and thermal production sector. EDF Saudi Arabia (EDF KSA), a company incorporated under the laws of Saudi Arabia, 85% owned by EDF International and 15% owned by SOROOF, was formed on 8 March 2011. EDF has not managed to develop its business in a highly competitive Saudi Arabian market. SOROOF expected to earn an income from this partnership and is today claiming lost earnings. SOROOF filed a request for arbitration seeking compensation for its lost earnings with the International Chamber of Commerce in Paris on 30 September 2013. On 5 November 2013, EDF International sent an answer to the request for arbitration, challenging the compensation claimed by SOROOF and issuing a counterclaim based on SOROOF's breaches of contract, seeking damages of 15 million US dollars covering the sums incurred by EDF International for this partnership and the damage sustained to EDF's image.

EDF Énergies Nouvelles

Silpro

Silpro (Silicium de Provence) went into court-ordered liquidation on 4 August 2009. EDF ENR group held a 30% minority shareholding in this company along with the main shareholder, the German company Sol Holding. On 30 May 2011, the liquidator brought action against the shareholders and executives of Silpro, with joint and several liability, to make up for the shortfall in assets resulting from Silpro's liquidation, amounting to €101 million.

In its judgment issued on 17 December 2013, the Commercial Court in Manosque ordered, without joint and several liability, the EDF ENR Group to contribute €120,000 to Silpro's shortfall in assets. The Court of Appeal in Aix-en-Provence by judgment of 19 March 2015 set aside the judgment and dismissed the liquidator of all its claims directed, in particular, against the EDF ENR Group. The Court held that there was no *de facto* managerial authority, no mismanagement and concluded, in essence, that the financial crisis of 2008 and the failure of the main shareholder, unpredictable events, combined with the no substitution of a credible partner to the majority shareholder in the pursuit of the project, are responsible for the failure of the project.

SOCODEI

The low-activity waste processing and packaging centre (Centraco) operated by SOCODEI, a subsidiary wholly owned by EDF, is used to process weakly radioactive waste either by smelting or by incineration. On 12 September 2011, the explosion of a waste smelter caused a fire, killing one and injuring four. The accident did not cause any chemical or radioactive discharge. The ASN rated the accident as an INES level-1 accident and decided, on 27 September 2011, to only permit the smelters and incinerators stopped shortly after the accident to be re-started with prior authorisation. On 29 June 2012, ASN authorised SOCODEI to restart the incinerator subject to prior filing with ASN of the full report on the checking operations relating to the compliance of the facilities necessary for the furnace to be safe. The smelting unit, in which the accident occurred, is still shut down.

Following the accident, several investigations were opened. On 16 September 2011, the Public Prosecutor's Department in Nîmes opened an inquiry against X for homicide and involuntary injuries and the inquiry is ongoing. The results of the investigations by the Labour Inspectorate and ASN were sent to the Public Prosecutor's Department and a court expert was appointed. Once the court-ordered expert assessment operations had been completed, the examining magistrate authorised the removal of the seals on the smelter, which meant that the repairs could commence. In decision no. 2014-DC-0391 adopted on 14 January 2014, ASN set new technical requirements. Accordingly, pursuant to this decision and in order to be authorised to restart the smelters, SOCODEI will need to send ASN a detailed file presenting the steps taken to meet the new requirements, covering the technical, social, organisational and human aspects.

Edison

Legal action initiated by ACEA SpA concerning Edison's shareholding in Edipower

In May 2006, ACEA SpA (ACEA), Rome's municipal utility, addressed a complaint to the Italian government and to Italian regulatory (AEEG) and competition (AGCM) authorities, alleging that the joint takeover of Edison by EDF and A2A SA (formerly AEM SpA) had crossed the threshold of 30% of the share capital of Edipower held by State corporations (limit set forth by a decree of the President of the Italian Council of Ministers, dated 8 November 2000 defining the rules applicable to the privatisation of companies (called "Gencos") then held by Enel SpA).

On 7 July 2006, the AGCM rendered an opinion *(segnalazione)* supporting ACEA's position and officially requiring the Italian government and parliament to take measures to comply with the provisions of the 8 November 2000 Decree.

In August 2006, ACEA initiated an action against EDF, IEB and WGRMH Holding 4 (along with Edison, A2A SA, Delmi, Edipower, AEM Turin, Atel and TdE) before the Civil Court in Rome.

