



BOARD OF DIRECTORS' MEETING, JULY 29, 2010

HALF-YEAR MANAGEMENT REPORT JUNE 2010

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the energy sector in France and in the world, it is possible that this information could prove to be erroneous or outdated.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

The forward-looking statements contained in this Half-year Financial Report, notably in section 15 ("Financial Outlook for 2010"), are based on assumptions and estimates that could evolve or be impacted by risks, uncertainties (relating particularly to the economic, financial, competitive, regulatory and weather environment) or other factors that may cause the future results, performances and achievements of the Group to differ significantly from the objectives expressed and suggested. These factors may include changes in the economic and commercial environment, regulations, and the factors set forth in section 4.2 of the EDF group's 2009 *Document de Référence* ("Risk Factors").

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

Contents of the Half-year Financial Report

- 1 - Certification by the person responsible for the Half-year Financial Report
- 2 - Half-year management report at June 30, 2010
- 3 - Condensed consolidated half-year financial statements at June 30, 2010
- 4 - Statutory Auditors' Review Report on the first half-year financial information for 2010
(January 1 to June 30, 2010)

Certification by the person responsible for the Half-year Financial Report

“I certify that, to the best of my knowledge, the condensed consolidated financial statements at June 30, 2010 are prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income of the company and of all the companies included in the consolidation, and that the attached half-year management report presents a true and fair view of the important events of the first six months of the financial year and their impact on the financial statements, the main related party transactions and a description of the main risks and uncertainties for the remaining six months of the financial year.”

Paris, July 29, 2010

Henri Proglio

Chairman and CEO of EDF



BOARD OF DIRECTORS' MEETING, JULY 29, 2010

HALF-YEAR MANAGEMENT REPORT JUNE 2010

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1 Key figures

The figures presented in this document are taken from the EDF group's condensed consolidated half-year financial statements at June 30, 2010. All figures shown for 2009 have been adjusted for the effect of application of IFRIC 18 "Transfers of Assets from Customers", IFRIC 12 "Service Concession Arrangements" and the change in presentation of net changes in fair value on Energy and Commodity derivatives, excluding trading activities (IAS 39).

Key figures at June 30, 2010 are as follows:

Extract from the consolidated income statements

In millions of euros	H1 2010	H1 2009	Variation	Variation (%)	Organic growth (%)
Sales	37,513	34,827	2,686	7.7	2.1
Operating profit before depreciation and amortization (EBITDA) ⁽¹⁾	10,373	9,936	437	4.4	1.1
Operating profit (EBIT) excluding prolongation of the TaRTAM transition tariff system – law of June 7, 2010	10,638	9,936	702	7.1	3.8 ⁽²⁾
Operating profit (EBIT)	5,289	6,784	(1,495)	(22.0)	
EDF net income	1,659	3,123	(1,464)	(46.9)	
Net income excluding non-recurring items ⁽³⁾	2,977	2,932	45	1.5	

(1) The Group has decided to report net changes in fair value on Energy and Commodity Derivatives excluding trading activities on a separate line below operating profit before depreciation and amortization.

(2) This is comparable to the EBITDA growth target announced by the Group for 2010 (excluding the impact of the law extending the TaRTAM transition tariff system beyond June 30, 2010).

(3) Net income excluding non-recurring items is not defined by IFRS, and is not directly visible in the consolidated income statements. It corresponds to the Group's share of net income excluding non-recurring items, net of tax (see section 5.9).

Operating cash flow

In millions of euros	H1 2010	H1 2009	Variation	Variation (%)
Operating cash flow ⁽¹⁾	7,016	6,965	51	0.7

(1) Operating cash flow is not defined by IFRS, and is not directly visible in the consolidated cash flow statements. EDF uses Operating cash flow to assess the Group's capacity to generate free cash flow. This indicator, also known as Funds From Operations (FFO), is equivalent to net cash flow from operating activities (Cash flow statement) excluding changes in working capital, less net financial expenses disbursed and income taxes paid, adjusted for the impact of non-recurring items.

Indebtedness

In millions of euros	June 30, 2010	December 31, 2009	Variation	Variation (%)
Net indebtedness	44,100	42,496	1,604	3.8
Equity (EDF's share)	32,278	29,891	2,387	8
Net indebtedness/EBITDA ⁽¹⁾	2.5	2.5		

(1) The ratio at June 30, 2010 has been calculated based on cumulative EBITDA for the second half of 2009 and the first half of 2010.

2 Economic environment and significant events

2.1 Economic environment

2.1.1 GDP growth¹

After the sharp economic slowdown across most countries that began in late 2008 and substantially affected demand for electricity in Europe (which was down by an average 3% in 2009 from 2008 levels), a cautious recovery (+0.8%) was recorded in the final quarter of 2009. In the first quarter of 2010 growth remained moderate in Europe, but was more sustained in the US and Japan. For the rest of the year, subject to the many unforeseeable factors, the OECD² countries' economies are expected to continue growing but at a more modest pace.

The French statistics office INSEE forecasts GDP growth of approximately 2% in OECD countries for 2010, after the 3.6% decline in 2009 (+0.2% in 2008).

In the euro zone, GDP should grow by approximately 1% in 2010 after its 4.1% drop in 2009 (+0.4% in 2008). The rise is expected to be even across the whole zone, with forecast GDP growth for France falling between the levels for Germany, where the increase should be more pronounced, and the countries in the south of the Euro zone.

In France, GDP is expected to grow by 1.4% in 2010 after a 2.5% decline in 2009 (+0.1% in 2008).

2.1.2 Trends in market prices for electricity and the principal energy sources

2.1.2.1 Spot electricity prices in France, Germany, the United Kingdom and Italy³

	France	Germany	UK	Italy
Average variation in baseload prices, H1 2010/2009	+8.7%	+3.6%	-3.4%	-7.3%
Average variation in peakload prices, H1 2010/2009	+6.4%	-0.2%	-9.1%	-13.3%
Average baseload price for H1 2010 (€/MWh)	45.1	41.3	43.2	61.4
Average peakload price for H1 2010 (€/MWh)	56.1	51.2	49.4	72.4

In **France**, average spot electricity prices rose due to the low winter temperatures and the increase in coal and oil prices.

In **Germany**, prices remained more stable as domestic demand is less sensitive to temperatures and windfarm generation levels were higher.

In the **United Kingdom** and **Italy**, the decline in spot prices is essentially explained by the fall in spot gas prices during the winter.

¹ Source: Note de conjoncture INSEE, March and June 2010. Forecasts are estimates issued by INSEE.

² Organization for Economic Cooperation and Development.

³ France and Germany: Average previous day EPEX price for same-day delivery; United Kingdom: Average previous day Platts OTC price for same-day delivery; Italy: Average previous day GME price for same-day delivery.

2.1.2.2 Forward electricity prices in France, Germany, the United Kingdom and Italy ⁴

	France	Germany	UK
Average variation in baseload prices, H1 2010/2009	0%	-1%	-8%
Average variation in peakload prices, H1 2010/2009	-3%	-10%	-14%
Average baseload price for H1 2010 (€/MWh)	52.6	50.0	48.3
Average peakload price for H1 2010 (€/MWh)	72.0	66.1	55.0

European annual contract baseload prices were stable overall compared to the first half of 2009, except in the UK where the fall in gas prices led to an 8% decrease.

In **France**, after a downturn in the first quarter caused mainly by the lack of significant tensions in the wintertime supply-demand balance, the 2011 annual contract baseload price settled at an average level comparable to the first half of 2009. It descended to €48.2/MWh at the end of March before an upturn on the same pattern as fossil fuel prices, reaching its highest level in 18 months on June 21 at almost €58/MWh.

In **Germany**, the 2011 annual contract baseload price was relatively stable compared to the first half of 2009. The average differential between France and Germany for the two periods increased by €1/MWh: in first-half 2010 German prices were lower than French prices by an average €2.6/MWh.

In the **United Kingdom**, the 2010 April Ahead baseload contract price followed the same pattern as gas prices, falling in the first quarter then picking up again in the second quarter.

⁴ France and Germany: average EEX 2011 annual contract price; UK: Platts average annual contract prices, April 2010 then April 2011 (in the UK, annual contract deliveries take place from April 1 to March 31).

2.1.2.3 CO₂ emission quota prices ⁵

The price of CO₂ emission quotas under Phase II (2008-2012) for delivery in December 2010 stood at €14.1/t in the first half of 2010, slightly up on its first-half 2009 levels. Although 2009 emissions remained well below quota allocations as a result of the lower levels of industrial activity in a context of economic crisis, prices were bolstered by the prospects of a more limited quota offering from 2013.

2.1.2.4 Fossil fuel prices ⁶

	Coal (\$/t)	Oil (\$/bl)	Natural gas (£/th)
Average price variation H1 2010/2009 (%)	+14.5 %	+48.3 %	-13.3 %
Highest price in H1 2010	104.6	87.4	0.55
Lowest price in H1 2010	85.4	69.6	0.37
Average price for H1 2010	95.9	78.3	0.44
Closing price, H1 2009	85.4	69.3	0.45
Closing price, H1 2010	101.8	75.0	0.53

Forward prices for coal saw an average rise from the first half of 2009, boosted by the worldwide economic recovery and growing demand in Asia, although this rise remained limited given the large stock levels in Europe.

After the effects of the crisis in 2009, there was an upturn in demand for oil products during the first half of 2010. Oil prices followed suit, reaching a maximum of close to \$87.4/barrel in early May, but then falling off sharply to end the month of June at \$75/barrel. This significant decline is explained by market players' fears that oil demand would fall if the Greek

⁵ Average EDF Trading index for the annual contract of Phase II (2008-2012).

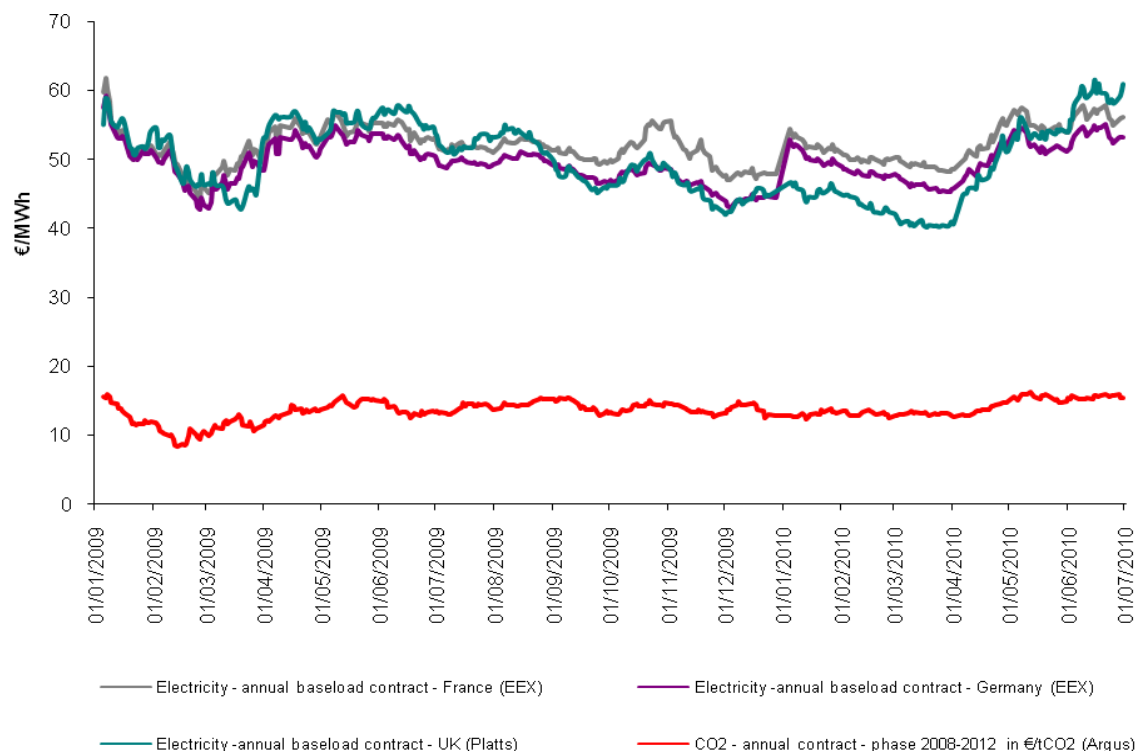
⁶ Coal: Average EDF Trading OTC index for delivery in Europe (CIF ARA) for the next calendar year (\$/t); Oil: Brent first reference crude oil barrel, IPE index (front month) (\$/barrel); Natural gas: Platts average OTC index, for delivery starting from October of the following year for the UK (NBP) (£/therm).

economic crisis spread to other European Union countries.

