HALF-YEAR FINANCIAL REPORT

30 JUNE 2013

At its meeting of 29 July 2013, EDF's Board of Directors approved this Half-year financial report and the condensed consolidated financial statements for the half-year ended on 30 June 2013 included in it.
This report contains information relating to the markets in which the EDF group is present. This information has been taken from surveys carried out by external sources. Considering the very rapid changes that characterize the energy sector in France and worldwide, it is possible that this information could turn out to be mistaken or outdated. Developments in the Group's activities could consequently differ from those described in this Half-year financial report and the declarations and information appearing in this report could prove to be erroneous.

The forward-looking statements contained in this Half-year financial report, notably in section 9 ("Financial Outlook") of the Half-year management report, are based on assumptions and estimates that could evolve or be impacted by risks, uncertainties (relating particularly to the economic, financial, competitive, regulatory and weather environment) or other factors that may cause the future results, performances and achievements of the Group to differ significantly from the objectives expressed and suggested. These factors may include changes in the economic and commercial environment, regulations, and the factors set forth in section 4.1 of the EDF group's 2012 reference document ("Risk Factors").

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

CONTENTS OF THE HALF-YEAR FINANCIAL REPORT

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

I certify that, to the best of my knowledge, the condensed consolidated financial statements at 30 June 2013 are prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income of the company and of all the companies included in the scope of consolidation, and that the attached Half-year management report presents a true and fair view of the important events of the first six months of the financial year and their impact on the financial statements, the main related party transactions and a description of the main risks and uncertainties for the remaining six months of the financial year.

Paris, 29 July 2013
Henri Proglio
Chairman and CEO of EDF

HALF-YEAR MANAGEMENT REPORT

30 JUNE 2013

MANAGEMENT REPORT CONTENTS

1. KEY FIGURES

Pursuant to European regulation 1606/2002 of 19 July 2002 on the adoption of international accounting standards, the EDF group's condensed consolidated financial statements at 30 June 2013 are prepared using the presentation, recognition and measurement rules set forth in the international accounting standards published by the IASB and approved by the European Union for application at 30 June 2013. These international standards are IAS (International Accounting Standards), IFRS (International Financial Reporting Standards), and SIC and IFRIC interpretations.

The accounting and valuation methods applied by the Group are presented in note 1 to the condensed consolidated half-year financial statements at 30 June 2013.

The figures presented in this document are taken from the EDF Group's condensed consolidated half-year financial statements at 30 June 2013.

The comparative figures for 2012 have been restated to reflect the change of accounting method resulting from application of IAS 19 (revised) on the measurement and recognition of provisions for employee benefits, and the change in presentation of EDF Energies Nouvelles' Development and Sale of Structured Assets (DSSA) business. These figures are presented in the tables in this Half-year financial report as "H1 2012 restated".

The Group's key figures at 30 June 2013 are shown in the following table. Variations in value and percentage are calculated with reference to the restated first-half 2012 figures.

<u>Extract from the consolidated income statements</u>

(in millions of Euros)	H1 2013	H1 2012 restated	Variation	Variation (%)	Organic growth (%)
Sales	39,747	35,903	3,844	+10.7	+4.3
Operating profit before depreciation and amortisation (EBITDA)	9,698	9,071	627	+6.9	+6.0
Operating profit (EBIT)	5,788	5,598	190	+3.4	
Income before taxes of consolidated companies	4,121	3,801	320	+8.4	
EDF net income	2,877	2,779	98	+3.5	
Net income excluding non-recurring items[1]	3,068	2,956	112	+3.8	

(1) 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 and the net change in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax (see section 3.9).

Operating cash flow

(in millions of Euros)	H1 2013	H1 2012 restated	Variation	Variation (%)
Operating cash flow [1]	7,910	6,586	1,324	+20.1

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

Net indebtedness

(in millions of Euros)	30/06/2013	31/12/2012 proforma[1]	31/12/2012 restated	Variation[2]	Variation (%)[2]
Net indebtedness	33,729	39,175	41,575	(7,846)	-18.9
Equity (EDF's share)	33,435	26,257	26,257	7,178	+27.3
Net indebtedness/EBITDA	2.0[3]	2.4[4]	2.6[4]		

(1) The proforma figures for 2012 have been restated to reflect the allocation of the CSPE receivable to dedicated assets on 13 February 2013 and the €2.4 billion withdrawal of assets such that the dedicated asset portfolio covers 100% of EDF's eligible nuclear liabilities.

(2) Variations in value and percentage are based on the restated figures at 31 December 2012.

(3) The ratio at 30 June 2013 is calculated based on cumulative EBITDA for the second half-year of 2012 and the first half-year of 2013, using a numerator and denominator based on a comparable scope of consolidation.

(4) The denominator of the 2012 ratios includes 100% of Edison's restated EBITDA and the restatement for application of IAS 19 (revised).

2. ECONOMIC ENVIRONMENT AND SIGNIFICANT EVENTS OF FIRST-HALF 2013

2.1. ECONOMIC ENVIRONMENT

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

Energy prices in France, Germany and Italy were lower in first-half 2013 than 2012, largely due to the sharp downturn in coal and CO_2 prices.

The decline in electricity prices was nonetheless limited by higher consumption driven by weather effects: temperatures during the first six months of 2013 registered systematically below-normal monthly averages and remained lower than the previous year despite the wave of cold weather in February 2012.

In the United Kingdom, however, where power generation is highly dependent on gas, electricity prices were up compared to first-half 2012.

2.1.1.1. Spot electricity prices in France, the United Kingdom, Italy and Germany[1]

	France	United Kingdom	Italy	Germany
Average baseload price for H1 2013 (€/MWh)	43.8	60.6	60.6	37.4
Variation in average baseload H1 prices, 2013/2012	-9.8%	+12.4%	-21.7%	-12.4%
Average peakload price for H1 2013 (€/MWh)	55.3	68.9	68.6	47.7
Variation in average baseload H1 prices, 2013/2012	-11.4%	+12.7%	-22.7%	-9.5%

The comments below concern baseload prices.

In **France**, first-half spot electricity prices stood at an average €43.8/MWh, €4.8 MWh lower than in first-half 2012, due to a substantial downturn in CO_2 emission rights prices and coal prices, and the higher hydropower output. The decrease was lower than in first-half 2012 despite the peak prices of February 2012, due to high consumption throughout the winter of 2013 caused by consistently below-normal temperatures. In May and June, improved nuclear and hydropower availability led to record lows in spot electricity prices.

In the **United Kingdom**, spot electricity prices were over 12% above first-half 2012 levels, in line with trends in spot gas prices which reached notable peaks of over €100/MWh at the end of March, when gas prices exceeded 100p/therm.

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

In **Germany**, spot prices retreated by an average €5.3/MWh compared to first-half 2012, as a result of fuel price movements. The price decrease was more pronounced than in France: since demand for electricity is not highly temperature-sensitive in Germany, prices were not sustained during the early months of the year by the colder-than-normal temperatures.

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

2.1.1.2. Forward electricity prices in France, the United Kingdom, Italy and Germany [2]

	France	United Kingdom	Italy	Germany
Average baseload price for H1 2013 (€/MWh)	43.9	61.1	63.6	40.6
Variation in average baseload H1 prices, 2013/2012	-14.3%	+2.9%	-15.3%	-20.2%
Forward baseload price at 12 June 2013 (€/MWh)	41.9	60.4	60.6	37.5
Average peakload price for H1 2013 (€/MWh)	56.9	69.8	70.8	51.0
Variation in average peakload H1 prices, 2013/2012	-11.8%	+3.9%	-14.8%	-18.6%
Forward peakload price at 12 June 2013 (€/MWh)	55.8	69.3	67.9	47.8

European annual baseload contract prices declined on average compared to first-half 2012, principally due to falling coal and CO_2 prices. In the United Kingdom, the upturn in gas prices and the carbon tax increase nonetheless led to higher prices.

In **France**, the annual contract baseload price was 14% lower on average than in first-half 2012. The difference is mainly explained by the decline in prices for coal and CO_2 emission rights, but also by the markedly lower prices in the summer quarters, in line with actors' anticipation of wider nuclear availability than in summer 2012.

In the **United Kingdom**, the April Ahead baseload contract price for 1 April Y+1 to 31 March Y+2 rose by 2.9% in the wake of forward gas price movements. The fact that the carbon tax on electricity generation in the United Kingdom is due to increase by £4.9/t from 1 April 2014 is also driving this contract price up.