According to ACEA, crossing this threshold is a violation of the applicable laws and constitutes an act of unfair competition which could adversely affect the competition on the energy market and consumers' interests.

ACEA therefore asked the court to acknowledge the unfair behaviour of EDF and A2A SA, and force EDF and A2A SA to sell their stakes in order to remain under the 30% limit and prohibit them from taking and using energy in excess of the 30% threshold, and, finally, to compensate ACEA for the prejudice suffered that it has not been able to precisely evaluate at this stage, the valuation being subject to distinct proceedings.

ACEA also indicated that it would request the court to take protective measures to protect its interests until the court rules on the merits.

In January 2007, Endesa Italia joined ACEA in its legal action.

The judge has rejected the addition to the file of a note from ACEA (new evidence) which assessed the prejudice that ACEA would have suffered at €800 million.

In December 2010, Endesa Italia, now named E.ON Italia, and EDF signed a settlement agreement in which E.ON Italia undertakes to drop the case and all other claims against EDF in connection with EDF's indirect investment in Edipower. The judge has acknowledged this agreement in an order dated 19 May 2011.

On 19 September 2013, the Civil Court in Rome issued a judgment in favour of EDF, dismissing all of ACEA's claims. The Court excluded all liability under competition or tort law for EDF as all of EDF's acts had been authorised in advance by the relevant regulatory bodies and it had not breached any rules. ACEA appealed against this judgment on 23 September 2014. The hearing is scheduled for 3 June 2015, before the Court of Appeal in Rome.

Proceedings concerning the sale of Ausimont (Bussi)

Further to a preliminary investigation initiated by the Public Prosecutor of Pescara (Abruzzo region) in relation to a suspected case of water pollution and ecological disaster affecting the river Aterno basin at Bussi sul Tirino, which for more than a century has been the site of an industrial complex belonging to Ausimont SpA that was sold to Solvay Solexis SpA in 2002, the Public Prosecutor of Pescara notified certain former Directors and managers of Solvay Solexis and Edison that the case would go to court on charges of water poisoning, ecological disaster and fraud to the prejudice of the site's purchaser, Solvay Solexis.

On 15 December 2009, the proceedings against Montedison (now Edison) for fraud were abandoned. The proceedings on the matters of environmental disaster and poisoning of water or foodstuffs continued and on 18 April 2013 the judge entertaining jurisdiction decided to bring action against Montedison's former executives before the Assize Court in Chieti. In a decision issued on 7 February 2014 by the Assize Court, the case against Edison was dismissed and accordingly, it is no longer a party to the criminal proceedings. In a decision issued on 19 December 2014, the same Court acquitted all of the defendants.

In this context, a large quantity of industrial waste was found on a plot of land belonging to Edison adjacent to the plant, and an attachment order has been placed on that land, and the President of the Italian Council of Ministers appointed on 4 October 2007 a deputy special commissioner empowered to undertake urgent measures: identification, safety and rehabilitation measures for the land. The commissioner has ordered Edison to prepare a survey of the zone, take urgent measures to make it safe and present proposals for decontamination of the ground and ground water. Edison, which has never used this site for its business, filed an appeal with the Regional Administrative Court in June 2008. The Regional Administrative Court rejected this appeal in March 2011 and Edison challenged this judgment before the Council of State. The hearing has been scheduled for 15 January 2015. The Council of State's decision should be issued during the first half of 2015.

Action by the Public Prosecutor of Alessandria

In 2009, the Public Prosecutor of Alessandria (Italy) sent certain managers and former Directors of Ausimont Spa (now named Solvay Solexis SpA, a company sold by Montedison to the Solvay group in 2002) notification of the conclusion of investigations related to the possible poisoning of water from the spring on the industrial site of Spinetta Marengo and surrounding sites, and the lack of any action for site rehabilitation. The investigation was closed on 16 January 2012.

The judge entertaining jurisdiction decided, on 16 January 2012, to bring action before the Assize Court in Alessandria against a number of former Montedison executives for behaviour that could constitute environmental and public safety offences.