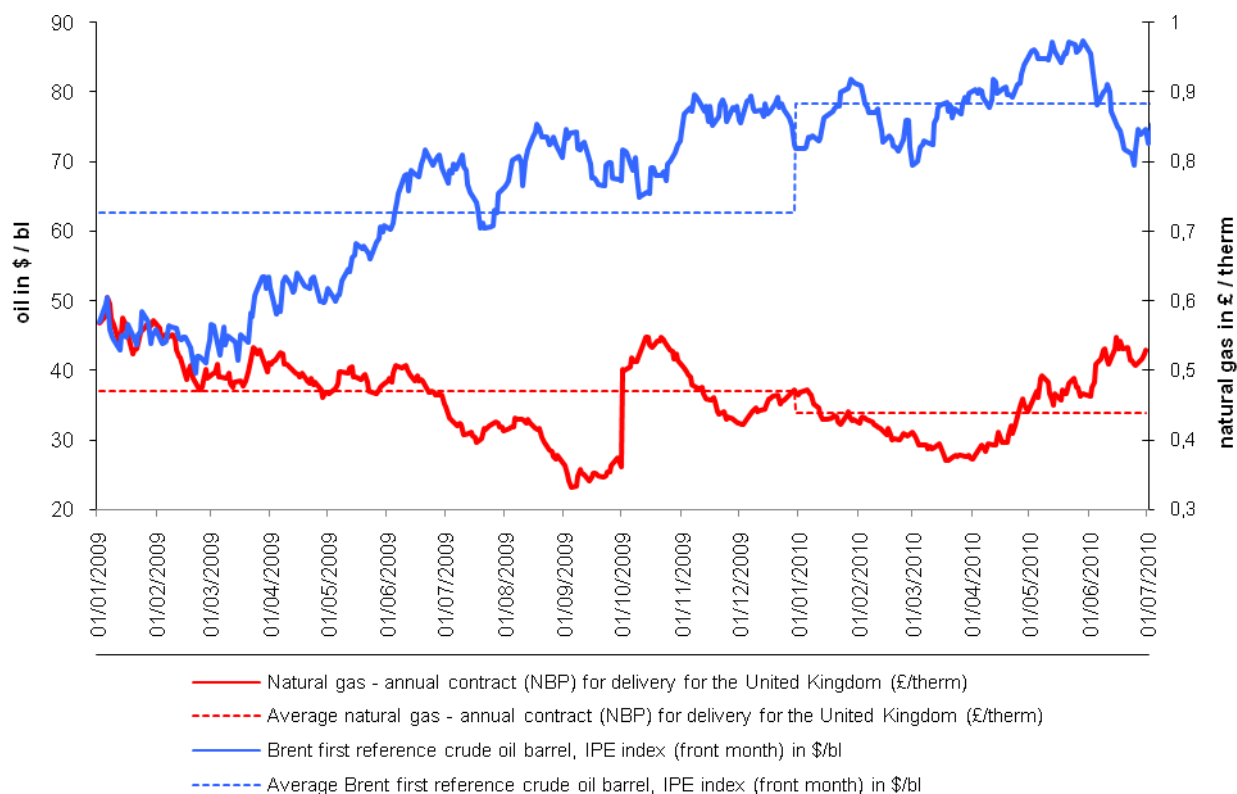
Natural gas prices under the United Kingdom's annual contract were totally decorrelated from oil prices over the first half of 2010 and dropped sharply in the first quarter, in contrast to the first half of 2009. Market players were expecting a less tense situation in the coming seasons thanks to substantial gas supplies, especially from LNG terminals.

However, from April prices began a new rise driven by high spot prices and market players' fears over future tensions associated with stock levels that were well below historical averages for the season, as well as irregular supplies from Norway.

Forward electricity prices in France, Germany and the United Kingdom and CO₂ emission quota prices (Phase II, 2008-2012)



Natural gas and Brent oil prices



2.1.3 Electricity consumption

In **France**⁷, internal electricity consumption for the first half of 2010 totaled 263.5 TWh, 4.9% higher than for the same period of 2009, benefiting throughout first-half 2010 from the effect of lower temperatures than in the first half of 2009. After adjustment for weather effects⁸, consumption was up by 2.2%, boosted by continued sustained growth in the residential customer segment and a partial recovery in demand from very large industrial customers, a segment that had been particularly affected by the economic crisis in first-half 2009.

Compared to first-half 2009, domestic electricity consumption in first-half 2010 showed a rise of 1.5% in the United Kingdom, 3.7% in Germany and 1.8% in Italy⁹.

2.1.4 Electricity and natural gas sales tariffs

In **France**, electricity sales tariffs have not changed since the increase of August 15, 2009.

In the **United Kingdom**, electricity tariffs remained stable (after a reduction in contractual sale prices for industrial customers and the 8.8% tariff reduction for residential customers in March 2009).

Natural gas tariffs for residential customers were reduced by 3.6% on March 26, 2010 (after a previous reduction of over 6% in October 2009).

In **Germany**, EnBW maintained its basic electricity tariffs in the first half of 2010. Natural gas prices also remained stable (after successive reductions reaching a total of 23.5% in 2009).

⁷ Data provided by RTE, unadjusted for weather effects.

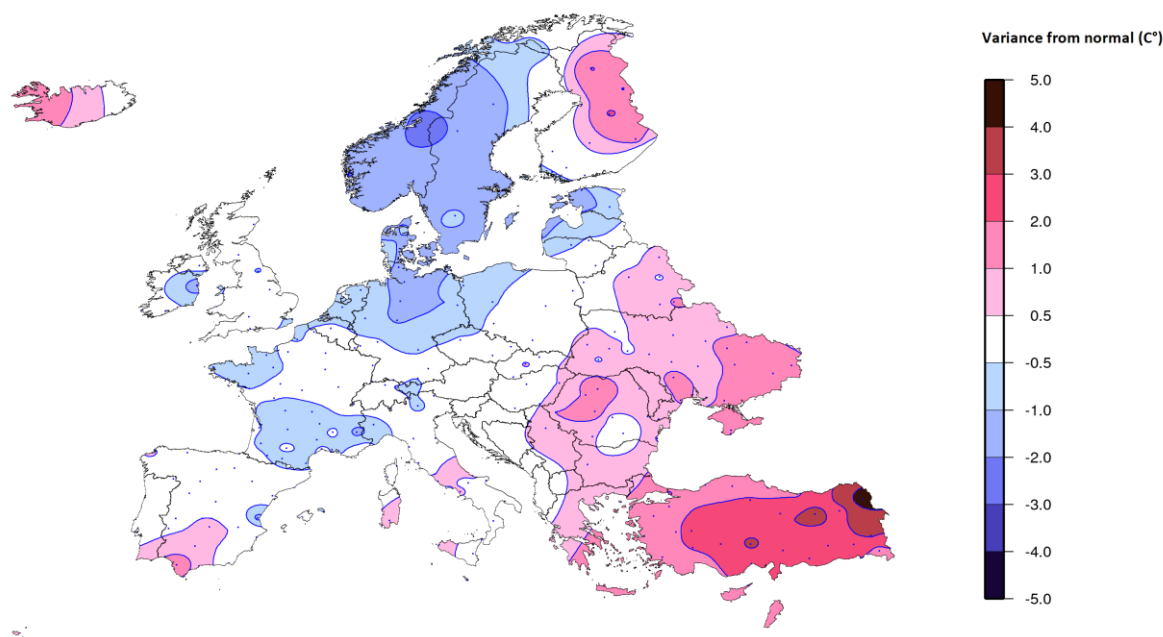
⁸ As determined by RTE.

⁹ For countries other than France, estimates are supplied by local EDF subsidiaries; for Germany, figures are estimates for January to May 2010 compared to the previous year.

2.1.5 Weather conditions

2.1.5.1 Temperatures

Temperature variance from normal levels, January to June 2010¹⁰

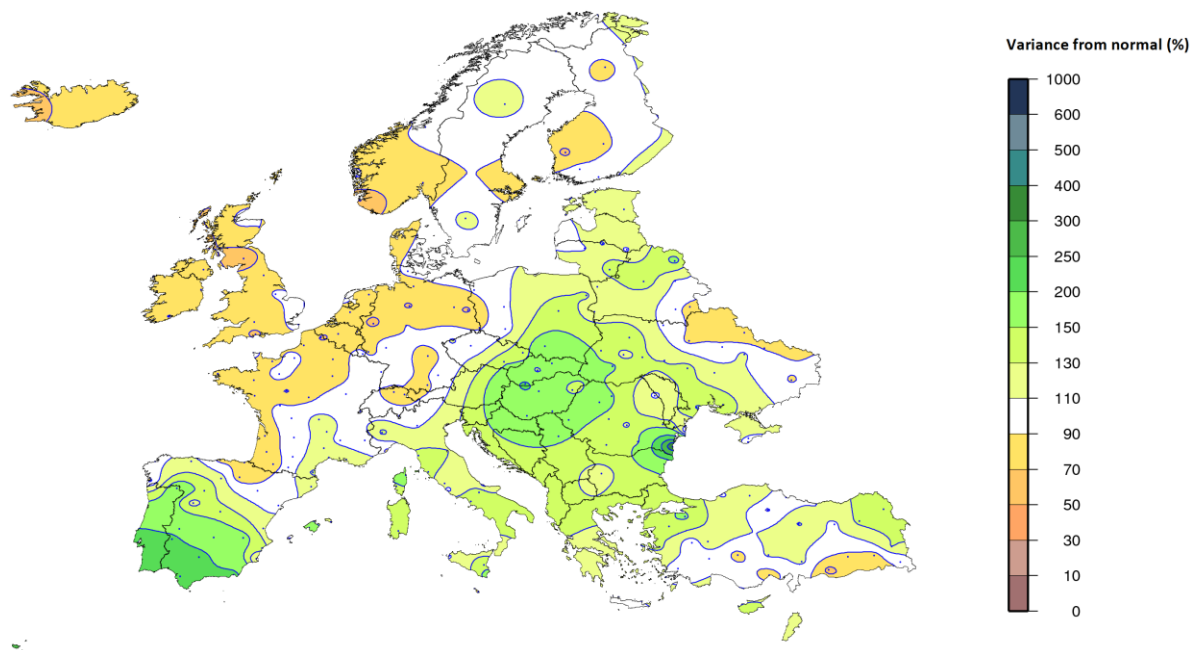


In France, temperatures in the first half of 2010 were an average 0.7°C lower than in first-half 2009 and 1.6°C lower than normal seasonal levels. For the first quarter of the year, they were 0.6°C lower on average than in 2009 and 2.3°C lower on average than normal seasonal levels. The winter of 2009-2010 (December, January, February) included three cold spells in mid-December, early January and mid-February. For the second quarter, temperatures were slightly lower on average than normal seasonal levels and the temperatures recorded for the same period in 2009.

¹⁰ Map comparing average temperatures with normal levels between January 2010 and June 2010. Normal temperatures are measured over 30 years (1971-2000 for Western Europe and 1961-1990 for Eastern Europe). Source: Base de Données Climatologiques, Météo France.

2.1.5.2 Rainfall

Rainfall: January to June 2010 ¹¹



Across Europe in the first half of 2010, frequent rainfall circulation in the Mediterranean alternated with passages of cold polar air, and a shortfall in well-established Atlantic rainfall circulation. This resulted in strongly contrasting total rainfall levels in the north and south of Europe, with high volumes of precipitation in Spain, the south-east of France, Italy and the east of Europe, and a shortage of rain in the United Kingdom, the western half of France, Germany and the Nordic countries.

¹¹ Map comparing average rainfall with normal half-year levels between January 2010 and June 2010. Normal rainfall is measured over 30 years (1971-2000 for Western Europe and 1961-1990 for Eastern Europe). Source: Base de Données Climatologiques, Météo France.

2.2 Significant events ^{12/13}

2.2.1 Strategic developments

2.2.1.1 Development of nuclear activities worldwide

2.2.1.1.1 EDF: operator of the Penly 3 EPR

Since March 24, 2010, EDF has been presenting the Penly 3 project in the ongoing public consultation in its capacity as chief operator. The special Commission for the Penly 3 public consultation process held eleven public meetings during the first half of 2010, enabling EDF to explain its plans, discuss the role of Penly 3 in France's energy mix, its impacts (particularly discharge and waste), and the practicalities of its construction and operation, especially project governance and EDF's responsibility as nuclear operator. In addition to the meetings, a dedicated website managed by the special Commission has provided a forum for extensive debate, with interested parties expressing their opinions and questions.

The final meeting in the process took place on July 12, 2010. The report and review of the discussions will be drawn up by the special Commission and national Commission for public consultation by September 24, 2010.

2.2.1.1.2 New agreements with Chinese partners

On April 29, 2010, EDF signed agreements with two of the country's largest nuclear operators in order to consolidate its position in China, confirming the Group's involvement in the worldwide nuclear industry's most extensive construction programme. The agreement entered into with CNNC (China National Nuclear Corporation) aims to strengthen the engineering cooperation with EDF begun through construction of the Daya Bay and Ling Ao (Guangdong) nuclear plants. The partnership agreement signed with CGNPC (China Guangdong Nuclear Power Holding Company) complements the 2008

joint venture agreement for the construction and operation of two EPR-type nuclear reactors in Taishan (Guangdong province).

2.2.1.1.3 EDF/ENEL/ANSALDO agreement

On April 9, 2010, EDF, Enel (Italy's principal electricity producer) and Ansaldo Energia signed a partnership agreement with the objective of specifying areas of potential cooperation for the development and construction of four EPR-type nuclear reactors in Italy.

2.2.1.1.4 Cooperation agreement between EDF and Rosatom

On June 19, 2010, EDF and the State Corporation Rosatom (Russian Federation) signed a cooperation agreement defining the framework for collaboration between the two groups in the fields of research and development, nuclear fuel, and cooperation for nuclear facilities already in existence or under construction. The agreement also covers cooperation in the form of exchanges of experience and training, including visits to industrial sites in both countries. Executive committees will be set up for each area of collaboration, to be supervised by a joint EDF-Rosatom strategic committee.

2.2.1.2 Developments in EDF's European positions

2.2.1.2.1 United Kingdom

2.2.1.2.1.1 Transfer of ownership of the Eggborough coal-fired plant

At the time of British Energy's restructuring in 2005, Eggborough's creditor banks were given a share option agreement valid for exercise until August 31, 2009. The terms of this option were unaffected by EDF's takeover of British Energy in January 2009, and it was exercised in August 2009. Ownership of the Eggborough coal-fired plant was transferred with effect from March 31, 2010.

¹² Significant events related to litigation are described in chapter 14.

¹³ The Document de Référence and a full list of press releases are available from the EDF website: www.edf.com.

2.2.1.2.1.2 UK electricity distribution networks

EDF group received at the end of July 2010 an irrevocable offer from a consortium consisting of Cheung Kong Infrastructure Holdings Ltd (“CKI”), Hongkong Electric Holdings Ltd (“HEH”) and the Li Ka-Shing Foundation (“the Cheung Kong group”) to acquire 100% of EDF Energy plc’s ownership in its United Kingdom regulated and non-regulated network activities for a total consideration of £5.8 billion (€6.9 billion¹⁴) including assumed debt.