In **Italy**, the annual baseload contract price was lower than in first-half 2012 due to developments in fuel and CO_2 prices, and the currently more relaxed spot markets.

In **Germany**, the annual contract baseload price also fell below its first-half 2012 level, due to developments in fuel prices.

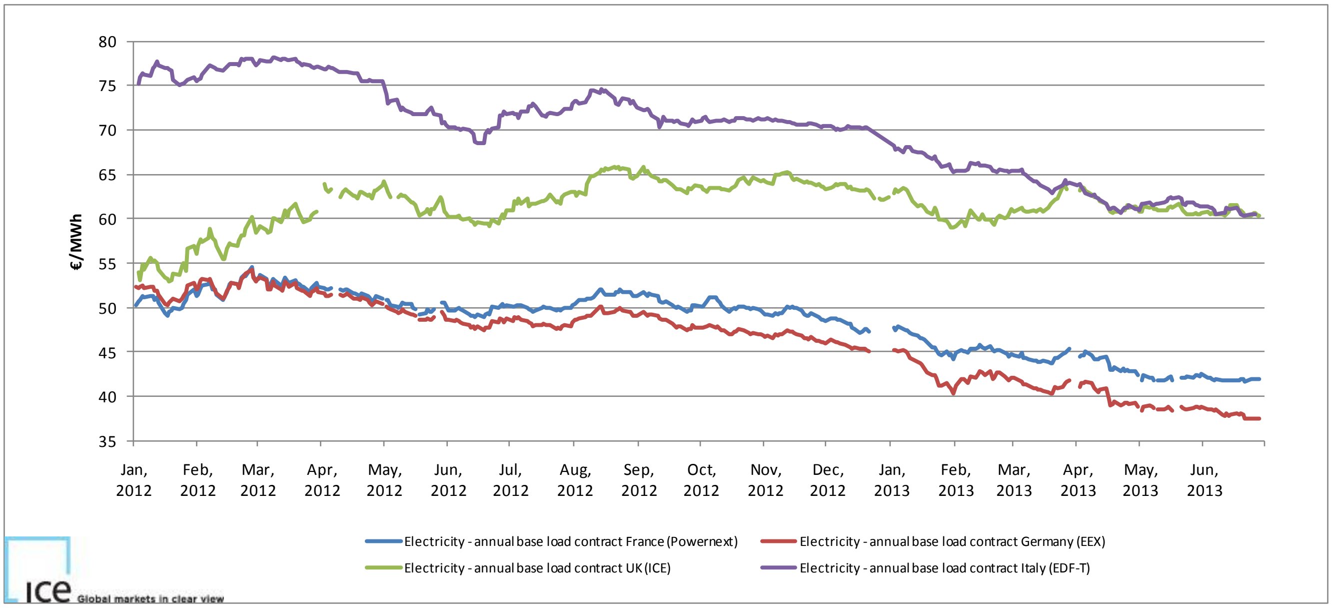
2.1.1.3. CO_2 emission rights prices[3]

The price of CO_2 emission rights for delivery in December 2013 stood at €4.3/t on average over the first half-year of 2013. Prices fell by more than 40% compared to first-half 2012, when CO_2 traded at €7.5/t.

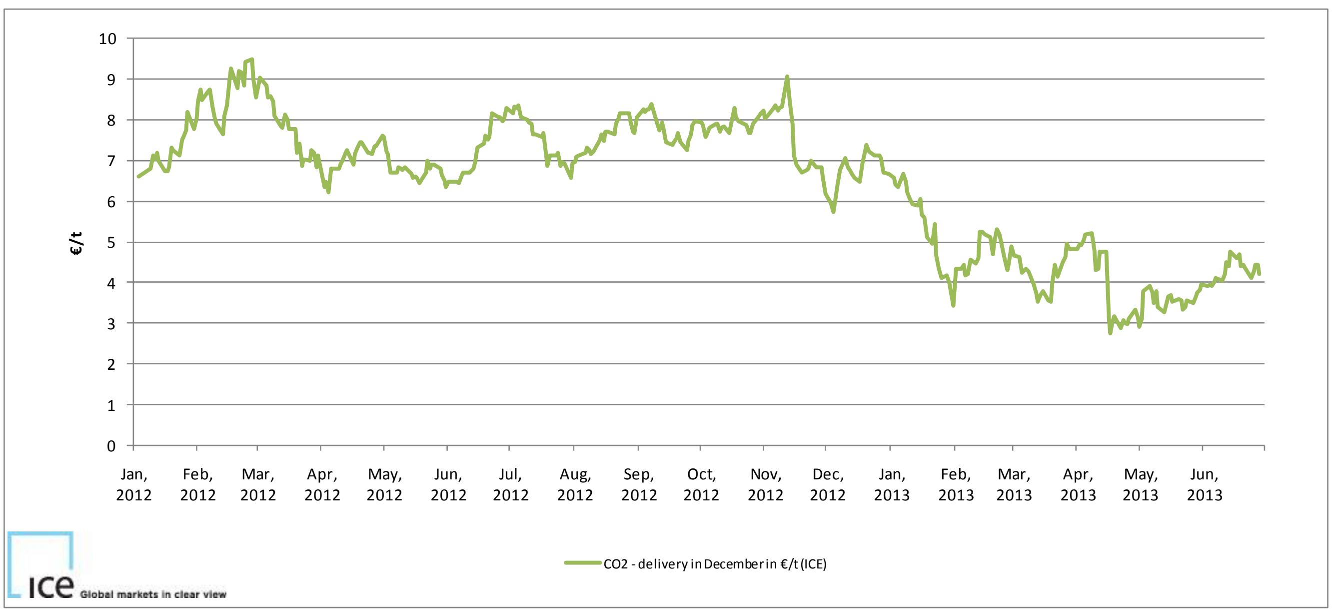
At European level, supply continued to outstrip demand overall on the market for CO_2 emission rights, and discussions took place at European Commission level to reduce supply levels. In first-half 2013, the price of emissions rights was influenced by announcements of a possible CO_2 emission rights freeze. On 16 April, the European Parliament voted against this proposal, and prices fell by €1.7/t in response. Negotiations later resumed, and emissions rights prices gradually moved back up, ending the half-year at €4.2/t. On 3 July 2013 the European Parliament finally approved the freeze, although the bill must still be approved by the Council of the European Union.

[2] France and Germany: Average year-ahead EPD price;
Italy: average year-ahead EDF trading price;
United Kingdom: Average ICE annual contract prices, April 2013 then April 2014 (in the UK, annual contract deliveries take place from 1 April to 31 March).
[3] Average ICE prices for the annual contract, Phase III (2013-2020).

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



CO_2 emission rights prices



2.1.1.4. Fossil fuel prices[4]

	Coal ($/t)	Oil ($/bl)	Natural gas (p/th)
Average price for H1 2013	94.4	107.9	68.0
Average price variation, H1 2013/H1 2012	-13.6%	-5.0%	+4.9%
Highest price in H1 2013	102.2	118.9	69.7
Lowest price in H1 2013	84.9	97.7	66.4
Closing price, H1 2012	98.6	97.8	61.7
Closing price, H1 2013	85.6	102.2	68.2