The trial before the Assize Court began on 17 October 2012 and the last trial hearing is scheduled for 13 April 2015. In addition, an administrative decision ordered Solvay Solexis to rehabilitate the Spinetta Marengo site. Edison voluntarily intervened in the proceedings to defend its interests in relation with the claim filed by Solvay Solexis for the cancellation of this administrative decision, notably because the administrative decision doesn't impose any obligation on Edison to rehabilitate the site (this obligation is imposed exclusively on Solvay Solexis). To date, no hearing has been scheduled before the Administrative Court in Piedmont.

Carlo Tassara

The company Carlo Tassara, Edison's main minority shareholder, brought legal proceedings on 12 July 2012 before the Regional Administrative Court in Latium (Rome) requesting on the merits an increase in the price of the mandatory takeover bid launched by the EDF subsidiary Transalpina di Energia (TdE), following the takeover of Edison on 24 May 2012. The parties against which the plaintiff brought these proceedings are CONSOB, the Italian financial market authority, EDF, as well as its Italian subsidiaries (MNTC, WGRM4 and TdE), Edison, Delmi and A2A. The date of the hearing before the Court has not yet been scheduled. Any decision may be appealed before the Italian Council of State.

At the same time, the plaintiff filed with CONSOB in May 2012 a request to increase the price of the mandatory takeover bid based on practically identical arguments to those filed for the proceedings on merits before the Administrative Court. CONSOB dismissed this request on 25 July 2012. The plaintiff did not appeal against this decision.

In March 2015, the plaintiff also brought before the Court of Milan a civil action for damages against EDF, A2A and Edison on the basis of factual argument similar to the one that has been developed in the context of the administrative procedure. The writ was served to EDF on 27 March 2015. In this case, the plaintiff claims that negotiations between EDF and A2A that led to the takeover of Edison and Edipower was not conducted in line with the principle of good management and was contrary to the interest of its minority shareholders. The plaintiff pretends he was forced to sell his shares as part of compulsory takeover bid that followed the Edison takeover, otherwise he would have lost the liquidity of its stake representing about 10% of the share capital of Edison. The offer price was 0.89 cents per common share. The plaintiff seeks damages resulting from the devaluation of the Edison securities recorded on its balance sheet at 31 December 2011 of around €294 million. However, he does not quantify his claim for damages and requires the appointment of an expert to make an assessment of his injury. The first hearing should be held at the earliest in October 2015.

Claims brought by employees concerning exposure to asbestos or other harmful chemical substances

Over the last years, Edison has faced a significant increase in the number of claims for damages arising from the death or illness of employees that were allegedly caused by exposure to several forms of asbestos at factories owned by Montedison, or other judicial cases assumed by Edison as a result of corporate acquisitions.

Furthermore, Edison is involved in several criminal proceedings filed by former employees of companies belonging to the Edison group or their legal successors, arising from exposure to harmful chemical substances emitted by Montedison's facilities (since transferred to Enimont which became Enichem, a subsidiary of ENI).

Environmental litigation

Edison is involved in several criminal proceedings currently underway concerning damages caused by the operation of Montedison's chemical factories (petrochemical facilities in Porto Marghera, Crotone, Mantua and Cesano Maderno) prior to their sale to Enimont. These criminal proceedings also include actions brought by third parties concerning personal injuries related to the alleged environmental damage.

BE ZRt

Following a formal investigation based on European regulations on State aid, the European Commission issued a decision on 4 June 2008, requiring the Hungarian government to terminate the long-term electrical energy purchase agreements (PPAs) existing by the end of 2008 and that the electricity producers refund by April 2009 any amounts of State aid received since 1 May 2004, the date on which Hungary joined the European Union. BE ZRt lodged an appeal against this decision before the European General Court (EGC) on 4 May 2009.

The Hungarian Government did not challenge the European Commission's decision, and the Hungarian legislature enacted a law on 10 November 2008 terminating all PPAs on 31 December 2008 without compensation. In late April 2010 the European Commission and the Hungarian government accepted the principle of netting stranded costs with the State aid paid. As a result BE ZRt had no illegal State aid to repay.

By order of 13 February 2012, the EGC dismissed the action for cancellation filed by BE ZRt against the decision. However, insofar as BE ZRt is no longer liable to refund this State aid, and due to the absence of direct impact on the ongoing arbitration (see below), BE ZRt did not appeal against this decision.