On this basis, EDF group has granted the Cheung Kong group a period of exclusivity. After consultation with its European Works Council in early September, EDF group will submit the irrevocable offer to its Board for decision. Completion of any transaction pursuant to the irrevocable offer would be subject to customary regulatory approvals and to CKI and HEH shareholder approvals.

The regulated network activity serves London, the South-East and the East of England, covering approximately one quarter of the UK population.

The deregulated network activity concerns development, commissioning and operation of high-voltage electricity networks for owners of large infrastructures.

2.2.1.2.2 Germany

2.2.1.2.2.1 Exchanges of drawing rights between E.ON and EnBW

Following the agreements signed on September 30, 2009 between EDF, EnBW and E.ON, exchanges of drawing rights and electricity generation assets between France and Germany have been effective since January 1, 2010. EnBW acquired:

- drawing rights for 800 MW of nuclear energy in Germany from E.ON’s nuclear portfolio,
- 50.4% in the Rostock coal-fired plant, i.e. a capacity of 256 MW,
- and a drawing right for 159 MW from E.ON’s Buschhaus coal-fired plant in Germany.

These capacities are in addition to the capacities already acquired by EnBW from E.ON in May 2009 in the Lippendorf and Bexbach plants (446 MW and 79 MW respectively). EnBW thus has a total 1,740 MW in additional generation capacities in Germany.

In return, E.ON acquired drawing rights to 800 MW of nuclear power in France based on EnBW’s former drawing rights from EDF’s nuclear power output.

EDF and Charbonnages de France also signed an agreement in December 2009 to sell E.ON their holdings in SNET (18.75% and 16.25% respectively).

2.2.1.2.2.2 Sale of GESO by EnBW

On March 31, 2010 EnBW sold its subsidiary GESO (a holding company with shares in several regional and municipal energy operators in the Saxony region) to TWD (Technischen Werke Dresden), a company fully-owned by the city of Dresden, for an amount of slightly more than €800 million. This disposal meets a requirement stipulated by the German anti-cartel authorities when EnBW acquired a holding in EWE in 2009.

2.2.1.2.3 Benelux

2.2.1.2.3.1 Purchase of the shares of exiting shareholders of SPE

With the purchase of 12.5% of the shares in SPE for the price of €215 million in June 2010, EDF increased its holding in the Belgian energy operator to 63.5%. The purchase took place after three shareholders exercised all or part of the put option granted to them by the shareholder agreement applicable when EDF acquired control of SPE.

2.2.1.2.3.2 Start-up of Sloe in the Netherlands

On February 12, 2010 the EDF group and Delta inaugurated the Sloe GCC power plant (870 MW) which has an output equivalent to the electricity consumption of about 2 million households.

¹⁴ Based on exchange rate of 1.1926 € / £.

EDF, which owns 50% of the power at this plant, will sell its share of the electricity produced on the wholesale market through its subsidiary EDF Trading. The Sloe plant also enables EDF to diversify its energy mix in the Benelux countries by supplementing the Group's generating facilities in the region, particularly in Belgium, through its EDF Belgium subsidiary (which holds 50% of the drawing rights to the Tihange 1 nuclear power plant) and its majority interest in SPE (with a diversified fleet generating a total 1,969 MW).

2.2.1.2.4 Italy – Fenice / Inter Rao agreement

On March 2, 2010, Fenice, a supplier of energy and environmental services fully-owned by the EDF group and the Russian electricity company Inter Rao signed an agreement to form a joint venture for energy efficiency projects. This agreement is part of the more general November 2009 framework agreement between EDF and Inter Rao.

2.2.1.2.5 Developments in the natural gas business

2.2.1.2.5.1 Dunkerque methane terminal

On March 8, 2010 EDF and Total announced the signature of a letter of intent whereby Total will reserve regasification capacity in the planned Dunkerque methane terminal being developed by Dunkerque LNG, a wholly-owned EDF subsidiary. Total will also acquire an interest in the company. The agreement is part of EDF's global search for partners interested in reserving regasification capacity in the terminal.

EDF announced on June 24 that the decision to invest in a methane terminal at Dunkerque had been postponed. The company is working actively with partners in preparation for a future decision on the project.

2.2.1.2.5.2 South Stream gas pipeline

EDF, ENI and Gazprom signed a memorandum of understanding on June 19, 2010 in St. Petersburg concerning EDF's investment in South Stream AG, the company formed to construct a gas pipeline under the Black Sea. The Memorandum stipulates that

EDF will join the project through a reduction in ENI's stake in South Stream. EDF's share will be of at least 10%.

2.2.1.3 Reinforcing renewable energies and environmentally-friendly technologies

2.2.1.3.1 Commissioning of the Nam Theun 2 hydroelectric plant in Laos

The commissioning of the Nam Theun 2 hydroelectric plant with total capacity of 1,070 MW in early May 2010 marked the completion of construction of this major project by the EDF group in South Asia. EDF will participate in operation of the facility through a concession arrangement signed with the Government of Laos for a period of 25 years, after which the government will become the owner of the plant. The project also includes ambitious environmental and social programmes defined and implemented jointly with the government of Laos, local populations and the World Bank.

2.2.1.3.2 EDF Energies Nouvelles brings 233 MW of wind and solar power generation facilities online

In the field of windpower, EDF Energies Nouvelles increased its wind generation capacity by 156.1 MW during the first half of 2010, mainly through commissioning the final tranche at La Ventosa in Mexico (67.5 MW in total) and Monte Grighine in Italy (98.9 MW in total), together with several windfarms in the UK, Greece, France and Turkey. EDF Energies Nouvelles also continued development in photovoltaic solar power, commissioning 61 MWp during the half-year, primarily in France, Spain and Italy.

2.2.2 Business in France

2.2.2.1 Nuclear generation

Nuclear generation produced 202.9 TWh in the first half of 2010, compared to 203.7 TWh for the first half of 2009. Factors reducing output were: a larger number of scheduled shutdowns, extension of the Bugey 3 shutdown, a higher volume of unscheduled outages, and longer outages caused by industrial action in 2009. Factors increasing output comprised: a lower number of extensions to scheduled shutdowns

and unscheduled outages (apart from exceptional incidents), lack of significant industrial action, more favorable environmental conditions and lower modulation than in first-half 2009. This made it possible to limit the decline over the period to 0.8 TWh.

2.2.2.2 Flamanville 3

Significant progress has been made on the Flamanville EPR project. Key milestones have been reached, including completion of the discharge tunnel, resolution of difficulties with the reinforcement and the liner, start-up of electromechanical facilities on the nuclear island, and good progress in the machine room. The target date for production of the first commercially viable power output is now set at 2014, with construction costs reestimated at some €5 billion.

2.2.2.3 EDF/Areva agreement

In application of the agreement of December 19, 2008 setting forth the principles governing back-end cycle contracts for the post-2007 period, EDF and Areva signed two contracts on July 12, 2010 entitled the “EDF-Areva NC Processing-Recycling agreement” and the “Protocol for recovery and conditioning of EDF waste, the final shutdown and decommissioning of the Areva NC plant at La Hague, and operations at Saint Laurent A”. The Processing-Recycling agreement lays down the contractual terms for the period 2008-2012 and the principles governing prices and investments for subsequent periods.

The effects of these agreements were recognized at June 30, 2010. As they had already been anticipated based on the previous agreements, they have no material impact on the Group’s consolidated financial statements

2.2.2.4 Exeltium

On March 25, 2010, EDF signed two amendments to the 2008 agreement with Exeltium. These agreements cover volumes of some 311 TWh and electricity supplies for the first tranche of the EDF-Exeltium agreement (for approximately 150 TWh) began on May 1, 2010. In compliance with the agreement, Exeltium settled its first advance of

€1.7 billion in late April. Deliveries for the second tranche of the agreement are scheduled to start on February 1, 2011.

2.2.3 Regulatory environment

2.2.3.1 France

2.2.3.1.1 Proposed law on the New organization of the electricity market

The proposed French law on the New organization of the electricity market was presented to the Council of Ministers on April 14, 2010 and adopted by the parliament in a first reading on June 15, 2010. The law is due to be examined by the Senate during a public session in late September.

The basic principles of the proposed law, intended to encourage development of competition on the electricity market in France, concern the following:

- development of competition by allowing other suppliers temporary access (for no more than 100 TWh) to EDF’s baseload nuclear energy output until 2025. This applies the principle of regulated access to historical nuclear energy (*ARENH - Accès Régulé à l’Electricité Nucléaire Historique*), for which the initial price will be set in line with the TARTAM transition tariff;
- control of peakload consumption ultimately requiring all suppliers to have the flexibility to renegotiate deliveries or guarantee sufficient production to supply all their customers;
- continuation of the “blue” tariff for residential and small business customers; the calculation method will be modified from 2015 in accordance with the principle of “regulated access to historical nuclear energy”;
- discontinuation of the “yellow” and “green” tariffs for business customers in 2015;
- deferral by 5 years, to 2016, of the deadline for establishment of dedicated assets¹⁵.

¹⁵ Assets built up in compliance with the Law of June 28, 2006 to cover long-term nuclear commitments.

2.2.3.1.2 Prolongation of the TaRTAM transition tariff system

The French Law of June 7, 2010 pushed back the date for the end of the TaRTAM transition tariff system from June 30 to December 31, 2010, and set forth the conditions in which customers wishing to benefit from this prolongation could do so. Consumers will not be able to leave the transition tariff before the December 31, 2010 deadline or change the tariff parameters during the same period unless there are favorable sustainable changes in activity at a site. The impact of application of this Law on the half-year financial statements at June 30, 2010 is a net increase of €265 million to provisions.

2.2.3.1.3 Hydropower concessions

On April 22, 2010 the French Ministry of Ecology, Energy, Sustainable Development and the Sea announced the scope and timetable for renewal of hydropower concessions. The measures concern ten concessions with a combined power of 5,300 MW, representing approximately 20% of the French hydropower fleet's power.

The concessions operated by EDF that are up for renewal represent concessionary power of some 4,300 MW and average annual generation output of 6.8 TWh or 15% of EDF's total hydropower output.

The State has decided to renew half of these concessions early (2,150 MW out of the total 4,300 MW). In application of the terms of the concession arrangements, an indemnity is payable to compensate the outgoing operator for a shortfall in income in the event of early termination of the concession.

Depending on the concessions, calls for tender should be spread over the period 2010 to 2013, for contracts to be awarded between 2013 and 2015.

2.2.3.2 Germany

The economic plan presented by the German federal government in June 2010 proposed introduction of a tax on nuclear fuel in Germany. This new tax could amount to €2.3 billion per year, probably beginning in

2011, and EnBW's liability could reach 20% of this total. Neither the details of this tax, which will have to be enacted in law, nor the terms for extending operation of the nuclear power plants as planned in the coalition government agreement of late 2009, have been defined as yet.

2.2.4 Governance

2.2.4.1 COMEX

On February 4, 2010 the EDF group formed a new management team headed by Henri Proglio. The members of the Group's Executive Committee (COMEX) since that date are : Henri Proglio, Chairman and Chief Executive Officer, Daniel Camus, Group Executive Vice President in charge of International Activities and Strategy, Pierre Lederer, Group Executive Vice President in charge of Customers, Optimisation and Trading, Hervé Machenaud, Group Executive Vice President in charge of Generation and Engineering, Jean-Louis Mathias, Group Executive Vice President in charge of the coordination of the French Activities and Human Resources, Thomas Piquemal, Group Executive Vice President in charge of Finance, Bernard Sananes, Group Executive Vice President in charge of Communication and Public and European Affairs, Alain Tchernonog, General Secretary. Denis Lépée is Secretary to the Executive Committee.

2.2.4.2 General Management

The Chairman and Chief Executive Officer Henri Proglio formed the EDF group's Management Committee on April 8, 2010. The members include the members of the COMEX plus: Michèle Bellon, Chair of ERDF's Management Board, Marianne Laigneau, Deputy Group Executive Vice President in charge of the coordination of the French Activities and Human Resources, Bruno Lescoeur, Deputy Group Executive Vice President in charge of International Activities and Strategy, Anne Le Lorier, Senior Executive Vice President Corporate Risk Management and Corporate Audit, Umberto Quadrino, Chief Executive Officer of Edison, Vincent De Rivaz, Chief Executive Officer of EDF Energy, Hans-Peter Villis, Chairman of the Management Board of EnBW, Gérard

Wolf, Deputy Group Executive Vice President in charge of International Activities and Strategy. Denis Lépée is Secretary to the Management Committee and Alain Tchernonog will chair the committee in the absence of the Chairman and CEO.

2.2.5 Human resources

2.2.5.1 Support measures for the reform of the special electricity and gas sector pension system in France

The main support measures for the electricity and gas sector pension reform contained in the agreement signed on January 29, 2008 came into application during 2009. For certain other measures negotiations were completed during the first half of 2010.

Negotiations concerning the way the system will take into consideration the specificities of different businesses resulted in signature of a sector-specific agreement. The new arrangements for attribution of “active work” (i.e. non-sedentary) classification are designed to reward the physical arduousness specific to work in the electricity and gas sector (an amendment to the regulations will be required before this agreement can be implemented). Employees hired on or after January 1, 2009 to a post in the “active work” category are attributed paid leave entitlements each year in proportion to the rate of “active work” in their job, entitling them to take time off after they qualify for retirement.

2.2.5.2 “EDF SA 2010 individual pay measures” agreement

The “EDF SA 2010 individual pay measures” agreement signed on February 18, 2010 complements the sector’s general measures agreed in November 2009. The overall average increase including all general and individual pay measures is 4.4% and relates to promotions and mobility.

2.2.6 Group financing

2.2.6.1 Bond issues of \$2.25 billion

In January 2010, EDF issued \$2.25 billion of bonds on the US market governed by Rule 144A of the US Securities and Exchange Commission (SEC): a \$1.4 billion tranche at the fixed rate of 4.6% maturing in 10 years, and a \$0.85 billion tranche at the fixed rate of 5.6% maturing in 30 years.