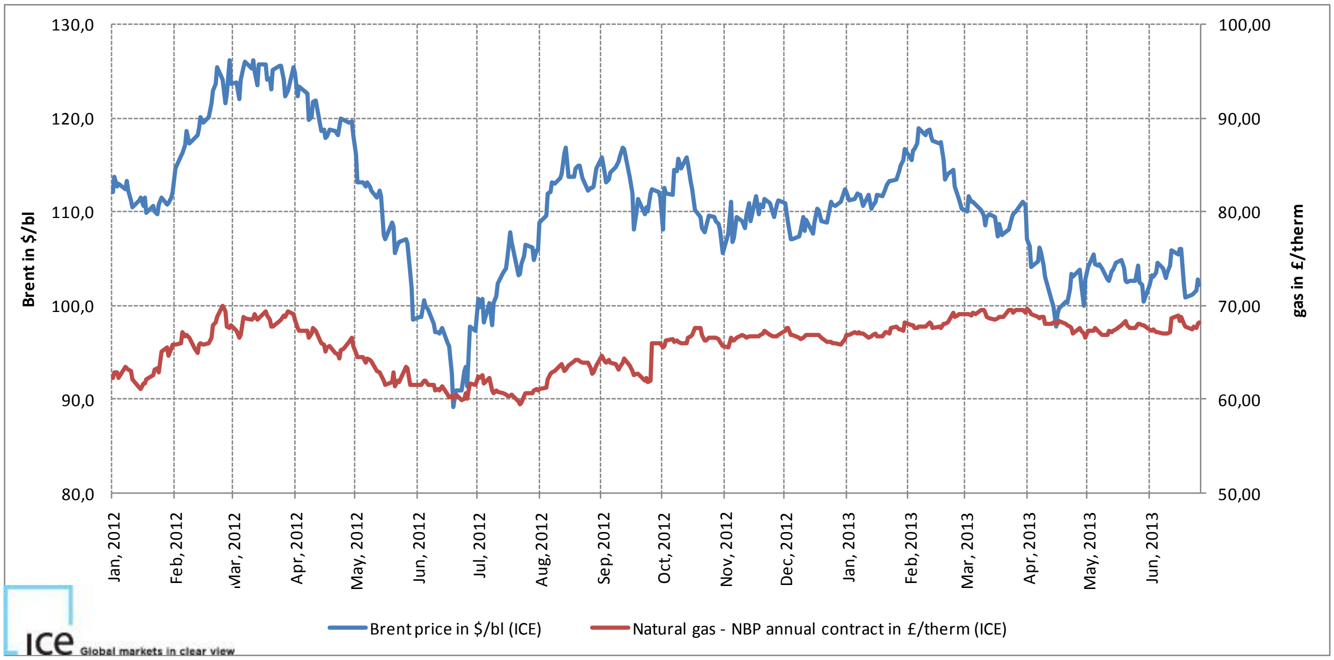
Forward prices for **coal** saw an average decline from first-half 2012 levels, as supply levels are expected to remain plentiful. In the short term, the supply-demand balance remained very relaxed, largely because of cheap coal imports from Russia, the US and Colombia. The high stocks kept up downward pressure on forward prices, and the price per tonne of coal for delivery in 2014 ended the half-year at around $86.

Oil prices were lower than in first-half 2012. In the early months of the year, tension on supply was lower than in the past. On the demand side, the macro-economic environment remained sluggish, and this encouraged actors to regularly adjust their forecast consumption downwards.

Natural gas prices under the United Kingdom's annual contract were higher than in first-half 2012. The low temperatures recorded in the United Kingdom between January and April caused extensive use of long-term inventories to ensure good supply-demand balance and by mid-April, storage capacities were empty. Traditionally, inventories are largely replenished in the summer months, but it is not certain whether this will be achieved by the onset of the winter season this year given the exceptionally low early summer stock levels and the time needed to build them up. These fears led to a marked rise in prices for the coming winter, and to a lesser extent for next summer.

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

Natural gas and oil prices



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

Overall electricity consumption in **France** in first-half 2013 was 2.3% higher than in first-half 2012. This difference is mostly explained by below-normal temperatures (-2°C on average) across every month of the period.

After correction for weather effects and the fact that 2012 was a leap year, consumption in France was stable overall between first-half 2012 and first-half 2013, as the lower consumption by large industrial customers was offset by a rise in consumption by residential and small business customers.

In the **United Kingdom** domestic electricity consumption is not highly sensitive to temperatures, and first-half 2013 levels were stable (+0.4%) compared to first-half 2012. In **Italy**, domestic electricity consumption contracted by 3.9% compared to first-half 2012.

Natural gas consumption in **France** rose by approximately 4% in first-half 2013 compared to first-half 2012. Much of this rise is attributable to weather effects, especially the low temperatures of March and May.

Estimated domestic natural gas consumption was up by 9.4% in the **United Kingdom,** boosted by higher domestic consumption as 2013 temperatures were an average 2.7°C lower than the temperatures of first-half 2012.

Domestic natural gas consumption in **Italy** was down by 7.1%.

[5] Sources : France: RTE, unadjusted for weather effects;
United Kingdom: Department of Energy and Climate Change for the first quarter, local subsidiary estimate for the second quarter;
Italy: local subsidiary estimate.
[6] Sources : France: Pégase database, source SOeS *(Service de l'Observation et des Statistiques)* ;
United Kingdom: Department of Energy and Climate Change for the first quarter, local subsidiary estimate for the second quarter;
Italy: local subsidiary estimate.

2.1.3. ELECTRICITY AND NATURAL GAS SALES TARIFFS

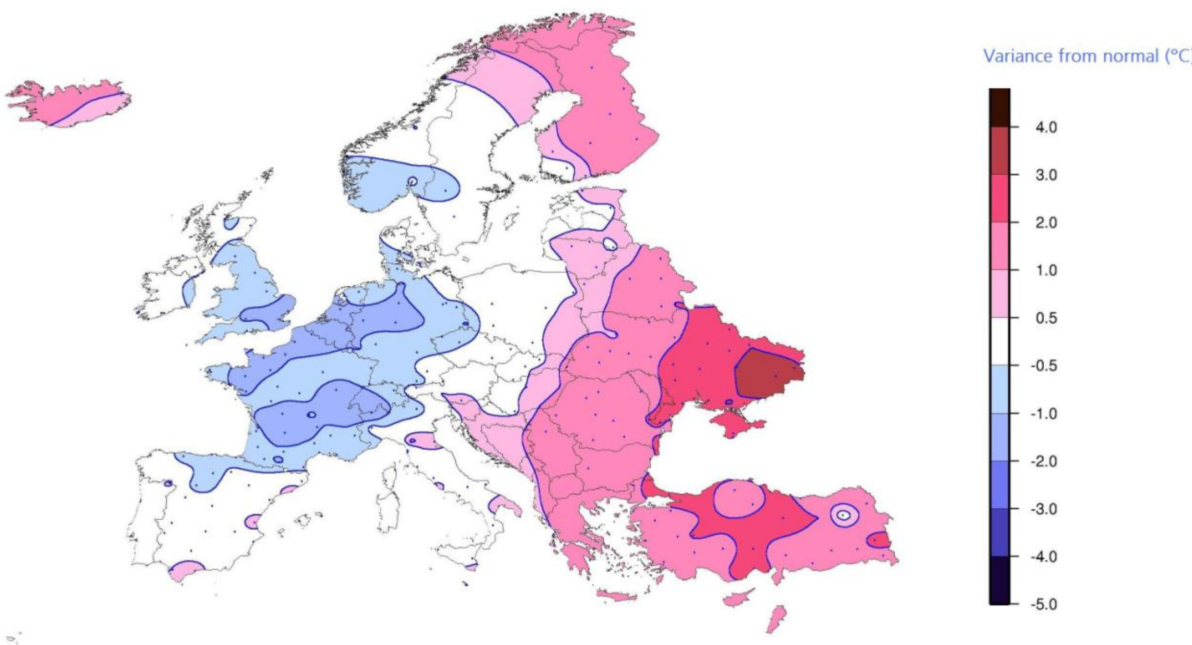
The announcement made on 9 July 2013 by the French Minister for Ecology, Sustainable Development and Energy is presented below in section 2.2.3.1.6.

In the **United Kingdom**, EDF Energy kept its gas and electricity tariffs stable over the first half-year of 2013.