In order to pursue its business after the termination of its PPAs, BE ZRt negotiated an 8-year sales contract with MVM, the sole Hungarian buyer owned by the Hungarian State, for half of its electricity output, and benefited from the "Cogen" decree[1] for the sale of the other half of its output, for a period due to run until 2013. However, Hungary adopted on 16 March 2011 an amendment to the law on electricity ending any support to cogeneration in Hungary as from July 2011.

EDF International, whose investment in BE ZRt was undertaken after the company's privatisation on specific terms that are now in question, notified the Hungarian State, on 12 May 2009 of an arbitration on the basis of the Energy Charter Treaty (ECT), in accordance with UNCITRAL rules. Further to several successive agreements, the arbitration proceedings were suspended until 1 October 2011, and have now resumed. EDF International filed on 30 December 2011, with the permanent arbitration court of The Hague, a statement in reply in order to obtain compensation for the loss of the PPAs. The prejudice with respect to heating prices in 2011 was introduced in this statement for protective purposes. On 2 November 2012, Hungary filed its statements for the defence, both on the merits and in order to contest the Court's jurisdiction.

The European Commission, acting as an *amicus curiae*, filed its statement, in May 2013, primarily contesting the jurisdiction of the Court. In its statement in reply filed on 1 July 2013, EDF International reassessed the damage sustained at approximately €290 million in light of the "heating" decree which now limits BE ZRt's total profits. Moreover, an alternative claim was made by EDF International for reimbursement of the stranded costs, assessed at approximately €300 million. Hungary replied in a rejoinder on 25 October 2013.

The hearings were held in The Hague from 3 to 6 December 2013. The Arbitration Court issued its award on 3 December 2014, upholding EDF International's claims and ordering the Hungarian State to pay it €107 million (plus interest). The Arbitration Court found that Hungary had breached the Energy Charter Treaty in two respects: firstly, a lack of sufficient compensation following the termination of the PPAs and secondly, the adoption of the "heating" decree, which constitutes a separate breach of the ECT.

Under Swiss law, which is applicable as the law of the place of arbitration, the award is enforceable as soon as it has been notified, meaning as of 4 December 2014. On 16 December 2014, EDF International sent a letter to Hungary for the enforcement of the award.

On 20 January 2015, Hungary filed an application with the Federal Swiss Court challenging the award (EDF International filed a reply on 19 March 2015). These proceedings are expected to last a maximum of twelve months.

The proceedings issued before the Federal Swiss Court do no suspend the arbitration award.

EnBW

In February 2012, EDF International received an arbitration request filed with the International Chamber of Commerce by the German company Neckarpri GmbH, acquisition vehicle of the Baden-Württemberg State within the scope of the transfer by the EDF group of its shareholding in EnBW, signed on 6 December 2010 and finalised on 17 February 2011.

Neckarpri claims that the level of the price paid for the acquisition of the EDF group's shareholding in EnBW was excessive and thus constituted illegal State aid. On this basis, Neckarpri is mainly seeking the reimbursement of the amount allegedly paid in excess. This amount, initially estimated at €2 billion in the demand for arbitration, was re-estimated in July 2012 in an expert report ordered by Baden-Württemberg State at €834 million. In September 2012, Neckarpi confirmed the reduction of its main claim to this amount. Alternatively, Neckarpi requests the cancellation of the sale of the EDF group's shareholding in EnBW.

The arbitration proceedings are ongoing. The statements have been exchanged by Neckarpri (request) and EDF (answer), including the counterclaim made by EDF for damages for the losses incurred as a result of the proceedings, which EDF considers to be unfounded and unjustified. The award should be issued, after an additional exchange of statements between the parties, by the end of 2015.

5.3 Litigation having arisen after the closing of the 2014 financial year

None.

6 Significant change in the Company's financial or trading position

The significant events that took place between the end of the 2014 fiscal year and the date of filing of this reference document are mentioned in note 50 to the consolidated financial statements for the fiscal year ended 31 December 2014 as to events that took place before the financial statements were drawn up by the Board of Directors on 11 February 2015, and, for events occurring after 11 February 2015, in section 12.1 ("Subsequent events") of this Reference Document.

1. *Decree defining the terms and conditions, including prices, for renewable energy and cogeneration adopted by the Hungarian government on 28 November 2008, known as the "Cogen" decree.*

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