2.2.6.2 Bond issue on the Swiss market

On March 29, 2010 EDF issued a CHF 400 million bond at the fixed rate of 2.25% maturing in 7.5 years.

2.2.6.3 20-year €1.5 billion bond issue

On April 27, 2010 EDF issued a Euro-denominated bond maturing in 2030, with annual coupon of 4.625% (fixed rate). The order book amounted to €4.2 billion.

These operations contribute to the financing of the Group’s investment strategy, and are part of its policy of lengthening the maturity of debt.

2.2.6.4 Other bond issues in the Group

2.2.6.4.1 Edison

On March 10, 2010, Edison issued a €500 million bond maturing in 5 years, at the fixed rate of 3.25% per year.

2.2.6.4.2 RTE

RTE issued a €750 million bond on June 28, 2010, with 12-year maturity and a coupon of 3.875%.

2.2.7 Scope of consolidation

The main changes in the scope of consolidation are presented in note 5 to the condensed consolidated half-year financial statements at June 30, 2010.

3 Introduction to analysis of results for the first half-year of 2010

Pursuant to European regulation 1606/2002 of July 19, 2002 on the adoption of international accounting standards, the EDF group's condensed consolidated financial statements at June 30, 2010 are prepared using the presentation, recognition and measurement rules prescribed by the international accounting standards published by the IASB and approved by the European Union for application at June 30, 2010. These international standards are IAS (International Accounting Standards), IFRS (International Financial Reporting Standards), and interpretations issued by the SIC and IFRIC.

The accounting and valuation methods applied by the Group are presented in note 1 to the consolidated half-year financial statements at June 30, 2010.

4 Segment reporting of financial information

Segment information for the EDF group is reported in note 6 to the condensed consolidated financial statements at June 30, 2010.

5 Analysis of the consolidated income statements for the first half-years of 2010 and 2009

	H1 2010	H1 2009
In millions of euros		
Sales	37,513	34,827
Fuel and energy purchases	(15,743)	(13,995)
Other external expenses	(5,170)	(5,138)
Personnel expenses	(6,082)	(5,758)
Taxes other than income taxes	(1,708)	(1,650)
Other operating income and expenses	1,828	1,650
Prolongation of the TaRTAM – Law of June 7, 2010	(265)	
Operating profit before depreciation and amortization (EBITDA)	10,373	9,936
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities	58	309
Net depreciation and amortization	(3,824)	(3,478)
Net increases in provisions for renewal of property, plant and equipment operated under concessions	(251)	(296)
(Impairment)/Reversals	(7)	(17)
Other income and expenses	(1,060)	330
Operating profit (EBIT)	5,289	6,784
Financial result	(2,369)	(2,202)
Income before taxes of consolidated companies	2,920	4,582
Income taxes	(1,241)	(1,523)
Share in income of associates	147	138
Net income	1,826	3,197
Net income attributable to non-controlling interests	167	74
EDF net income	1,659	3,123
Net earnings per share (in Euros)	0.90	1.71
Diluted earnings per share (in Euros)	0.90	1.71

The Group's net income excluding non-recurring items net of tax amounted to €2,977 million for the first half of 2010 (€2,932 million for the first half of 2009).

5.1 Sales

Consolidated sales up by 7.7% (organic growth of 2.1 %)

In millions of euros	H1 2010	H1 2009	Variation	Variation (%)	Organic growth (%)
France	18,915	18,323	592	3.2	3.2
United Kingdom	5,640	5,851	(211)	(3.6)	(5.5)
Germany	4,111	3,764	347	9.2	10.1
Italy	2,753	2,524	229	9.1	8.8
Other International	3,457	1,557	1,900	122.0	(0.8)
Other Activities	2,637	2,808	(171)	(6.1)	(4.2)
Total excluding France	18,598	16,504	2,094	12.7	0.9
Group sales	37,513	34,827	2,686	7.7	2.1

The **EDF group's consolidated sales** totaled €37,513 million for first-half 2010, a rise of 7.7% compared to first-half 2009.

The effects of changes in the scope of consolidation totaled €1,574 million (+4.5%); they mainly related to the acquisition of SPE and CENG, and to a smaller degree the change in consolidation method for ESTAG¹⁶. Sales growth also incorporates positive foreign exchange effects of €362 million or +1%, essentially attributable to the rise of the currencies of the UK, Poland, Hungary and Brazil against the Euro. Excluding these effects, organic growth¹⁷ stood at +2.1%.

Sales outside France for the first half of 2010 represented 49.6% of total consolidated sales compared to 47.4% in first-half 2009.

In **France**, first-half sales amounted to €18,915 million, reflecting organic growth of 3.2% compared to first-half 2009 thanks to an increase in electricity sales, whereas natural gas and services activities decreased slightly.

Electricity activities in France benefited from the higher volumes sold and favorable price effects (chiefly associated with the tariff increase of August 15, 2009).

Sales **outside France** (the United Kingdom, Germany, Italy, Other International and Other Activities segments) registered a 12.7% increase corresponding to organic growth of 0.9%.

In the United Kingdom, sales declined (organic variation of -5.5%) due to unfavorable price effects and a slight downturn in nuclear generation levels against first-half 2009 (-2.5 TWh).

In Germany, the +10.1% organic growth principally results from consolidation of new generation capacities, while in Italy (+8.8% organic growth) volumes rose in the Electricity and Hydrocarbons segments.

In terms of organic growth, sales by the Other International segment were practically stable (-0.8%).

The lower level of sales by the Other Activities segment (organic variation of -4.2%) mainly reflects sales by EDF Trading, partly offset by higher sales revenues at EDF Energies Nouvelles.

¹⁶ From the equity method to proportional consolidation in July 2009.

¹⁷ The organic growth or decline is the change in Group business that does not incorporate the positive or negative effects of changes in the scope of consolidation (acquisitions or disposals of subsidiaries), or in exchange rates or accounting methods.

5.2 EBITDA

Consolidated EBITDA up by 4.4%, with organic growth of 1.1% (3.8% organic growth before prolongation of the TaRTAM transition tariff – Law of June 7, 2010)

In millions of euros	H1 2010	H1 2009	Variation	Variation (%)	Organic growth (%)
Sales	37,513	34,827	2,686	7.7	2.1
EBITDA	10,373	9,936	437	4.4	1.1

Consolidated EBITDA for the first half-year of 2010 amounted to €10,373 million, up by 4.4% from first-half 2009 (organic growth of 1.1%). This includes a net €265 million increase to provisions in view of the prolongation of the TaRTAM transition tariff system to December 31, 2010 (Law of June 7, 2010). Without the impact of this law, organic growth would be 3.8%. The effects of changes

in the scope of consolidation amounted to €216 million (2.2%), mostly associated with the acquisitions of SPE in Belgium and CENG in the US during 2009. Foreign exchange effects amounted to €93 million (+0.9%) resulting from rises in the UK, Hungarian, Polish and Brazilian currencies against the Euro.

In millions of euros	H1 2010	H1 2009	Variation	Variation (%)	Organic growth (%)
France	6,031	5,957	74	1.2	1.0
United Kingdom	1,601	1,589	12	0.8	(2.1)
Germany	816	620	196	31.6	29.5
Italy	365	393	(28)	(7.1)	(7.4)
Other International	602	295	307	104.1	19.0
Other Activities	958	1,082	(124)	(11.5)	(11.3)
Total excluding France	4,342	3,979	363	9.1	1.4
Group EBITDA	10,373	9,936	437	4.4	1.1

In **France**, **EBITDA** was up by 1.2% compared to first-half 2009, registering organic growth of +1% (excluding reclassification of the research tax credit). Excluding the impact of prolongation of the TaRTAM transition tariff system to December 31, 2010, although nuclear generation levels were lower, EBITDA showed organic growth of 5.4% thanks to network performances.

France contributed 58.1% of consolidated EBITDA for the first half of 2010 (59.9% in first-half 2009).

Outside France, EBITDA progressed by 9.1%, including the effect in first-half 2010 of consolidation of SPE and CENG late in the second half of 2009. Organic growth stood at +1.4%. Other Activities (EDF Trading), and to a lesser extent Italy and the United Kingdom, registered an organic decline, but EBITDA

rose in Germany, central and eastern Europe, Belgium and the Netherlands.

The Group's **EBITDA/sales ratio** for the first half-year stood at 27.7% in 2010 compared to 28.5% in 2009. The decrease was noticeable in the Other Activities segment (36.3% in 2010 against 38.5% in 2009), mainly relating to EDF Trading and Italy (13.3% in 2010 against 15.6% in 2009). The ratio was down slightly in France (31.9% in 2010 against 32.5% in 2009), but rose in the United Kingdom (28.4% in 2010 against 27.2% in 2009) and Germany (19.8% in 2010 against 16.5% in 2009).

5.2.1 Fuel and energy purchases

Fuel and energy purchases amounted to €15,743 million in the first half of 2010, up by €1,748 million compared to first-half 2009 (+12.5%). Organic growth was 3.5%.

In **France**, fuel and energy purchases showed slight organic growth of 0.6%.

Outside France, the 19.8% rise resulted from consolidation of SPE, CENG and the change in consolidation method for ESTAG, with organic growth of 5.3%. This growth was essentially concentrated in Germany where it reflects the expansion in business, and also in Italy which was affected by a rise in gas purchase costs. Conversely, fuel and energy purchases were down in the United Kingdom due to a fall in supply costs on the wholesale electricity and gas markets, and in the Other International segment.

5.2.2 Other external expenses

Other external expenses amounted to €5,170 million, €32 million (+0.6%) higher than in first-half 2009, with negative organic growth of -2.4%.

In **France**, other external expenses decreased by 0.5%. This reflects the decline in damage costs related to storms in 2010 compared to 2009, much of which was absorbed by maintenance-related expenses for the fossil-fired, nuclear and hydropower generation fleets.

Outside France, other external expenses increased by 2% but registered negative organic growth of -4.9%. There was organic growth in the Other Activities segment, largely driven by business growth at EDF Energies Nouvelles. Other external expenses showed negative organic growth in the United Kingdom due to lower maintenance costs, and in Germany.

5.2.3 Personnel expenses

Personnel expenses totaled €6,082 million, €324 million (5.6%) more than in the first half of 2009, corresponding to organic growth of 3.3%.

In **France**, personnel expenses totaled €4,203 million, with organic growth of 0.9% from first-half 2009. This increase mainly results from pay rises, and to a lesser degree changes in workforce numbers and pension expenses, partly offset by the discontinuation of specific measures taken in 2009.

Outside France, the 18.1% rise primarily reflects the consolidation of SPE and CENG in the Other International segment. The organic growth of 9.6% was chiefly located in the UK, where it reflected rising pension charges. Personnel expenses also showed a smaller increase in Germany due to rises in pension expenses, workforce numbers and salaries.

5.2.4 Taxes other than income taxes

Taxes other than income taxes stood at €1,708 million for the first half of 2010, up by €58 million (3.5%) from first-half 2009, corresponding to €43 million in organic growth. The rise was mainly located in France.

5.2.5 Other operating income and expenses

Other operating income and expenses generated net income of €1,828 million in the first half of 2010, €178 million higher than in the same period of 2009 (10.8%, with organic growth of 14%).

In **France**, other operating income and expenses registered negative organic growth of -10.8%, explained by gains on renegotiation of certain contracts in 2009 that had no equivalent in 2010.

Outside France, other operating income and expenses improved by €325 million (organic variation of €395 million). In the United Kingdom, they benefited from the sale of the Eggborough plant and fair value measurement of British Energy's electricity sale contracts. In Germany, they reflect the gain on disposal of GESO (€74 million) and an indemnity received for termination of a contract by the Austrian operator Tiwag (€37 million). Elsewhere, the rise in the Other Activities segment mainly reflects a gain on disposal by Dalkia in the Czech Republic (sale of Usti).

5.2.6 Prolongation of the TaRTAM transition tariff system – Law of June 7, 2010

In **France**, the first half of 2010 includes a net increase of €265 million to provisions following prolongation of the TaRTAM transition tariff system (Law of June 7, 2010).

5.3 EBIT

22% decrease in EBIT

In millions of euros	H1 2010	H1 2009	Variation	Variation (%)
EBITDA	10,373	9,936	437	4.4
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities	58	309	(251)	(81.2)
Net depreciation and amortization	(3,824)	(3,478)	(346)	9.9
Net increases in provisions for renewal of property, plant and equipment operated under concessions	(251)	(296)	45	(15.2)
(Impairment)/reversals	(7)	(17)	10	(58.8)
Other income and expenses	(1,060)	330	(1,390)	n.s.
Operating profit (EBIT)	5,289	6,784	(1,495)	(22.0)

EBIT totaled €5,289 million for the first half of 2010, down by 22% from first-half 2009.

Excluding a provision related to Group activities in the US (see section 6.5.3) and the impact of prolongation of the TaRTAM transition tariff system (see section 5.2.6), EBIT was 2.5% lower than in first-half 2009.

5.3.1. Net changes in fair value on Energy and Commodity derivatives, excluding trading activities

The net changes in fair value on Energy and Commodity derivatives, excluding trading activities, decreased from €309 million in the first half of 2009 to €58 million in the first half of 2010. Negative changes were mainly located in the United Kingdom and the Other Activities segment, and were partly offset by positive changes in the Other International segment.

5.3.2. Net depreciation and amortization

The €346 million increase in **net depreciation and amortization** is principally attributable to consolidation of SPE and CENG from late

2009, and higher depreciation and amortization in France.

5.3.3. Net increases in provisions for renewal of property, plant and equipment operated under concessions

The decrease of €45 million in net increases in provisions for renewal of property, plant and equipment operated under concessions between the first half of 2009 and the first half of 2010 is attributable to ERDF (the basis for valuation of assets renewable during the concession was reduced).

5.3.4. Other income and expenses

Other income and expenses were €1,390 million lower than in first-half 2009.

In the first half of 2009, they mainly included the gain on transfer of Emossion dam drawing rights to Alpiq.