2.1.4. WEATHER CONDITIONS

2.1.4.1. Temperatures

Average temperatures: variance from normal levels, January to June 2013[7]



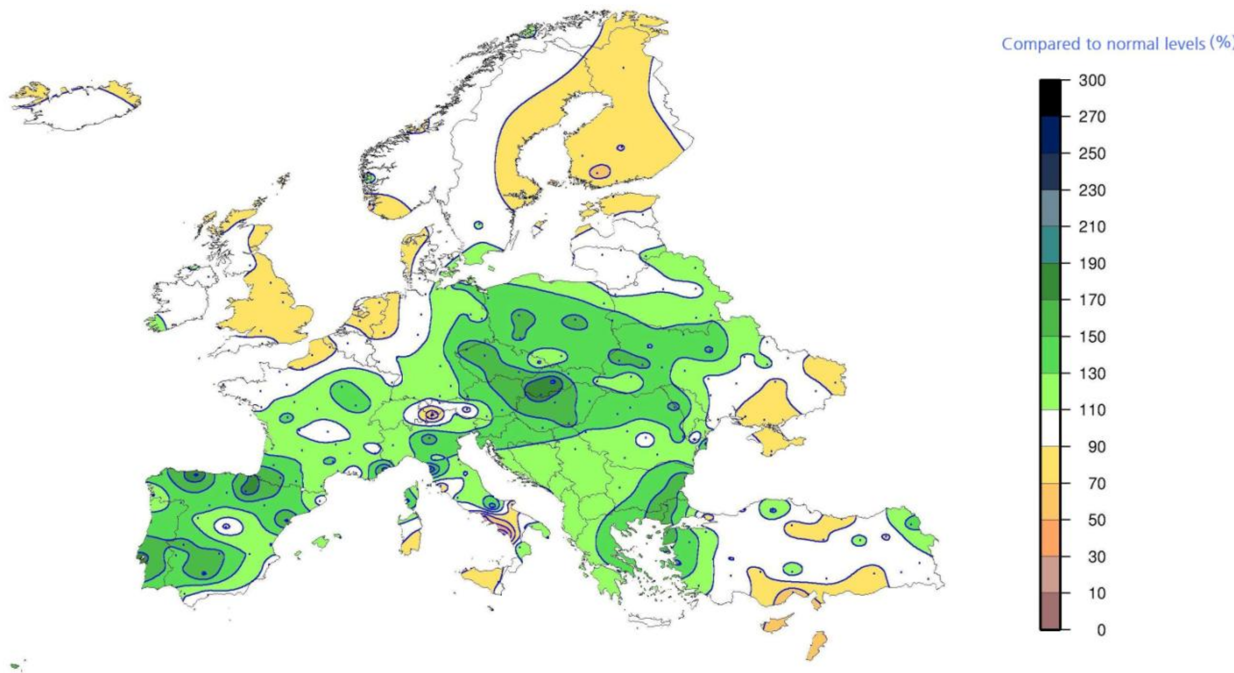
The first half-year of 2013 was marked by a contrast between below-normal temperatures in western Europe (particularly France, the United Kingdom, Benelux and Germany), and above-normal temperatures in countries around the Black Sea and north Scandinavia.

In France, a gloomy winter was followed by a cold spring with little sunshine, and average temperatures were lower than normal for every month in the period.

[7] Map comparing average temperatures with normal levels between January and June 2013.
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.

2.1.4.2. Rainfall

<u>Rainfall, January to June 2013</u>[8]



The first half-year of 2013 was marked by heavy rainfall that exceeded normal levels for a large part of southern Europe, especially the Iberian peninsula, central Europe, and to a lesser extent, France. Only the United Kingdom, the Netherlands and Scandinavia experienced a moderate shortfall in precipitation.

In France, the conjunction of surplus rainfall and abnormally cold temperatures until the end of May resulted in unusually high snow coverage, which persisted late into the period in the Alps and the Pyrenees.
Hydropower capacity levels in France were above normal across the whole half-year, particularly between April and June 2013.

[8] Map comparing average rainfall with normal levels between January and June 2013.
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[9/10]

2.2.1. NEW INVESTMENTS AND PARTNERSHIPS

2.2.1.1. Final agreement with Total for the acquisition of TIGF

On 5 April 2013, the consortium made up of Snam, the Italian gas transmission and storage operator (45%), GIC, the Singaporean sovereign fund (35%), and EDF (20% through its dedicated assets portfolio) signed a final agreement with the Total group for the acquisition of its gas transmission and storage subsidiary in the South-West of France, called TIGF (Transport et Infrastructures Gaz France). On 5 February 2013, the consortium and Total had entered into exclusive negotiations for the takeover of TIGF.

The transaction received European Commission approval on 15 July 2013, and is awaiting authorisation from the other relevant regulatory and competition bodies for finalisation.

2.2.1.2. Investments by EDF Energies Nouvelles

On 11 February 2013 EDF Energies Nouvelles announced its acquisition of the French wind power business of Séchilienne Sidec, which has installed capacity of 56.5 MW and five projects in development totalling 60 MW.

On 8 April 2013 EDF EN Canada Inc., a Canadian subsidiary of EDF Energies Nouvelles, announced its acquisition of the 300 MW Blackspring Ridge wind power project in the Canadian province of Alberta. This transaction was undertaken in partnership with the US company Enbridge, an energy supplier operating in North America. EDF EN Canada will hold 50% of the Blackspring Ridge wind farm. Construction of the project, consisting of 166 Vestas 1.8 MW wind turbines, began in the second quarter of 2013 and completion is scheduled for mid-2014.

On 16 April 2013, EDF Renewable Energy, a US subsidiary of EDF Energies Nouvelles, announced that it was exercising its option to acquire 49% of the 161 MW Spinning Spur II wind power project in Texas, which had previously been owned and developed jointly with Cielo Wind Power. EDF Renewable Energy now has full ownership of the project. Construction of the wind farm, consisting of 87 General Electric wind turbines with unit power of 1.85 MW, began in June 2013 and commercial operation is expected to begin in mid 2014.

2.2.1.3. Renegotiations of Edison's gas supply contracts

On 23 April 2013, the Court of Arbitration of the International Chamber of Commerce found in favour of Edison in the litigation with Sonatrach (Algeria) initiated in August 2011, concerning the long-term gas price in the Algerian contract.

Edison and Rasgas (Qatar) also signed an agreement in July 2013 amending certain aspects of the long-term gas supply contract (particularly the pricing terms) between the two companies. In accordance with IAS 10, the effects of this agreement are included in the Group's condensed consolidated financial statements for the first half-year of 2013.

The total impact of these operations on the EDF group's EBITDA for first-half 2013 was a positive €585 million.

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

2.2.1.4. Sale of the Group's investment in SSE

On 24 May 2013, EDF and Energetický a Prumyslový Holding, a.s. (EPH), a Czech energy company that is a leading player in central and eastern Europe, signed a final agreement for the sale to EPH of EDF's 49% minority holding in Stredoslovenska Energetika a.s. (SSE), Slovakia's number two electricity distributor and supplier. The agreement values EDF's investment in SSE at approximately €400 million.
The operation requires authorisation by SSE's general shareholders' meeting. It should be completed in the second half-year of 2013 once the competition authorities have given their approval.

2.2.1.5. Finalisation of the acquisition of Iberdrola wind farms in France

On 27 May 2013, an international consortium comprising EDF Energies Nouvelles, MEAG, acting as the asset manager of Munich Re, and GE Energy Financial Services, a division of GE, signed the final agreement for the previously announced acquisition of 30 wind farms in service in France with 305 MW in total gross capacity.

Under this agreement, ownership of the assets is shared between EDF Energies Nouvelles (20%), GE Energy Financial Services (40%) and MEAG (40%). EDF Energies Nouvelles' share is accounted for under the equity method at 30 June 2013.

EDF Energies Nouvelles will provide asset management services and operation and maintenance services for the wind farms.

2.2.1.6. Formation of EDF Invest

EDF has set up EDF Invest, which will be in charge of managing the portfolio of unlisted investments included in EDF's dedicated assets: mainly infrastructures, but also real estate and private equity assets.
The EDF group's 20% investment in TIGF described in § 2.2.1.1 will be EDF Invest's first investment in infrastructures, along with the 50% of RTE shares already included in the dedicated asset portfolio. TIGF and the RTE shares thus will account for some 13% of dedicated assets.

EDF Invest's objective is to have €5 billion of unlisted investments under management after two years, representing 25% of total dedicated assets.

2.2.2. INVESTMENT PROJECTS

2.2.2.1. France

2.2.2.1.1. Flamanville 3

Significant construction milestones were reached during the first half-year of 2013:
- Connection of the stepdown transformer via a temporary 400kV supply,
- Installation of the equipment hatch through which components required for assembly of the principal primary circuit (such as steam generators and the vessel) will enter the reactor building,
- Placing the dome on the reactor building on 16 July.

The Flamanville EPR project is now entering its final phase: civil engineering work is 95% complete and 46% of the electro-mechanical equipment is in place. The objective is to start commercial operation in 2016.

2.2.2.1.2. Construction of the new power plant at Bouchain

In late 2011, EDF and GE Energy entered into a partnership arrangement for joint development of the new generation combined cycle gas (CCG) plant located in Bouchain in north France. Its CCGT is equipped with new technology that makes it possible to reach maximum capacity in a very short time. In April 2013, the first foundations were dug on the site, and the plant is scheduled to start operation in 2015.