In the first half of 2010, it includes a provision of €1,060 million related to Group activities in the US (see section 6.5.3).

5.4 Financial result

In millions of euros	H1 2010	H1 2009	Variation	Variation (%)
Cost of gross financial indebtedness	(1,379)	(1,271)	(108)	8.5
Discount expense	(1,690)	(1,592)	(98)	6.2
Other financial income and expenses	700	661	39	5.9
Financial result	(2,369)	(2,202)	(167)	7.6

The **financial result** for first-half 2010 is a financial expense of €2,369 million, up by €167 million from first-half 2009 as a result of:

- a €108 million rise in interest expenses associated with the rise in the average gross indebtedness;
- a €98 million increase in discount expenses, essentially in the United Kingdom (pension funds) and to a lesser degree, the impact of consolidation of CENG in 2009;
- a favorable €39 million change in other financial income and expenses.

5.5 Income taxes

Income taxes amounted to €1,241 million in the first half of 2010, corresponding to an effective tax rate of 42.5% (compared to an expense of €1,523 million corresponding to an effective tax rate of 33.2% for the first half of 2009). They are calculated by applying the forecast effective tax rate for 2010 to the pre-tax income at June 30, 2010.

The increase in the effective tax rate observed in the first half of 2010 relates to the provision associated with Group activities in the US. Excluding this factor, the effective tax rate for first-half 2010 is 31.2%.

5.6 Share in income of associates

The Group's share in income of associates was a positive €147 million at June 30, 2010, compared to €138 million at June 30, 2009. The difference reflects the favorable impact of the start of commercial operations by the Nam Theun Power Company dam in Laos during the first half of 2010.

5.7 Net income attributable to non-controlling interests

Net income attributable to non-controlling interests amounted to €167 million at June 30, 2010, €93 million more than at June 30, 2009.

This increase mainly results from consolidation of SPE (€53 million), Centrica's acquisition of 20% of Lake Acquisitions Limited, and the higher net income at Dalkia.

5.8 EDF net income

EDF net income was €1,659 million at June 30, 2010, down by 46.9% compared to first-half 2009 (€3,123 million).

5.9 Net income excluding non-recurring items

The Group's **net income excluding non-recurring items**¹⁸ stood at €2,977 million for first-half 2010, €45 million (+1.5%) higher than at June 30, 2009.

5.10 Net indebtedness¹⁹

Net indebtedness stood at €44.1 billion at June 30, 2010 compared to €42.5 billion at December 31, 2009.

The net indebtedness/EBITDA ratio at June 30, 2010²⁰ is 2.5 (compared to 2.5 at December 31, 2009²¹).

¹⁸ Group net after-tax income excluding non-recurring items. Non-recurring items net of tax in first-half 2010 (-€1,318 million): -€1,060 million for a provision related to Group activities in the US (see section 6.5.3), -€258 million for the TaRTAM provision and various risks and impairments.

Non-recurring items net of tax in first-half 2009: €191 million: €209 million for the Emosson transfers for the formation of Alpiq and €18 million of provisions for impairment of available-for-sale assets at EnBW.

¹⁹ Net indebtedness comprises total loans and financial liabilities, less cash and cash equivalents and liquid assets. Liquid assets are financial assets comprising funds and interest rate instruments with initial maturity of over three months that are readily convertible into cash regardless of their maturity and are managed according to a liquidity-oriented policy.

²⁰ This ratio at June 30, 2010 is calculated based on cumulative EBITDA for the second half of 2009 and the first half of 2010.

²¹ Adjusted for the impact of application of IFRIC 18.

6 Breakdown of EBIT by geographical area

The EDF group's segment reporting principles are presented in note 6 to the condensed consolidated half-year financial statements at June 30, 2010.

The breakdown of EBIT by geographical segment is as follows:

In millions of euros H1 2010	France	United Kingdom	Germany	Italy	Other International	Other Activities	Group
SALES	18,915	5,640	4,111	2,753	3,457	2,637	37,513
Fuel and energy purchases	(5,367)	(2,982)	(2,608)	(2,108)	(2,154)	(524)	(15,743)
Other external expenses	(2,861)	(647)	(432)	(205)	(319)	(706)	(5,170)
Personnel expenses	(4,203)	(667)	(375)	(105)	(248)	(484)	(6,082)
Taxes other than income taxes	(1,564)	(42)	(6)	(4)	(45)	(47)	(1,708)
Other operating income and expenses	1,376	299	126	34	(89)	82	1,828
Prolongation of the TaRTAM – Law of June 7, 2010	(265)						(265)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	6,031	1,601	816	365	602	958	10,373
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities	(20)	(23)	(3)	15	119	(30)	58
Net depreciation and amortization	(2,088)	(776)	(203)	(231)	(294)	(232)	(3,824)
Net increases in provisions for renewal of property, plant and equipment operated under concessions	(251)	0	0	0	0	0	(251)
(Impairment)/Reversals	0	0	(6)	(2)	0	1	(7)
Other income and expenses	0	0	0	0	(1,060)	0	(1,060)
OPERATING PROFIT (EBIT)	3,672	802	604	147	(633)	697	5,289

In millions of euros H1 2009	France	United Kingdom	Germany	Italy	Other International	Other Activities	Group
SALES	18,323	5,851	3,764	2,524	1,557	2,808	34,827
Fuel and energy purchases	(5,334)	(3,024)	(2,302)	(1,843)	(935)	(557)	(13,995)
Other external expenses	(2,875)	(753)	(499)	(209)	(167)	(635)	(5,138)
Personnel expenses	(4,167)	(534)	(360)	(99)	(103)	(495)	(5,758)
Taxes other than income taxes	(1,513)	(40)	(6)	(3)	(42)	(46)	(1,650)
Other operating income and expenses	1,523	89	23	23	(15)	7	1,650
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	5,957	1,589	620	393	295	1,082	9,936
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities	6	115	34	1	0	153	309
Net depreciation and amortization	(1,993)	(772)	(185)	(237)	(103)	(188)	(3,478)
Net increases in provisions for renewal of property, plant and equipment operated under concessions	(296)	0	0	0	0	0	(296)
(Impairment)/Reversals	0	0	(5)	(10)	(1)	(1)	(17)
Other income and expenses	330	0	0	0	0	0	330
OPERATING PROFIT (EBIT)	4,004	932	464	147	191	1,046	6,784

6.1 France

In millions of euros	H1 2010	H1 2009	Variation	Variation (%)	Organic growth (%)
Sales	18,915	18,323	592	3.2	3.2
EBITDA	6,031	5,957	74	1.2	1.0
EBIT	3,672	4,004	(332)	(8.3)	

6.1.1 Breakdown of financial information for the “France” segment

The following breakdown is used in presenting France’s contribution to Group sales and EBITDA:

- **“Deregulated activities”** covering Generation, Supply and Optimization in mainland France, and sales of engineering and consulting services.
- **“Network activities in mainland France”** (Transmission and Distribution), which are regulated via the network access tariff TURPE (*Tarifs d’Utilisation des Réseaux Publics d’Electricité*). Sales for the regulated activities include the delivery cost included in integrated tariffs.
- **“Island activities”**, which covers EDF’s Generation and Distribution activities in the island energy systems (SEI – *Systèmes Energétiques Insulaires*).

6.1.2 Market opening

At June 30, 2010, EDF’s share of the electricity market for all final customers was 84% (85.7% at June 30, 2009).

6.1.3 The supply-demand balance

The volume of power produced by nuclear generation in the first half of 2010 was 202.9 TWh, against 203.7 TWh in the first half of 2009. Although the estimated 7.6 TWh production loss caused by industrial action in 2009 had no equivalent this year, 2010 levels were affected by higher unavailability as explained in section 2.2.2.1.

Hydropower generation reached 21.7 TWh, slightly less than in the first half of 2009 (-0.3 TWh).

Fossil-fired generation produced 9.2 TWh, 0.3 TWh more than in the first half of 2009.

Sales volumes to final customers, including local distribution firms, were down by 0.4 TWh. Losses of customers, particularly at the high end of the portfolio²² and in the residential segment, were not fully offset by the rise in demand caused by colder weather (+4.8 TWh), the ongoing steady growth in demand from residential customers, and the slight recovery in demand from very large industrial customers.

The net volumes sold on the wholesale markets (including through VPP²³ auctions) registered a downturn (-5.6 TWh) from first-half 2009. Excluding VPP auctions, EDF was a net purchaser of 9.1 TWh in the first half of 2010. At 19.2 TWh, VPP auctions were stable compared to first-half 2009.

6.1.4 Sales

France contributed €18,915 million to Group sales, 3.2% more than for first-half 2009, including 3.3 percentage points for electricity sales and -0.1 percentage points attributable primarily to natural gas and services.

The rise in electricity sales reflects both price effects (1.2 points) and volume effects (2.1 points including delivery in addition to generation). The positive price effect principally results from the tariff increases of August 15, 2009, which outweighed the negative price effect on forward wholesale markets more than 1 year ahead (auctions for which prices were contractualized in 2009).

²² Very large business and industrial customers.

²³ Virtual Power Plant capacity auctions.

6.1.5 EBITDA

France's contribution to Group EBITDA was €6,031 million, up by 1.2% compared to first-half 2009 (€5,957 million).

EBITDA includes the effect of the lower nuclear power output, gains in 2009 on renegotiation of certain long-term contracts without any equivalent in 2010, and the €265 million net increase to the provision to cover costs of compensating competitors under the TaRTAM transition tariff system, which has been extended to the second half of 2010 (Law of June 7, 2010).

Before the cost of prolongation of the TaRTAM system, EBITDA registered organic growth of 5.4%.

6.1.5.1 Fuel and energy purchases

Fuel and energy purchases in France amounted to €5,367 million in the first half of 2010, stable compared to the same period of 2009.

6.1.5.2 Other external expenses and personnel expenses

Other external expenses amounted to €2,861 million, down by 0.5% from first-half 2009 when this item included the cost of damage related to storms.

Other factors in the change were expenses caused by the greater number of shutdowns in the fossil-fired fleet and nuclear fleet in first-half 2010 (including shutdowns deferred or extended from 2009), a step-up in the pace of hydropower fleet maintenance, and development of new operations.

Personnel expenses totaled €4,203 million, up by 0.9% from first-half 2009 which was affected by specific factors (free share distribution plan, supplementary profit share

bonus and the cost of damage related to storms). Although these were not repeated in 2010, the following factors contributed to higher personnel expenses: pay rises, and to a lesser extent increases in workforce numbers and the effect of applying a lower discount rate to long-term pension obligations.

6.1.5.3 Taxes other than income taxes

These taxes (including the local economic contribution, property taxes and taxes specific to the electricity industry) rose by 3.4% (€51 million).

6.1.5.4 Other operating income and expenses

Other operating income and expenses generated net income of €1,376 million, €147 million lower than in first-half 2009. This decline is mainly explained by the non-recurring effect of gains recorded in 2009 on renegotiation of certain long-term contracts.

6.1.5.5 Prolongation of the TaRTAM transition tariff – Law of June 7, 2010

A net increase of €265 million to provisions was booked to cover costs associated with prolongation of the TaRTAM transition tariff system to the second half of 2010 (Law of June 7, 2010).

6.1.6 Breakdown of financial information for the “France” segment between deregulated activities, network activities and island activities

The following table shows the variations in sales and EBITDA in France for the deregulated activities, network activities and island activities respectively between the first half-years of 2009 and 2010.

In millions of euros	H1 2010	H1 2009	Variation	Variation (%)	Organic growth (%)
Sales	18,915	18,323	592	3.2	3.2
Deregulated activities	12,152	12,082	70	0.6	0.6
Network activities	6,858	6,445	413	6.4	6.4
Island activities	409	362	47	13.0	13.0
Eliminations	(504)	(566)	62	(11.0)	(11.0)
EBITDA	6,031	5,957	74	1.2	1.0
Deregulated activities	3,721	4,189	(468)	(11.2)	(11.6)
Network activities	2,215	1,662	553	33.3	33.2
Island activities	95	106	(11)	(10.4)	(10.4)

The 0.6% increase in sales by the deregulated activities is primarily attributable to the favorable impact of the 2009 tariff rise and the colder weather of first-half 2010 compared to first-half 2009, partly counterbalanced by lower net sales on the wholesale markets.

Sales by the network activities were up by €413 million, reflecting the network tariff increases of August 2009, additional income due to volume increases (caused by weather conditions and other factors), and higher income from interconnections.

EBITDA for the deregulated activities was down by 11.2% (4.8% excluding the prolongation of the TaRTAM transition tariff system). This decrease comprises the effect of the lower nuclear power output, the non-recurring effect in 2009 of gains on certain long-term contracts, and the additional provision for prolongation of the TaRTAM transition tariff system to the second half of 2010.

EBITDA for the network activities rose by 33.3%, due to higher sales revenues in first-half 2010 and the impact of the cost of damage related to storms, which was €130 million higher in first-half 2009 than first-half 2010.

EBITDA for the island activities was stable.

6.1.7 EBIT

France's contribution to consolidated EBIT stood at €3,672 million, €332 million lower than in first-half 2009. This decline reflects the gain on transfer of the Emosson dam drawing rights in 2009 (€+320 million) as part of the contribution to Alpiq, which had no equivalent in 2010.

EBIT decreased by 1.7% excluding the effect of prolongation of the TaRTAM transition tariff system.

6.2 United Kingdom

In millions of euros	H1 2010	H1 2009	Variation	Variation (%)	Organic growth (%)
Sales	5,640	5,851	(211)	(3,6)	(5,5)
EBITDA	1,601	1,589	12	0,8	(2,1)
EBIT	802	932	(130)	(13,9)	

Since January 5, 2009 the **United Kingdom** segment has included British Energy's contribution to the consolidated financial statements. **EDF Energy** now comprises four operating divisions, respectively handling Network activities, Generation and Supply activities, British Energy's Existing Nuclear division and development of the Nuclear New Build project in the United Kingdom.