2.2.2.1.3. ASN approval for operation of Fessenheim reactor no. 2

On 29 April 2013, the French Nuclear Safety Authority (ASN) issued authorisation for EDF to continue operating reactor n°2 at the Fessenheim nuclear power station beyond its third ten-year inspection. This positive decision follows the ten-year inspection conducted between April 2011 and March 2012, and is conditional on implementation of technical recommendations which will require work to be implemented by EDF.

2.2.2.1.4. Commissioning of the second Martigues Combined Cycle Gas (CCG) plant

The second CCG facility on the Martigues site began industrial operation on 7 June 2013. Martigues is now the largest CCG plant in France, with capacity of 930 MW and low environmental impact.

2.2.2.1.5. Inauguration of the Rizzanese dam in Corsica

On 17 June 2013, EDF inaugurated Corsica's 4th major dam on the Rizzanese in South Corsica. This new facility with installed capacity of 55 MW raises the share of renewable energies in the island's energy consumption to 30%. It has supplied the Corsican electricity network since February 2013, with the connection of one of the two turbines at the Sainte-Lucie de Tallano plant located downstream. The dam is expected to be fully operational by the end of 2013.
This hydroelectric facility will reduce Corsica's hydrocarbon consumption and thus prevent the discharge of 60,000 tonnes of CO_2 every year. It is intended to be used in peak periods when electricity consumption is at its highest.

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

On 9 July 2013, France's Prime Minister announced the start of the rollout of new "Linky" smart meters by ERDF. 3 million of these meters should be in use by 2016.

2.2.2.1.7. ASN approval for extending operational lifespan of Bugey reactor no. 4

Following the third 10-year inspection, the French Nuclear Safety Authority (ASN) issued a favourable recommendation on 29 July 2013 for extending the operation of the Bugey n°4 nuclear facility, as it had for reactor n°2. The authorisation is subject to the completion of related works that EDF will carry out within the required deadlines. Because the design of reactor n°2 is identical to that of reactor n°4, the recommendations for bolstering the safety levels of reactor n°4 are therefore similar.

2.2.2.2. United Kingdom

2.2.2.2.1 Hinkley Point C nuclear plant project

On 4 February 2013, Centrica announced its decision to end its partnership with EDF for the construction of EPRs in the United Kingdom, by exercising its option to sell EDF Energy its 20% investment in the company formed as a vehicle for "Nuclear New Build" projects in the UK. EDF thus became the company's sole shareholder.

On 19 March 2013, the British minister for energy and climate change announced that had consented to construction of a new nuclear power plant at Hinkley Point, in Somerset in south-west England. This decision follows a three-year consultation with local authorities and a one-year study by the UK Planning Inspectorate. Discussions on the introduction of Contracts for Difference (CfD) are continuing with the British government. These contracts are designed to guarantee the economic balance of new low-carbon electricity generation facilities (renewable energies and nuclear plants), and once approved by the European Union, should make the Hinkley Point C project an attractive prospect to many partner investors.

2.2.2.2.2. Inauguration of 2 Combined Cycle Gas turbines (CCGTs) at West Burton B

Units 1 and 2 of the West Burton B CCG power plant were began commercial operation in May 2013 and March 2013 respectively. West Burton B has three units, and the third is due to be commissioned in the second half-year of 2013.

2.2.2.3. Other activities

2.2.2.3.1. Construction of the Dunkirk methane terminal

Constriction work on the Dunkirk terminal headed by the subsidiary Dunkerque LNG is on schedule and the date for start of operations is scheduled for November 2015, with the following achieved to date:

- completion of work on the harbour by Grand Port Maritime de Dunkerque, and delivery of the land platform to Dunkerque LNG
- detailed engineering studies by the three turnkey contractors in charge of the construction
- construction of the concrete enclosure for the three reservoirs that will store the liquefied natural gas (LNG), and civil engineering work for gas processing
- start of excavation for the tunnel between the terminal and the Gravelines nuclear power plant, as warm water discharge from Gravelines will be used in regasification of the LNG. This industrial synergy will save the equivalent of annual gas consumption for the Dunkirk agglomeration. The tunnelling machine was inaugurated on site on 30 May 2013.

The two natural gas network managers, Belgian company Fluxys and French company GRTgaz, are continuing to build a new interconnection between France and Belgium, in addition to the work on connection to the French network. The Dunkirk methane terminal will thus be connected to two gas markets in Europe: the PEG Nord gas hub in France and the Belgian market.

2.2.2.3.2. Construction of wind farms

On 21 January 2013, EDF Energies Nouvelles announced the commissioning of two new wind farms, Massif du Sud and Lac Alfred (phase 1) in Quebec. These two facilities have installed capacity of 150 MW each, and are part of a seven wind farm programme running until 2015, totalling 1,003 MW.

On 16 May 2013, EDF Energies Nouvelles announced the commissioning of the Fallago Rig wind farm in Scotland by EDF Energy Renewables, with a 144 MW installed capacity and 48 Vestas turbines with unit capacity of 3 MW. This wind farm was developed and built by EDF Energy Renewables, the UK subsidiary of EDF Energies Nouvelles owned jointly in equal proportions with EDF Energy.

On 19 June 2013, EDF Energies Nouvelles also announced completion of the Teesside offshore wind farm, built by EDF Energy Renewables, and the start of operations for the first thirteen wind turbines at this 62 MW facility.

2.2.3. REGULATORY ENVIRONMENT

2.2.3.1. France

2.2.3.1.1. The NOME law and the ARENH system

Supplies of electricity to EDF’s competitors under the ARENH scheme for regulated access to nuclear power supplies concern a volume of 64.3 TWh for 2013. The annual volume cannot exceed 100 TWh, and will be progressively increased from 1 January 2014 by the amounts sold to network operators to compensate for their technical losses, according to a timetable set by government decision.

The ARENH price was set at €42/MWh from 1 January 2012, and will subsequently reflect the economic conditions of generation by the existing nuclear fleet. The decree stipulating the valuation method for costs making up the ARENH price is to be published by 7 December 2013.

2.2.3.1.2. CSPE

The Contribution to the Public Electricity Service *(Contribution au Service Public de l'Électricité* or CSPE) is intended to compensate for certain public service charges assigned to EDF in particular[11]. The CSPE is based on electricity consumption and collected directly from the end-user. It has stood at €13.5/MWh since 1 January 2013.
Under the agreement signed in early 2013 by EDF and the French authorities, EDF is to be progressively reimbursed over the period to 31 December 2018 for the receivable consisting of the CSPE shortfall at 31 December 2012 and the costs of bearing this shortfall for the Group (a total amount of some €4.9 billion).

Certain purchase tariffs for photovoltaic energy were raised in early 2013; a 10% premium was introduced for panels assembled in Europe and certain tariffs will be reduced less slowly for a given volume.

During the first quarter, the French energy regulator CRE[12] put out several tender offers for new offshore wind farms (1,000 MW) and photovoltaic installations with capacity above 100 kW. These facilities will be eligible for the purchase tariff, and the surplus cost in excess of market prices will be offset by the CSPE.

The law intended to prepare for the transition towards a low-consumption energy system (the so-called "Brottes law") published in France's Official Journal on 15 April 2013 allows for extension of the number of beneficiaries of the Basic Necessity Tariff, and compensation through the CSPE of a premium paid to load management operators.

In its forecasts of 2013 expenses published in late 2012, the CRE set the amount of expenses to be covered at €5,124 million and forecast receipts at an equivalent level, such that the shortfall in the CSPE system has been stabilised in 2013.

2.2.3.1.3. Council of State decision on electricity sales tariffs

The French Council of State issued a decision on 22 October 2012 at the request of SIPPEREC, cancelling its decision of 13 August 2009 setting regulated electricity sales tariffs and requiring the ministers for energy and the economy to issue a new decision within three months covering the period 15 August 2009 to 13 August 2010. This decision was retroactive in effect and was published on 15 March 2013. EDF has begun to issue rectified bills for approximately 1 million customers concerned by these tariff changes.

2.2.3.1.4. TURPE 3 and TURPE 4 network access tariffs

In a decision of 28 November 2012, the French Council of State cancelled the distribution component of the third generation network access tariffs TURPE 3 *(Tarifs d'Utilisation des Réseaux Publics d'Électricité)* which had been approved on 5 May 2009 by the ministers for energy and the economy after a proposal from the CRE, and was supposed to apply for the period 1 August 2009 to 31 July 2013. This cancellation has no direct impact on the regulated tariffs for sales to customers. The new version of the TURPE 3 ("TURPE 3 bis") based on the CRE proposal of 29 March 2013 was published in France's Official Journal on 26 May 2013. It applies retroactively to the period 2009-2013, replacing the cancelled tariff, and reduces the tariffs for the period 1 June to 31 July 2013 by 2.5%.

On 10 July 2013 the CRE also published its deliberations of 28 May 2013 containing the decision for the period from 1 August 2013 to 31 December 2013 ("TURPE 3 ter"), which results in a 2.1% increase from 1 August 2013 compared to the period 1 June to 31 July 2013.
On 9 July 2013, the CRE began its consultation on the distribution tariffs that will take effect from 1 January 2014 for a 4-year period (TURPE 4).

For transmission tariffs, the CRE deliberations of 3 April 2013 were published in the Official Journal of 30 June 2013. This new tariff (TURPE 4 HTB) will be applicable from 1 August 2013 for a period of approximately four years. The tariff will be raised by 2.4% as of that date, and will subsequently be adjusted each year.

[11] Local distribution companies and Électricité de Mayotte also make small contributions to the system.
[12] *Commission de Régulation de l'Energie.*

2.2.3.1.5. CRE report on EDF's generation and supply costs

As part of its mission defined in the French Energy Code to analyse EDF's costs and ensure they are covered through regulated sales tariffs, the CRE published a report on 4 June 2013 on EDF's generation and supply costs.

The CRE's study concerns costs recorded from 2007 to 2012, and estimated costs for 2013 to 2015.

For the period 2007 to 2012, the CRE notes that fixed and variable generation costs rose by 5.1% per year, capital expenses rose by 2.9% per year and sales and marketing costs rose by 6.3% per year.
It also observes that the rising trend in generation and supply costs is confirmed for 2013.

The CRE therefore concludes that the recommended tariff change for summer 2013 to cover the estimated costs should be between 9.6% and 6.8% for the "blue" tariffs (figures respectively excluding and including an assumption that the accounting useful life of nuclear plants will be extended by 10 years in 2013).

2.2.3.1.6. Increase in electricity tariffs announced by the French government

Following publication of the CRE report described in the above paragraph, the Government decided to spread the tariff rises necessary to cover EDF's costs as provided for in French law across several years. On 9 July 2013, it notified the *Conseil supérieur de l'énergie* and the CRE of an average 5% increase in household electricity tariffs ("blue" tariffs) to be applied on 1 August 2013 and 1 August 2014.

2.2.3.2. Belgium

Uncertainties remain in 2013 over the Belgian regulatory environment, which is awaiting official decisions by the government and parliament.

The nuclear tax levied on nuclear operators and owners of nuclear power-generating installations in Belgium was raised from €250 million in 2011 to €550 million in 2012, then reduced to €475 million in 2013. In late June 2013 EDF Luminus and EDF Belgium filed an appeal against this tax before Belgium's Constitutional court.

In late 2011 the national electricity and gas regulator CREG[13] approved the new tariffs for the period 2012-2015 to be applied by Elia, the electricity transmission network operator. These tariffs include a grid injection tariff that is now borne by generators. They were revised downwards in 2013 following legal action against the decision by generators in the Appeal Court.

Also, during the summer of 2012, inspections detected micro-cracks in the core tanks at Doel 3 and Tihange 2, which were shut down pending additional analyses by the Federal Nuclear Control Agency (AFCN) and Electrabel. On 17 May 2013, the AFCN gave its authorisation to restart operation by both nuclear reactors, and this took effect on 3 June for Doel 3 and 7 June for Tihange 2.

2.2.3.3. Hungary

In early 2013 the regulator announced a 10% reduction in regulated tariffs for supplies of gas, electricity and heat to domestic customers for the period 2013-2016. The Government also introduced a new network tax of HUF 125 per metre of network (approximately €0.45/m).

[13] *Commission de Régulation de l'Electricité et du Gaz..*

2.2.3.4. United Kingdom

On 27 June 2013, as part of the electricity market reforms begun in 2012, the UK's minister for energy and climate change presented details of the British government's long-term strategy for construction, repair and renewal of major electricity infrastructures in the United Kingdom. The UK's finance minister also announced that the future Hinkley Point C power plant would qualify for a government guarantee.

The proposed law on the reform of the electricity market has been under examination by the House of Lords since early June 2013.

2.2.4. GOVERNANCE

2.2.4.1. The EDF group's Board of Directors

By a decree of 6 May 2013, Bruno Léchevin, Chairman of the Board of the French Environment and Energy Management Agency (ADEME – *Agence de l'Environnement et de la Maîtrise de l'Energie)* was appointed as a director of EDF representing the French State, replacing François Loos.

By a decree of 17 June 2013, Olivier Appert, Chairman of IFP Energies Nouvelles, was appointed as a director of EDF representing the French State, replacing Yannick d'Escatha.

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

2.2.4.2. Management

Henri Proglio engaged Philippe Monloubou for a six-month assignment concerning development and financing of smart electric systems, both in and outside France. In January 2014, Philippe Monloubou will be put forward for the position of Chairman of ERDF's Management Board.

3. ANALYSIS OF THE BUSINESS AND THE CONSOLIDATED INCOME STATEMENTS FOR THE FIRST HALF-YEARS OF 2012 AND 2013

Presentation and explanation of the consolidated income statements for the first half-years of 2012 and 2013 is shown at two levels of analysis for Sales and EBITDA: a first focusing on the Group, then a second reporting on the different business segments (France, United Kingdom, Italy, Other International and Other activities). EBIT (operating profit) and net income are analyzed from a general standpoint.
The comparative figures for first-half 2012 have been restated to reflect the impact of retrospective application of IAS 19 (revised) (€11 million impact on EDF net income) and the change in presentation of EDF Energies Nouvelles' DSSA business, which has no impact on Group EBITDA (a €319 million decrease in Sales, a €255 million decrease in Other external expenses and a €64 million increase in Other income and expenses).

(in millions of Euros)	H1 2013	H1 2012 restated
Sales	**39,747**	**35,903**
Fuel and energy purchases	(20,821)	(17,950)
Other external expenses	(4,134)	(4,340)
Personnel expenses	(6,020)	(5,787)
Taxes other than income taxes	(1,793)	(1,597)
Other operating income and expenses	2,719	2,842
Operating profit before depreciation and amortisation (EBITDA)	**9,698**	**9,071**
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities	(1)	98
Net depreciation and amortisation	(3,583)	(3,283)
Net increases in provisions for renewal of property, plant and equipment operated under concessions	(126)	(94)
(Impairment)/Reversals	(178)	(294)
Other income and expenses	(22)	100
Operating profit (EBIT)	**5,788**	**5,598**
Financial result	**(1,667)**	**(1,797)**
Income before taxes of consolidated companies	**4,121**	**3,801**
Income taxes	(1,531)	(1,235)
Share in income of associates	379	343
GROUP NET INCOME	**2,969**	**2,909**
EDF NET INCOME	**2,877**	**2,779**
Net income attributable to non-controlling interests	92	130
Earnings per share (EDF share) (in Euros)		
Earnings per share	**1.56**	**1.50**
Diluted earnings per share	**1.56**	**1.50**

3.1. SALES

Consolidated sales rose by 10.7%, with organic growth of 4.3%.

3.1.1. CHANGE IN GROUP SALES

(in millions of Euros)	H1 2013	H1 2012 restated	Variation	Variation (%)	Organic growth (%)
Sales	39,747	35,903	3,844	+10.7	+4.3

Sales growth was principally driven by changes in the scope of consolidation, essentially relating to the takeover of Edison in late May 2012 (+€2,494 million) and organic growth of €1,527 million (4.3%).

3.1.2. CHANGE IN SALES BY SEGMENT

(in millions of Euros)	H1 2013	H1 2012 restated	Variation	Variation (%)	Organic growth (%)
France	**21,294**	**20,706**	**588**	**+2.8**	**+2.8**
United Kingdom	4,990	4,821	169	+3.5	+7.3
Italy	6,481	3,607	2,874	+79.7	+10.5
Other International	4,106	4,009	97	+2.4	+3.0
Other activities	2,876	2,760	116	+4.2	+3.1
Total excluding France	**18,453**	**15,197**	**3,256**	**+21.4**	**+6.2**
Group sales	**39,747**	**35,903**	**3,844**	**+10.7**	**+4.3**

Sales outside France for the first half-year of 2013 represented 46.4% of total consolidated sales, compared to 42.3% in first-half 2012.