The Existing Nuclear division's operational results for the first half of 2010 showed a decrease in its nuclear power output (24.8 TWh in first-half 2010 compared to 27.3 TWh in first-half 2009).

The Eggborough coal-fired plant belonging to the Existing Nuclear division was sold on March 31, 2010, in accordance with the terms of the acquisition of British Energy.

6.2.1 Sales

Sales in the **United Kingdom** amounted to €5,640 million, down by 3.6% with negative organic growth of -5.5% excluding the foreign exchange effect and the change in scope of consolidation resulting from disposal of the Eggborough plant. This decrease is partly attributable to Supply activities and partly to the Existing Nuclear division:

- sales for the Generation and Supply division were marked by lower contractual sales prices for business customers and the 8.8% cut in tariffs for residential customers in March 2009. Gas activities, in contrast, remained stable overall, as the falling tariff for residential customers (cut by more than 6% in October 2009 and 3.6% on March 26, 2010) was offset by higher volumes.
- sales in the Existing Nuclear activity were down due to the lower generation output and wholesale prices.

Sales in the Network activities were stable compared to first-half 2009.

6.2.2 EBITDA

The **United Kingdom's** contribution to Group EBITDA was €1,601 million for the first half of 2010, up by 0.8% from first-half 2009, corresponding to negative organic growth in EBITDA of -2.1%²⁴.

Generation and Supply activities registered significantly higher EBITDA, as the decline in sales was more than offset by the fall in fuel and energy purchase prices, and the lower risk on doubtful receivables.

EBITDA for the Existing Nuclear activities was lower than in first-half 2009. It was affected by lower nuclear output (-2.5 TWh) attributable among other factors to an unscheduled shutdown at the Sizewell plant, but benefited from lower supply costs and the impact of disposal of the Eggborough plant.

EBITDA for the Network activities was down slightly in relation to the first half of 2009 due to lower connection income (which did not affect EBIT).

6.2.3 EBIT

The **United Kingdom's** contribution to Group EBIT was €802 million in first-half 2010, a decline of 13.9% resulting mainly from the positive impact in first-half 2009 of net changes in the fair value of Energy and Commodity derivatives, excluding trading activities (€115 million, compared to -€23 million in first-half 2010).

²⁴ Organic growth of 1.7% taking into consideration the first-half 2009 impact of entries for the finalized allocation of the acquisition price of British Energy.

6.3 Germany

In millions of euros	H1 2010	H1 2009	Variation	Variation (%)	Organic growth (%)
Sales	4,111	3,764	347	9.2	10.1
EBITDA	816	620	196	31.6	29.5
EBIT	604	464	140	30.2	

6.3.1 Sales

EnBW's contribution to Group sales for the first half of the year rose by €347 million (9.2%), with organic growth at 10.1%. The increase concerns the electricity business.

The unfavorable €32 million impact of changes in the scope of consolidation resulting from the loss of sales revenues following disposal of GESO on March 31, 2010 was partly counterbalanced by the higher investments in the Lippendorf, Bexbach and Rostock plants.

The 20% rise in electricity sales principally concerned the wholesale markets (+18 TWh) due to development of business on these markets, particularly inclusion of new generation capacities in Germany, although volumes sold to final customers were lower as competition was greater. Price effects remained favorable, particularly on sales to residential customers.

Sales by the gas activities were down, due to unfavorable price effects combined with lower sales volumes on the redistributor segment.

6.3.2 EBITDA

EnBW's contribution to Group EBITDA was up by €196 million or 31.6% over first-half 2009, with organic growth at 29.5%.

The improvement in EBITDA for electricity activities mainly resulted from positive developments in the regulated activities through higher transmission and distribution network access fees due to rises in both prices and quantities transmitted, and lower charges for the cost of losses and renewable energies.

In the gas activities, first-half EBITDA was below its 2009 level because of greater pressure from competition, which affected margins and quantities despite the rise in network access fees.

EBITDA also benefited from the gain on disposal of GESO (€74 million) and an indemnity received for the early termination of a contract by the Austrian operator Tiwag (€37 million).

6.3.3 EBIT

EnBW's contribution to Group EBIT was €604 million, €140 million (+30.2%) higher than in first-half 2009.

This increase reflects the higher EBITDA, partly offset by the unfavorable impact of net changes in the fair value of Energy and Commodity derivatives, excluding trading activities.

6.4 Italy

In millions of euros	H1 2010	H1 2009	Variation	Variation (%)	Organic growth (%)
Sales	2,753	2,524	229	9.1	8.8
EBITDA	365	393	(28)	(7.1)	(7.4)
EBIT	147	147	0	0	

6.4.1 Sales

Italy²⁵ contributed €2,753 million to consolidated sales, up by 9.1% corresponding to organic growth of 8.8%.

Edison registered a €253 million (+11.2%) rise in sales resulting from higher demand in the electricity business, and also in the hydrocarbon activity, although this has not yet returned to pre-crisis level.

Electricity activities benefited from the positive volume effect of higher sales to final customers and wholesalers. This partly offset a negative price effect caused by falling market prices.

In the hydrocarbon activities, growth in volumes sold on the final markets more than compensated for the unfavorable price effect associated with falling average gas sales prices.

Sales by **Fenice** were down by €24 million (-9.1%, or negative organic growth of -11.7%), primarily due to the transfer of energy supply contracts to Fiat during the second half of 2009 in application of new gas regulations in Italy. This transfer did not have a significant impact on the margin, and is partly offset by a positive development in business volumes.

6.4.2 EBITDA

The **Italy** segment contributed €365 million to the Group's consolidated EBITDA, down by 7.1% from 2009, or 7.4% based on constant scope and exchange rates.

Edison contributed €305 million in first-half 2010 against €352 million in first-half 2009, corresponding to an organic decline of €47 million or -13.4%.

²⁵ Edison Group and Fenice.

EBITDA for the electricity activities²⁶ increased due to a rise in volumes sold, although the increase was mitigated by shrinking margins as energy prices fell.

The hydrocarbon activities' contribution²⁵ to EBITDA was noticeably lower than in first-half 2009. These activities were strongly affected by the fall in margins on gas sales to final customers, which resulted from the combined effect of higher purchase costs and lower sales prices. Growth in exploration-generation activities outside Italy, including +28.9% in gas production²⁷, partly compensated for this.

Fenice's contribution to consolidated EBITDA amounted to €58 million for the first half of 2010, up by €17 million from 2009, particularly with the growth in energy and environmental services.

6.4.3 EBIT

Italy's contribution to consolidated EBIT was stable at €147 million. Despite the decline in EBITDA, EBIT remained at its first-half 2009 level, as Edison benefited from lower depreciation and amortization expenses due to lower exploration expenses.

²⁶ The impact of gas and foreign exchange hedges associated with electricity sales is reclassified as electricity sales.

²⁷ Particularly with the effect of operation of the Abu Qir gas field.

6.5 Other International

In millions of euros	H1 2010	H1 2009	Variation	Variation (%)	Organic growth (%)
Sales	3,457	1,557	1,900	122.0	(0.8)
EBITDA	602	295	307	104.1	19.0
EBIT	(633)	191	(824)	n.s.	

The Other International segment principally covers other operations in Europe (Benelux including SPE, owned 63.5% by EDF, and central and western European countries), Asia (China, Vietnam and Laos), the Norte Fluminense fossil-fired plant in Brazil and nuclear activities in the United States with the investment in Constellation Energy Nuclear Group (CENG), owned 49.99% by EDF.

6.5.1 Sales

The Other International segment contributed €3,457 million to Group sales for first-half 2010, up by €1,900 million from first-half 2009. The rise is essentially attributable to changes in the scope of consolidation (€1,777 million) principally concerning SPE, CENG and the change in consolidation method for ESTAG²⁸. Favorable foreign exchange effects amounted to €136 million. Without these scope and exchange effects, sales would show an organic decline of 0.8% compared to first-half 2009, located chiefly in Belgium and Brazil.

In central and western Europe, sales were stable before the foreign exchange effect, which was strongly positive in Poland and Hungary.

The 10.8% organic growth in **Poland** mostly resulted from volume growth caused by the cold temperatures of first-half 2010 against a downward trend in electricity sales prices. The lower sales in **Hungary** and **Slovakia** also reflect falling electricity prices.

Business in **other European** countries (Belgium, the Netherlands, Switzerland and Austria) includes the activities of SPE from November 26, 2009 and ESTAG since July 1, 2009. Excluding the effect of changes in the scope of consolidation, the organic variation in

this zone was -16.8%, essentially resulting from lower volumes at EDF Belgium.

In the **Asia-Pacific** region, organic growth of +13.6% was underpinned by good performances by Figlec (China) and Mecos (Vietnam).

In **Brazil**, there was an organic variation of -14.5% in sales due to a decline in contractual prices which are partly indexed on the US dollar (which fell against the Brazilian real). This decline has only a negligible impact on the margin, due to the terms of the contracts.

6.5.2 EBITDA

EBITDA for the Other International segment, excluding the effects of changes in the scope of consolidation and exchange rates, saw organic growth of 19%.

In the central and western European countries, EBITDA rose by €68 million (+32.5%) despite the unfavorable impact of foreign exchange rates. Excluding foreign exchange effects, organic growth stood at +23%.

Poland achieved 13.4% organic growth in EBITDA thanks to an increase in the volumes of heat and electricity generated.

In **Hungary**, EBITDA showed strong organic growth (+55%), especially at EDF Demasz where sales margins recovered in 2010.

EBITDA in other European countries (Belgium, the Netherlands, Switzerland and Austria) rose by €157 million following consolidation of SPE and commissioning of the Sloe GCC plant in the Netherlands during the second half of 2009. In Belgium, SPE's initial results confirm the path decided by EDF: the half-yearly EBITDA of €113 million reflected improved results in both gas and electricity. At EDF Belgium, the decline in

²⁸ From the equity method to proportional consolidation in July 2009.

volumes was more than offset by diversification of sourcing, and cost control.

In the **Asia-Pacific** region, EBITDA registered organic growth of €4 million in the first half of 2010 over first-half 2009 EBITDA, corresponding to a 7.4% rise.

Brazil registered negative organic growth of -2.9% in EBITDA due to an increase in maintenance costs associated with seasonal shutdowns of generation facilities.

6.5.3 EBIT

EBIT was down by €824 million compared to the first half of 2009.

The main factor in this decrease is a provision related to Group activities in the US associated with the Group's partnership with Constellation Energy Group.

At June 30, 2010, new information and perspectives were incorporated into our assessment of the risks on investments undertaken as part of this cooperation:

- the market conditions reflected in the short-term and long-term outlook for energy prices in the US are less favorable, and this affects the expected return on existing assets of CENG and the new nuclear assets,

- in light of the new information and prospects, only one project is currently in development at this stage.

As a result of all the new information and perspectives, EDF recognized a provision of €1,060 million and a corresponding expense was recognized under "Other income and expenses".

This provision covers the risks of impairment of the assets of CENG, the investment in Unistar and certain future costs and risks associated with the project, as EDF still intends to continue studies for development of a new reactor on the Calvert Cliffs site.

The value of this provision and its allocation to the corresponding assets and liabilities will be finalized when the allocation of the purchase price for CENG is finalized during preparation of the financial statements at December 31, 2010.

Other factors in the change in EBIT are the rise in EBITDA and the favorable impact of net changes in the fair value of Energy and Commodity derivatives, excluding trading activities, related to SPE. This was partly offset by an increase in depreciation and amortization charges following the acquisitions of SPE and CENG.

6.6 Other Activities

In millions of euros	H1 2010	H1 2009	Variation	Variation (%)	Organic growth (%)
Sales	2,637	2,808	(171)	(6.1)	(4.2)
EBITDA	958	1,082	(124)	(11.5)	(11.3)
EBIT	697	1,046	(349)	(33.4)	

Other activities comprise, among other entities, EDF Energies Nouvelles, EDF Trading, Electricité de Strasbourg and the investment in Dalkia.

6.6.1 Sales

The contribution by the Other activities segment to Group sales was €2,637 million, down by €171 million or 6.1%, with negative organic growth of -4.2% from first-half 2009 mainly related to business by EDF Trading.

EDF Trading's²⁹ first-half sales showed an organic decline of €260 million (-37.1%). This noticeable downturn compared to first-half 2009 is explained by deteriorating market conditions. The financial crisis in Europe had repercussions for the commodity markets, which suffered strong disruption from early May 2010, with decorrelation on commodities, as well as actor behavior that was disconnected from fundamentals.

Sales at **EDF Energies Nouvelles** improved by 31.3% over first-half 2009 thanks to the dynamic solar and wind power Generation activity: several facilities were commissioned in 2009 and others, mainly in Europe, in the first half of 2010.

Dalkia's contribution to sales showed organic growth of €9 million (+0.8%).

6.6.2 EBITDA

Other Activities contributed €958 million to Group EBITDA, €124 million less than in first-half 2009, with an organic variation of -11.3%.

The organic decline in this segment's EBITDA was principally attributable to **EDF Trading**,

where EBITDA was down by 41.8% from June 30, 2009 to €331 million at June 30, 2010.

EDF Energies Nouvelles' contribution to consolidated EBITDA registered an organic increase of 19.2% from first-half 2009.

Dalkia's EBITDA saw organic growth of €71 million (48.3%), primarily due to the gain on sale of Usti in the Czech Republic.

6.6.3 EBIT

EBIT for Other Activities decreased by €349 million compared to first-half 2009.

This mainly reflects the lower EBITDA, but also the impact of adjustments related to net changes in fair value on Energy and Commodity derivatives, excluding trading activities (this impact was favorable in first-half 2009). Depreciation and amortization also increased as business expanded at EDF Energies Nouvelles.

²⁹ EDF Trading sales consist of trading margins.

7 Net indebtedness, cash flow and investments

Net indebtedness comprises total loans and financial liabilities, less cash and cash equivalents and liquid assets. Liquid assets are financial assets consisting of funds or securities with initial maturity of over three

months that are readily convertible into cash regardless of their maturity and are managed according to a liquidity-oriented policy.