3.1.2.1. France

Change in sales in the "France" segment

France's contribution to Group sales amounted to €21,294 million, corresponding to organic growth of 2.8% compared to first-half 2012.

This growth results both from higher electricity sales volumes and the tariff increases introduced in July 2012.

The volumes sold to final customers rose due to the effect of colder weather than in first-half 2012 (+€608 million). The positive €304 million price effect, combined with the 2012 increase in regulated tariffs, partly offset the progressive decrease in deliveries under long-term contracts (e.g. Eurodif) and calls for tender from suppliers (-€288 million).

At 30 June 2013, EDF's market share for electricity sales to all final customers is 79.9%, 0.4 points down from 30 June 2012. EDF's share of the natural gas market is 4.4% at 30 June 2013, up by 0.3 points compared to 30 June 2012.

Breakdown of sales for the "France" segment between deregulated activities[14], network activities[15] and island activities[16]

(in millions of Euros)	H1 2013	H2 2012 restated	Variation	Variation (%)
Sales	21,294	20,706	588	+2.8
Deregulated activities	20,214	19,639	575	+2.9
Network activities	7,345	6,891	454	+6.6
Island activities	456	443	13	+2.9
Eliminations	(6,721)	(6,267)	(454)	

The 2.9% increase in **sales by the deregulated activities** is principally explained by the favourable impact of the weather in the first half-year of 2013.

Sales by the **network activities** were boosted by the rise in volumes sold due to weather conditions, and higher distribution tariffs (€208 million and €95 million respectively).

Sales by the **island activities** were up by €13 million.

Electricity generation

Nuclear output amounted to 207.2 TWh in the first half-year of 2013, compared to 207.7 TWh for the first half-year of 2012. Despite a more extensive programme of scheduled outages beginning earlier than in the corresponding period of 2012, output was equivalent to first-half 2012 thanks to the smaller number of unscheduled outages.

Hydropower output stood at 25.2 TWh, a 5.1 TWh improvement from first-half 2012 largely reflecting the rainfall levels of first-half 2013. The increase was evenly distributed between run-of-river and impoundment hydropower.

Fossil-fired generation produced 8.4 TWh, up by +1.4 TWh from first-half 2012.

Sales volumes to final customers, including Eurodif and local distribution firms, were up by +3.8 TWh. The year-on-year temperature differential alone accounts for an increase of +8.1 TWh. Also, losses of customers, mainly at the higher end of the portfolio[17], and the reduction in Eurodif supplies were not offset by demand growth.

Net volumes sold on the wholesale markets were down by 12.9 TWh compared to first-half 2012, mainly due to the end of the VPP auction system[18] (-11.5 TWh).

[14] Generation, Supply and Optimisation in mainland France, and sales of engineering and consulting services.
[15] Network activities now only include Distribution, as a result of application of the equity method to the Transmission activity from December 31, 2010. In mainland France, network activities are regulated via the network access tariff TURPE *(Tarifs d'Utilisation des Réseaux Publics d'Électricité)*. Sales for the regulated activities include the delivery cost included in integrated tariffs.
[16] EDF's generation and distribution activities in the island energy systems (IES).
[17] Very large business and industrial customers.
[18] Virtual Power Plant capacity auction system, generating deliveries for periods ranging from a few months to 3 years.

EDF was a net purchaser (excluding VPP auctions) of 2.1 TWh on the wholesale markets in first-half 2013, i.e. its position was close to equilibrium; in first-half 2012 it was a net purchaser (excluding VPP auctions) to the extent of 17.2 TWh.

3.1.2.2. United Kingdom

Sales in the United Kingdom segment amounted to €4,990 million in first-half 2013, an increase of 3.5% from first-half 2012 mainly reflecting organic growth of 7.3% and unfavourable foreign exchange effects of -3.7%.

The increase in sales principally results from positive price effects driven by rising wholesale prices. Other contributing factors were the increase in electricity sales volumes on the wholesale markets, in application of the commitment made to the European Commission[19], and the rise in gas sales which benefited from favourable weather effects. These effects were partly counterbalanced by a decrease in structured sales following expiry of the legacy contracts transferred from British Energy.

3.1.2.3. Italy

Italy[20] contributed €6,481 million to consolidated sales, up by 79.7% with organic growth at 10.5%. This change includes the positive €2,494 million scope effect reflecting the change to full consolidation for Edison from 24 May 2012, and the sale of Edipower in 2012.

Sales by **Edison** rose by €2,909 million (+86.7%) and showed organic growth of €414 million (+12.3%).

In the electricity business, sales benefited from the effect of higher volumes, primarily on the wholesale markets, which was partly absorbed by the drop in average electricity prices.

In the hydrocarbon business, the lower rise in sales reflects the increase in volumes sold, partly offset by a downturn in prices on the gas and oil markets.

3.1.2.4. Other International

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

This segment contributed €4,106 million to Group sales in the first half-year of 2013, €97 million or +2.4% more than in first-half 2012. Excluding foreign exchange and scope effects, sales showed organic growth of 3.0% compared to first-half 2012.

Most of this increase is associated with **Belgium**, where the rise in sales is chiefly explained by optimisation activities which had no significant effect on the margin, **Brazil**, where there were several shutdowns for maintenance in first-half 2012, and the **United States**, where nuclear plant availability improved because of a lower number of days of refuelling outages in first-half 2013 than first-half 2012.

However, sales were down in **Poland**, due to unfavourable price effects on sales of certificates and electricity, and a decline in the volumes of electricity sold.

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[19] In application of commitments made following the European Commission merger regulation: sales of between 5 and 10 TWh of electricity on the wholesale British market over the period 2012 to 2015.

[20] Edison group and Fenice.

3.1.2.5. Other activities

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

The contribution of the **Other activities** segment to Group sales in first-half 2013 was €2,876 million, up by €116 million or 4.2% compared to first-half 2012, with organic growth of 3.1%.

EDF Energies Nouvelles' contribution to Group sales showed organic growth of 30.7% from first-half 2012. This growth primarily results from expanding business in the Generation activity due to the higher capacities in operation and favourable wind conditions in Europe.

EDF Trading's[21] sales registered organic growth of €25 million from first-half 2012 (+5.8%) and benefited from good results, particularly in the coal and gas activities.

Dalkia's contribution to sales registered organic growth of €16 million (+1.2%).

[21] EDF Trading sales consist of trading margins.

3.2. EBITDA

EBITDA rose by 6.9%, with organic growth of 6.0%.

(in millions of Euros)	H1 2013	H1 2012 restated	Variation	Variation (%)	Organic growth (%)
Sales	**39,747**	**35,903**	**3,844**	**+10.7**	**+4.3**
Fuel and energy purchases	(20,821)	(17,950)	(2,871)	+16.0	+4.2
Other external expenses	(4,134)	(4,340)	206	-4.7	-6.8
Personnel expenses	(6,020)	(5,787)	(233)	+4.0	+3.8
Taxes other than income taxes	(1,793)	(1,597)	(196)	+12.3	+12.3
Other operating income and expenses	2,719	2,842	(123)	-4.3	-4.0
EBITDA	**9,698**	**9,071**	**627**	**+6.9**	**+6.0**

3.2.1. CHANGE IN CONSOLIDATED EBITA AND ANALYSIS

Consolidated EBITDA for first-half 2013 amounted to €9,698 million, up by 6.9% from first-half 2012, corresponding to organic growth of 6.0%. This rise incorporates scope effects of +€130 million, principally concerning Edison.

The Group's **fuel and energy purchases** amounted to €20,821 million in first-half 2013, an increase of €2,871 million (+16.0%) compared to first-half 2012 reflecting the scope effect related to Edison (+€2,190 million). Organic growth was 4.2%.
In **France,** organic growth stood at 2.1%. In the **United Kingdom**, the organic growth of €246 million (+9.2%) is essentially explained by the higher cost of energy, renewable energy certificates, and transmission tariffs. **Italy** registered 8.5% organic growth in fuel and energy purchases, in line with the rise in volumes sold.

The Group's **other external expenses** amounted to €4,134 million, down by €206 million (-4.7%) from first-half 2012, The organic variation of -6.8% is essentially attributable to the decrease in **France** following improvements to the management plan for nuclear units, which have enhanced monitoring of general maintenance expenditure and scheduled inspections carried out at regular intervals.