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

In millions of euros	H1 2010	H1 2009	Variation	Variation (%)
Operating profit before depreciation and amortization (EBITDA)	10,373	9,936	437	4.4
Cancellation of non-monetary items included in EBITDA	(1,145)	(2,219)	1,074	
Net financial expenses disbursed	(1,129)	(813)	(316)	
Income taxes paid	(1,177)	(85)	(1,092)	
Other items (1)	94	146	(52)	
Operating cash flow (2)	7,016	6,965	51	0.7
Change in working capital (3)	783	232	551	
Net operating investments (gross CAPEX less disposals)	(5,903)	(5,481)	(422)	
Free cash flow	1,896	1,716	180	10.5
Dedicated assets	(881)	0	(881)	
Net financial investments	(22)	(12,293)	12,271	
Dividends paid	(1,205)	(1,225)	20	
Other changes (4)	195	33	162	
(Increase) decrease in net indebtedness, excluding the impact of changes in scope of consolidation and exchange rates	(17)	(11,769)	11,752	ns
Effect of change in scope of consolidation	(34)	710	(744)	
Effect of change in exchange rates	(1,359)	(1,283)	(76)	
Effect of other non-monetary changes (5)	(194)	27	(221)	
(Increase)/Decrease in net indebtedness	(1,604)	(12,315)	10,711	ns
Net indebtedness at beginning of period	42,496	24,476		
Net indebtedness at end of period	44,100	36,791		

(1) Mainly corresponds to dividends received from associates.

(2) Operating cash flow is not defined by IFRS, and is not directly visible in the consolidated cash flow statements. EDF uses Operating cash flow to assess the Group's capacity to generate free cash flow. This indicator, also known as Funds From Operations (FFO), is equivalent to net cash flow from operating activities (Cash flow statement) excluding changes in working capital, less net financial expenses disbursed and income taxes paid, adjusted for the impact of non-recurring items.

(3) In 2010, this includes the Exeltium advance of €1,747 million received at the end of April 2010.

(4) Mainly contributions received in relation to concession assets, and investment subsidies.

(5) Mainly corresponds to changes in fair value and accounting reclassifications affecting components of net indebtedness.

7.1 Net indebtedness

The Group's net indebtedness stood at €44,100 million at June 30, 2010 compared to €42,496 million at December 31, 2009. The increase over the first half of 2010 thus totaled €1,604 million.

The Group generated free cash flow of €1,896 million. This includes capital expenditure net of disposals of €5,903 million, financed by the net cash flow from operations (€7,016 million) and the favorable €783 million change in working capital.

Allocations to dedicated assets amounted to €881 million. In first-half 2009 these allocations had been suspended.

Dividends paid in cash (€1,205 million) comprise the balance of the 2009 dividends (€1,109 million) and dividends paid to minority shareholders (€96 million). Dividends paid out by EDF SA in 2009 totaled €1,225 million.

Net indebtedness is stable before foreign exchange effects.

Following the rise in the US dollar and the pound sterling against the Euro³⁰, foreign exchange effects had an adverse effect of €1,359 million on the Group's net indebtedness.

7.2 Operating cash flow and free cash flow

The **operating cash flow** for first-half 2010 stood at €7,016 million, a slight increase of 0.7% over its first-half 2009 level of €6,965 million.

This change comprises the variation in EBITDA (+€437 million) and elimination of non-monetary items (down by €1,074 million), together with the negative impact of increases

in income taxes³¹ (+€1 092 million) and financial expenses disbursed (+€316 million).

The change in non-monetary components of EBITDA mainly reflects neutralization of the TaRTAM transition tariff system (net increase of €265 million to cover prolongation of the system to the end of 2010, and the smaller by €336 million amount reversed from the provision than in 2009), and lower amounts reversed from EDF Energy's provisions (€261 million).

The **free cash flow** for first-half 2010 stood at €1,896 million, compared to €1,716 million for first-half 2009.

7.3 Change in working capital

Working capital decreased by €783 million over the first half of 2010. France, International Activities³² and Other Activities contributed to this improvement, with reductions in working capital of €359 million, €341 million and €83 million respectively.

In **France**, the main explanation for the €359 million decrease in working capital is the receipt of the first advance under the agreement with the Exeltium consortium, amounting to €1,747 million. This offset the decline in trade payables caused by the seasonal nature of purchases (-€970 million) and the increase in the CSPE receivable (Contribution to the Public Electricity Service) (-€541 million).

Outside France, working capital was down by €341 million, mainly as a result of the decrease in customer receivables in the United Kingdom (€388 million), largely attributable to seasonal effects.

The **Other Activities** segment registered a €83 million decrease in working capital resulting mainly from the reduction in working capital at EDF Energies Nouvelles (€235 million). This improvement was counterbalanced by the rise in working capital at EDF Trading (-€201 million) due to

³⁰ The US dollar rose by 17% against the Euro, from €0.6942/\$1 at December 31, 2009 to €0.8149/\$1 at June 30, 2010.

The pound sterling rose by 9% against the Euro, from €1.1260/£1 at December 31, 2009 to €1.2233/£1 at June 30, 2010.

³¹ Mainly due to the reimbursement in 2009 of excess advance installments paid in respect of the previous year.

³² United Kingdom, Germany, Italy and Other International.

unfavorable developments in net payments related to margin calls.

7.4 Operating investments (Gross Capex) up by 7.7%

Gross operating investments (gross capital expenditure) at June 30, 2010 amounted to €5,993 million, up by €428 million (7.7%) from first-half 2009.

Changes over the period in the Group's gross capital expenditure were as follows:

In millions of euros	H1 2010	H1 2009	Variation	Variation (%)
Network activities	1,726	1,539	187	12.2
Deregulated activities	1,742	1,630	112	6.9
Island activities	233	239	(6)	(2.5)
France	3,701	3,408	293	8.6
United Kingdom	894	969	(75)	(7.7)
Germany	265	222	43	19.4
Italy	213	267	(54)	(20.2)
Other International	256	135	121	89.6
Outside France	1,628	1,593	35	2.2
Total Other Activities	664	564	100	17.9
Operating investments (Gross Capex)	5,993	5,565	428	7.7

Capital expenditure increased in most geographic areas compared to first-half 2009, with the exception of the United Kingdom and Italy. Almost 70% of the increase was located in France.

The increase in capital expenditure in **France** was €293 million (+8.6%). In the network activities, it primarily concerned connection investments related particularly to development of renewable energies. For the deregulated activities, the increase was essentially driven by the nuclear activities, with the on-going construction of the Flamanville 3 EPR and the accelerated pace of the steam generator replacement program as compared to 2009. Capacity development investments in the first half of 2010 concerned fossil-fired facilities (CT³³ at Montereau, CCGT³⁴ at Martigues and Blenod). Maintenance expenditure included the ongoing reliability programs for the nuclear and hydropower fleets (Superhydro and RenouvEau).

In the **United Kingdom**, gross capital expenditure amounted to €894 million at June 30, 2010, lower than in first-half 2009 (-€75 million). The main factor in this decrease was the acquisition in 2009 of land for the British new nuclear programme, which had no equivalent in 2010. More than half of investments during first-half 2010 concerned the regulated distribution network activity, as well as construction of the West Burton B combined cycle power plant, and investments in nuclear activities.

In **Germany**, capital expenditure totaled €265 million (EDF's share) at June 30, 2010, up by 19.4% from June 30, 2009. Investments during first-half 2010 chiefly concerned the ongoing construction of the RDK8 coal-fired plant at Karlsruhe and the hydropower plant at Rheinfelden, the Etzel storage project, and development of the Eisenhüttenstadt plant.

In **Italy**, capital expenditure for the first half of 2010 was stable lower than in the same period of 2009, amounting to €156 million at Edison. The main investments in 2010 were for development of fossil-fired plants in Italy and

³³ Combustion turbine.

³⁴ Combined cycle gas turbines.

Greece (Thisvi), renewable energy fleets, drilling and platform expansion for the Abu Qir concession in Egypt and the Croatian offshore platforms, and a property acquisition in Milan.

Investments by Fenice amounted to €57 million in 2010, 34% lower than in first-half 2009, due particularly to lower cogeneration investments in Italy.

In the **Other International** segment, capital expenditure for first-half 2010 rose 90% compared to first-half 2009, as a result of consolidation of SPE in Belgium and CENG in the United States.

Capital expenditure in the **Other Activities** also rose (17.9%) between first-half 2009 and first-half 2010. This was due to the increase at EDF Energies Nouvelles, which invested €529 million over the first half of 2010.

7.5 Dedicated assets and net financial investments

Continuing increase in dedicated assets and development of international nuclear activities

In compliance with the French Law of June 28, 2006 on the sustainable management of radioactive materials and waste, EDF is continuing to build up a portfolio of dedicated assets to cover long-term nuclear commitments. The cash allocation for the first half of 2010 amounted to €881 million. There were no allocations to dedicated assets during the first half of 2009, as they were suspended from September 2008 to July 2009.

Other net financial investments amounted to €22 million, reflecting a number of investments for external growth totaling €713 million, undertaken by EnBW (chiefly Rostock in Germany, with EDF's share amounting to €148 million), in Belgium (acquisition of SPE minority shareholdings for €215 million) and in China (second capital contribution to the two-EPR project in Taishan for €213 million). They also include receipts on the disposals of SNET in France (€192 million), subsidiaries of Dalkia in the Czech Republic and Ireland (€160 million) and GESO in Germany (€384 million).

8 Management and control of market risks

The policy and principles for management and control of the Group's market risks are presented in Section 9.9 of the 2009 *Document de Référence*. There have been no significant changes during the first half-year of 2010.

This chapter sets forth the main changes since December 31, 2009 in financial data concerning the management and control of market risks.

8.1 Management and control of financial risks

8.1.1 Liquidity position and management of liquidity risks

8.1.1.1 Liquidity position

At June 30, 2010, the Group's liquidities totaled €13,234 million compared to €11,717 million at December 31, 2009, and available credit lines amounted to €13,553 million

compared to €10,039 million at December 31, 2009.

8.1.1.2 Management of liquidity risks

As part of its policy to manage liquidity, finance its operating investment programme and reinforce long-term debt, the Group undertook several bond issues during first-half 2010 as described in section 2.2.6 of this half-year management report.

The average maturity of consolidated debt stood at 8.2 years at June 30, 2010 compared to 7.4 years at December 31, 2009, and EDF debt has average maturity of 9.5 years compared to 8.5 years at December 31, 2009.

In addition to bonds issued by the Group of over €750 million in nominal value, which are presented in section 9.9.1 of the 2009 *Document de Référence*, details of the principal new bond issues of first-half 2010 are as follows:

Type of borrowing	Entity	Issue date	Maturity	Currency	Nominal amount (millions of currency units)	Rate (%)
Bond	EDF SA	January 2010	2020	USD	1,400	4.60%
Bond	EDF SA	January 2010	2040	USD	850	5.60%
Bond	EDF SA	March 2010	2017	CHF	400	2.25%
Bond	EDISON	March 2010	2015	EUR	500	3.25%
Euro Medium Term Note	EDF SA	April 2010	2030	EUR	1,500	4.625%
Bond	RTE	June 2010	2022	EUR	750	3.875%

No drawings were made during the first half of 2010 on any syndicated loans available to Group entities.

8.1.2 Credit ratings

The long-term and short-term financial ratings assigned to EDF group entities by the three ratings agencies Standard & Poor's, Moody's and Fitch IBCA are unchanged from December 31, 2009.

They are reported in section 9.9.1.2 of the Group's 2009 *Document de Référence*.

8.1.3 Management of foreign exchange rate risk

The Group's gross debt at June 30, 2010 breaks down as follows by currency after hedging as defined by IFRS: 49% in euros, 36% in pounds sterling and 9% in US dollars. The balance of 6% includes the Swiss franc, the Hungarian forint, the Polish zloty, the Brazilian real, and the Japanese yen.

Gross debt structure by currency, before and after hedging

June 30, 2010	Initial debt structure	Impact of hedging instruments ⁽¹⁾	Debt structure after hedges	% of debt
In millions of euros				
EUR	37,084	(8,871)	28,214	49%
USD	7,755	(2,391)	5,365	9%
GBP	7,785	12,865	20,649	36%
Other currencies	5,033	(1,603)	3,430	6%
TOTAL DEBT	57,657	-	57,657	100%

(1) Hedges of liabilities and net assets of foreign subsidiaries, and USD/GBP swaps designated as economic hedges

The table below presents the impact on equity of an unfavorable variation in exchange rates on the Group's gross debt at June 30, 2010.

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

June 30, 2010	Debt after hedging instruments converted into Euros	Impact of a 10% unfavorable variation in exchange rates	Debt after a 10% unfavorable variation in exchange rates
In millions of euros			
EUR	28,214		28,214
USD	5,365	536	5,901
GBP	20,649	2,065	22,714
Other currencies	3,430	343	3,773
TOTAL DEBT	57,657	2,945	60,602

The table below sets forth the foreign exchange position relating to net non-operating investments in foreign currency of the Group's principal subsidiaries:

Net asset positions

In millions of currency units	Net position after hedging (Assets) at June 30, 2010	Net position after hedging (Assets) at December 31, 2009
USD	1,534	314
CHF (Switzerland)	136	125
HUF (Hungary)	38,755	24,884
PLN (Poland)	1,101	1,295
GBP (United Kingdom)	4,074	3,683
BRL (Brazil)	684	654
CNY (China)	5,793	700

8.1.4 Management of interest rate risk

The Group's debt after hedging instruments at June 30, 2010 was structured as follows: 86% of debt bore interest at fixed rates and 14% at floating rates (84% and 16% respectively at December 31, 2009).

A 1% uniform rise in interest rates would generate an increase of approximately €78

million in financial expenses at June 30, 2010, based on gross floating-rate debt after hedging.

The average coupon on Group debt (weighted interest rate on outstanding amounts) was 4.7% at June 30, 2010 against 4.4% at December 31, 2009.

The table below sets forth the structure of Group debt and the impact of a 1% variation in interest rates at June 30, 2010:

Group debt structure and sensitivity to interest rate risks

June 30, 2010	Initial debt structure	Impact of hedging instruments	Debt structure after hedges	Impact on net income of a 1% variation in interest rates
In millions of euros				
Fixed rate	49,044	788	49,832	
Floating rate	8,613	(788)	7,825	78
Total borrowings	57,657	0	57,657	78

8.1.5 Management of equity risks

The equity risk is concentrated in the following areas:

Coverage of EDF's nuclear obligations

Analysis of the equity risk on coverage of EDF's nuclear obligations is presented below in section 8.1.6, "Management of financial risk on EDF's dedicated asset portfolio".

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

29.6% of the assets covering EDF's employee benefit obligations were invested in equities at June 30, 2010, corresponding to a total amount of €1,992 million of equities.

Also at June 30, 2010, the two pension funds set up by EDF Energy (EDF Energy Pension

Scheme and EDF Energy Group Electricity Supply Pension Scheme) were invested to the extent of 40% in equities, representing an amount of £991 million of equities.

34% of the British Energy funds were invested in equities at June 30, 2010, corresponding to an amount of £962 million.

EnBW's reserved funds

EnBW is exposed to equity risks in the management of its reserved funds intended to cover its nuclear commitments and employee benefit obligations.

EDF's long-term cash management

At June 30, 2010, equity-linked liquid investments included in EDF's long-term cash management investments totaled €78 million, with estimated volatility of 5.8% (annualized volatility of monthly returns observed over three years or over the longest period available). Applying this volatility to the value of equity assets in long-term cash management at the same date, EDF estimates the annual volatility of the equities portion of cash investments at €4.5 million.

Direct investment securities

At June 30, 2010, EDF's investment in Veolia Environnement amounted to €374 million, with estimated volatility of 45.7% (annualized volatility of monthly returns observed over three years).

At the same date, EDF's investment in AREVA amounted to €293 million, with estimated volatility of 32.6% (annualized volatility of monthly returns observed over three years).

8.1.6 Management of financial risk on EDF's dedicated asset portfolio

Portfolio content and performance

Details of the contents of EDF's dedicated asset portfolio at June 30, 2010 and December 31, 2009 are as follows:

	June 30, 2010	December 31, 2009
Investments in equities	45.5%	43.2%
Investments in bonds	54.5%	56.8%

At June 30, 2010, the stock market value of the dedicated asset portfolio was €12,258 million (€11,441 million at December 31, 2009).

	June 30, 2010 Stock market value in millions of euros	Performance at June 30, 2010		Dec 31, 2009 Stock market value in millions of euros	Performance at December 31, 2009	
		Portfolio	Benchmark index ⁽¹⁾		Portfolio	Benchmark index ⁽²⁾
Equities sub-portfolio	5,576	+0.44%	-1.18%	4,939	+28.06%	+25.94%
Bonds sub-portfolio	6,681	+2.54%	+2.24%	6,501	+5.40%	+4.35%
Cash sub-portfolio	1			1	+0.83%	+0.73%
Total dedicated asset portfolio	12,258 ⁽³⁾	+1.52%	+0.64%	11,441 ⁽³⁾	+13.07%	+15.10%

(1) Benchmark index: MSCI World hedged 50% for the equities sub-portfolio, Citigroup EGBI for the bonds sub-portfolio, 50% MSCI World hedged 50% + 50% Citigroup EGBI for the total portfolio

(2) Benchmark index: MSCI World for the equities sub-portfolio, Citigroup EGBI for the bonds sub-portfolio, 50% MSCI World + 50% Citigroup EGBI for the total portfolio

(3) The stock market value of the portfolio includes foreign exchange hedges in addition to the realizable value presented in note 24.2.2 to the half-year consolidated financial statements at June 30, 2010.

In first-half 2010, the dedicated asset portfolio continued to be affected by a highly volatile market environment caused by the financial crisis. There were marked downturns on the international equities markets until early March in connection with the Greek crisis, followed by a recovery then a further dip in May and June 2010. The overall portfolio and its three subportfolios all outperformed their benchmark indexes in this context.

The market value of the “equities” sub-portfolio in EDF’s dedicated asset portfolio was €5,576 million at June 30, 2010. The volatility of the equities sub-portfolio can be estimated on the basis of the volatility of the benchmark index, the MSCI World hedged index, which at June 30, 2010 was 15.40% based on 52 weekly performances. Applying this volatility to the value of equity assets at the same date, the Group estimates the annual volatility of the equities portion of dedicated assets at €859 million.

At June 30, 2010, the sensitivity of the bond sub-portfolio (€6,681 million) was 4.48, i.e. a uniform 100 base point rise in interest rates would result in a €299 million decline in market value, which would be recognized in equity. This bond sub-portfolio sensitivity was 4.29% at December 31, 2009.

To reduce the volatility of the dedicated asset portfolio it is building up, EDF is considering investing in infrastructures offering regular dividends that will help the Group to meet its liabilities in the very long term.

In this context, EDF is examining the possibility allocate 50% of RTE to dedicated assets. Such a move would in no way affect the full ownership of RTE by the EDF group, and would confirm the Group’s integrated model.

No assurance can be given at this stage as to whether the plan will be adopted.

8.1.7 Management of counterparty/credit risk

The table below gives details, by rating, of the EDF group’s consolidated exposure to counterparty risk at March 31, 2010. 90% of the main counterparties for the Group’s business qualify as “investment grade”, a stable proportion compared to the consolidated risk for December 2009.

	AAA	AA	A	BBB	BB	B	CCC/C	Unrated	Total
<i>At March 30, 2010</i>	6%	22%	57%	5%	1%	0%	0%	9%	100%
<i>At December 31, 2009</i>	6%	23%	57%	5%	0%	0%	0%	9%	100%

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

	Purchases	Insurance	Sales and distribution	Cash and asset management	IPP ³⁵	Energy purchases and trading	Total
<i>At March 30, 2010</i>	5%	41%	6%	39%	2%	7%	100%
<i>At December 31, 2009</i>	6%	44%	5%	37%	2%	6%	100%

³⁵ Industrial PowerPlants.

8.2 Management and control of energy market risks

This section presents the main changes in energy market risks affecting the Group since December 31, 2009.

The principles for management and control of energy market risks are unchanged from December 31, 2009. They are presented in section 9.9.2.3 of the 2009 *Document de Référence*.

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

The principles for management of the Group's energy market risks presented above are unaffected by the acquisition of CENG and a majority shareholding in SPE, which are currently being incorporated into Group policy.

The table below shows values for the risk indicators used to monitor EDF Trading's markets commitments for the first half-year of 2010 and the second half-year of 2009:

In millions of euros	H1 2010	H2 2009
VaR limit (97.5% 1-day)	45	48
Stop-loss limit	70	70
Minimum VaR	6.9	8.6
Average VaR	14.8	14.0
Maximum VaR	23.0	22.1

The stop-loss was not triggered during the first half-year of 2010.

9 Provisions

The following table summarizes provisions (current and non-current) at June 30, 2010 and December 31, 2009:

In millions of euros	June 30, 2010	December 31, 2009
Provisions for spent fuel management	11,225	11,147
Provisions for long-term radioactive waste management	7,533	7,426
Provisions for back-end nuclear cycle	18,758	18,573
Provisions for decommissioning	18,243	17,320
Provisions for last cores	3,219	3,033
Provisions for decommissioning and last cores	21,462	20,353
Provisions for post-employment benefits	13,304	13,118
Provisions for other long-term employee benefits	1,145	1,131
Provisions for employee benefits	14,449	14,249
Other provisions	5,689	4,817
Total provisions	60,358	57,992

For details of the components of provisions, and changes in these provisions, see note 27 to the 2010 condensed consolidated half-year financial statements.

Secure financing of long-term obligations for the nuclear facilities of the EDF group (excluding EnBW):

In millions of euros	June 30, 2010	December 31, 2009
EDF: Dedicated assets	12,268	11,436
British Energy: Assets receivable from the NLF and the British government	7,096	6,399
Other companies	493	432
Total assets providing secure financing for long-term obligations related to the nuclear facilities of the Group (excluding EnBW)	19,857	18,267

10 Contractual obligations

The following table presents the contractual obligations identified by the Group at June 30, 2010, including obligations not recognized in the balance sheet (off balance sheet commitments):

In millions of euros	June 30, 2010			
	Total	Maturity within one year	Maturity between one and five years	Maturity after five years
Long-term debt ⁽¹⁾	57,657	7,359	19,697	30,601
Satisfactory performance, completion and bid guarantees	1,322	271	1,012	39
Commitments related to orders for operating items ⁽²⁾	5,516	3,407	1,659	450
Commitments related to orders for fixed assets	11,347	5,172	5,855	320
Other operating commitments	3,956	1,099	2,273	584
Contractual obligations related to performance of operating contracts ⁽³⁾	22,141	9,949	10,799	1,393
Security interest in real property	3,205	207	1,411	1,587
Guarantees related to borrowings	333	53	19	261
Other financing commitments	180	107	39	34
Contractual obligations related to financing ⁽⁴⁾	3,718	367	1,469	1,882
Share and other asset purchase commitments	4,454	1,895	2,522	37
Other investment commitments given	171	101	70	
Contractual obligations related to investments ⁽⁵⁾	4,625	1,996	2,592	37

(1) See note 29.2 to the condensed consolidated financial statements at June 30, 2010

(2) Excluding commodities and energy

(3) See note 10.3 to the condensed consolidated financial statements at June 30, 2010

(4) See note 29.5 to the condensed consolidated financial statements at June 30, 2010

(5) See note 24.3 to the condensed consolidated financial statements at June 30, 2010

11 Subsequent events

Details of post balance sheet events can be found in note 35 to the consolidated financial statements at June 30, 2010.

12 Transactions with related parties

There have been no significant changes since December 31, 2009 in the types of transaction undertaken with related parties. In particular, the Group has significant ongoing relationships with public-sector enterprises, primarily the Areva group for the supply, transmission and reprocessing of nuclear fuel and maintenance of nuclear plants. The Areva group is also a supplier to the EPR (European Pressurized Reactor) project, contributing to the formation of commitments on fixed asset orders.

13 Principal risks and uncertainties for the second half of 2010

The EDF group policies for risk management and control are described in section 4.1 of the 2009 *Document de Référence*.

The principal risks and uncertainties to which the Group considers itself exposed are also described in section 4.2 of the 2009 *Document de Référence*.

This presentation of the major risks remains valid at the date of publication of this report for assessment of the principal risks and uncertainties for the second half of 2010, and the Group remains subject to the usual risks specific to its business.

14 Significant events related to litigation in process

Litigations concerning the EDF group are described in section 20.5 of the 2009 *Document de Référence*. This chapter reports on new litigations and those which have seen significant developments since the release of the 2009 *Document de Référence*.

14.1 REE

In the early 1990s, EDF and Red Electrica de Espana (REE) entered into contracts for supply by EDF to REE of energy output at the interconnection point between the French and Spanish electricity networks. From their inception, these contracts benefited from priority access to the interconnection, but this was later declared contrary to European Law in a European Court of Justice decision of June 7, 2005.

The European Commission ordered the national regulators to cancel the priority rights of access to the interconnection and introduce an auction system for acquisition of those rights applicable to all transactions. The French energy regulator CRE complied with this injunction through a decision of December 1, 2005.

EDF and REE then had to agree terms for drawing energy and acquiring the rights of access to the interconnection so that REE could import electricity into Spain. An agreement was reached from June 2006, but the two companies were unable to settle on terms for the first few months of 2006.

REE initiated international arbitration proceedings against EDF and EDF Trading, notified by the International Chamber of Commerce (ICC) on June 13, 2007, claiming compensation for the alleged prejudice. EDF also reported the prejudice caused to EDF by REE during the period.

The Arbitration Court issued a partial ruling on May 29, 2008 stating that EDF Trading would not be concerned by subsequent stages of the procedure.

On October 12, 2009, the Arbitration Court issued its final ruling. A petition for rectification was filed and the Court ruled on this petition on February 23, 2010.

EDF and REE have accepted the rectified terms of the ruling, which has now become final as no appeal was lodged.

14.2 Alcan Saint Jean De Maurienne

On December 31, 1985, EDF, Pechiney (now named Alcan France) and Aluminium Pechiney signed an energy supply contract (2 TWh) principally for the supply of Pechiney's primary aluminium plant at Saint Jean de Maurienne. Under the terms of the contract EDF undertook to supply volumes of electricity at a fixed price. The duration of the contract was modified by amendments, and it is due to expire on December 31, 2012 for the Saint Jean de Maurienne plant.

Following various written requests from Alcan France to prolong the contract, Alcan France and Aluminium Pechiney served a summons on EDF on August 2, 2007 to appear before the Paris Commercial Court on September 21, 2007 for an initial procedural hearing. After several reports, the court hearing was scheduled for October 26, 2009. In its ruling issued on January 18, 2010, the Commercial Court rejected all of Alcan's claims.

Alcan filed an appeal against this ruling on March 19, 2010.

14.3 Verdesis

In June 2008 Euro Power Technology filed a complaint against EDF and its subsidiary Verdesis, as well as an application for protective measures, with the French Competition Authority, concerning EDF and Verdesis' biogas operations.

On April 16, 2010, the French Competition Authority rejected the complaint of Euro Power Technology. The latter has appealed this decision to the Appeal Court of Paris.

15 Financial outlook for 2010

The main challenges for EDF in the second half-year of 2010 will involve the Group's industrial performance, the organizational reform underway in the French electricity market and the definition of the Group's medium-term strategic vision.

EDF's first-half results enable the Group to confirm its financial objectives for 2010:

- EBITDA³⁶ organic growth between 3% and 5%,
- net financial indebtedness/EBITDA ratio between 2.5 and 3,
- dividend stability.

³⁶ EBITDA at constant scope and exchange rates and with an end to TaRTAM on June 30, 2010.