The Group's **personnel expenses** totalled €6,020 million, €233 million (+4.0%) higher than in first-half 2012, with organic growth of +3.8%. This change essentially relates to **France**, where personnel expenses totalled €4,560 million, reflecting organic growth of +4.9% compared to first-half 2012 due to the increase in the workforce (mainly in nuclear generation and distribution), the effect of pay measures, and the rise in pension charges (essentially resulting from application of lower discount rates in the second half-year of 2012).

Taxes other than income taxes amounted to €1,793 million for first-half 2013, up by €196 million from the equivalent period of 2012 (+12.3%, with identical organic growth). This rise is mainly explained by the increase in several taxes in France, particularly the *Contribution économique territoriale* local tax.

Other operating income and expenses generated net income of €2,719 million for the first half-year of 2013, down by 4.3% from first-half 2012 (an organic decline of -4.0%). In **France**, these expenses were stable. In the **United Kingdom**, they registered an organic decline of €113 million due mainly to the unfavourable effect of the fair value adjustment of electricity sale contracts at the time of EDF's acquisition of British Energy. **Italy** recorded organic growth in other operating income and expenses, which include income corresponding to the prior periods' shares of renegotiations of long-term gas supply contracts. The lower level of other operating income and expenses in the

Other activities segment is explained by income on real estate operations and renegotiations of insurance contracts recorded in 2012, for which there was no equivalent in 2013.

3.2.2. CHANGE IN CONSOLIDATED EBITDA AND ANALYSIS BY SEGMENT

(in millions of Euros)	H1 2013	H1 2012 restated	Variation	Variation (%)	Organic growth (%)
France	**6,473**	**6,071**	**402**	**+6.6**	**+6.6**
United Kingdom	1,031	1,071	(40)	-3.7	-0.1
Italy	669	211	458	+217.1	+155.0
Other International	510	553	(43)	-7.8	-6.9
Other activities	1,015	1,165	(150)	-12.9	-12.4
Total excluding France	**3,225**	**3,000**	**225**	**+7.5**	**+4.8**
Group EBITDA	**9,698**	**9,071**	**627**	**+6.9**	**+6.0**

3.2.2.1. France

Change in EBITDA for the "France" segment

France contributed €6,473 million to consolidated EBITDA for first-half 2013, corresponding to organic growth of 6.6% compared to first-half 2012. This contribution accounted for 66.7% of Group EBITDA, against 66.9% in first-half 2012.

Breakdown[22] of EBITDA for the "France" segment between deregulated activities, network activities and island activities

(in millions of Euros)	H1 2013	H2 2012 restated	Variation	Variation (%)
EBITDA	**6,473**	**6,071**	**402**	**+6.6**
Deregulated activities	**4,284**	**3,973**	**311**	**+7.8**
Network activities	**2,025**	**1,942**	**83**	**+4.3**
Island activities	**164**	**156**	**8**	**+5.1**

EBITDA for the **deregulated activities** rose by +7.8%. This increase essentially reflects the improved hydropower output (+€255 million), and a favourable weather effect (+216 million), partly offset by the effect on nuclear generation of the programme for scheduled shutdowns (-€133 million).

EBITDA for the **network activities** registered a 4.3% increase resulting from the tariff increase for energy delivery, and a positive weather effect.

EBITDA for the **island activities** progressed by €8 million.

[22] Further details of this breakdown can be found in section 3.1.2.1.

3.2.2.2. United Kingdom

The **United Kingdom's** contribution to Group EBITDA for first-half 2013 was €1,031 million, down by 3.7% from first-half 2012, with an organic change of -0.1%.

EBITDA benefited from favourable movements in wholesale prices in first-half 2013 compared to the same period of 2012, and good control of other external expenses and personnel expenses. This offset the 1 TWh decline in first-half nuclear power output from 29.8 TWh in 2012 to 28.8 TWh in 2013, resulting particularly from scheduled shutdowns.

3.2.2.3. Italy

The **Italy** segment contributed €669 million to the Group's consolidated EBITDA, €458 million more than in first-half 2012 (organic growth of €327 million).

Edison's contribution to Group EBITDA stood at €627 million in first-half 2013, against €160 million in first-half 2012, corresponding to organic growth of €336 million.

EBITDA for the electricity activities increased thanks to favourable water levels and good use of power plants' potential for flexibility in energy management activities.

The hydrocarbon activities' contribution to EBITDA was higher than in first-half 2012 due to the retroactive effect of successful renegotiations of long-term supply contracts (see the discussion of Other operating income and expenses below). Nevertheless, the margins on gas activities were adversely affected by lower margins on gas sales to end customers, resulting from lower demand combined with high availability on spot markets at European gas hubs, which caused decorrelation between spot gas prices and the cost of long-term contracts.

Edison is continuing renegotiations with gas suppliers to improve the coherence between supply costs and sales prices.

3.2.2.4. Other International

EBITDA for the **Other International** segment declined by €43 million or 7.8%, corresponding to an organic decline of 6.9%.

EBITDA in **Belgium** registered an organic decline of €63 million, as margins were affected by cuts in electricity and gas tariffs in response to aggressive positioning by the competition. EDF Luminus' EBITDA also suffered the effect of lower nuclear power output after the shutdowns of the Doel 3 and Tihange 2 plants in the second half-year of 2012 were extended to 3 and 7 June 2013 respectively.

EBITDA in **Poland** registered an organic decline of €21 million, principally related to contracting margins caused by lower prices for green certificates (biomass).

EBITDA in the **United States** showed organic growth of €27 million, essentially due to the higher volumes of nuclear power generated by CENG, as there were extended outages in first-half 2012 that had no equivalent in first-half 2013.

Brazil achieved organic growth of €9 million in EBITDA, as in contrast to the first half-year of 2012 there was no major shutdown at the Norte Fluminense plant in the first half-year of 2013.

3.2.2.5. Other activities

Other activities contributed €1,015 million to Group EBITDA for first-half 2013, €150 million less than in first-half 2012, with an organic change of -12.4%.

EDF Energies Nouvelles' contribution to consolidated EBITDA totalled €345 million, or an organic increase of 2.9% from first-half 2012. This progression was driven by growth in the Generation activity, as the capacities in operation increased and wind conditions were favourable in Europe. It was partly counterbalanced by the lower EBITDA of the Development and Sales of Structured Assets business.

EBITDA at **EDF Trading** rose by €12 million (3.8%) compared to first-half 2012, in line with the trading margin as explained in paragraph 3.1.2.5.

Dalkia's EBITDA registered organic growth of €77 million (+78.6%), since the first half-year of 2012 had been marked by a difficult business environment in Italy. This growth in EBITDA was also driven by favourable developments in business in the Continental Europe zone.

The organic decline in EBITDA in the **Other activities** segment is explained by income on real estate operations and renegotiations of insurance contracts recorded in 2012, for which there was no equivalent in 2013.

3.3. OPERATING PROFIT (EBIT)

EBIT rose by 3.4%.

(in millions of Euros)	H1 2013	H2 2012 restated	Variation	Variation (%)
EBITDA	**9,698**	**9,071**	**627**	**+6.9**
Net changes in fair value on Energy and Commodity derivatives, excluding trading activities	(1)	98	(99)	n.a.
Net depreciation and amortisation	(3,583)	(3,283)	(300)	+9.1
Net increases in provisions for renewal of property, plant and equipment operated under concessions	(126)	(94)	(32)	+34.0
(Impairment)/reversals	(178)	(294)	116	-39.5
Other income and expenses	(22)	100	(122)	n.a.
Operating profit (EBIT)	**5,788**	**5,598**	**190**	**+3.4**

The Group's consolidated EBIT amounted to €5,788 million for the first half-year of 2013, €190 million higher than in first-half 2012. The main factors in this increase were the growth in EBITDA and the lower levels of impairment recorded in the first half-year of 2013 compared to the same period of 2012. These positive developments were partly counterbalanced by higher net depreciation and amortisation, a lower level of other income and expenses, and unfavourable movements in net changes in fair value on Energy and Commodity derivatives, excluding trading activities.

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

The net changes in fair value on Energy and Commodity derivatives, excluding trading activities, declined from €98 million in first-half 2012 to -€1 million in first-half 2013. The negative change was mainly located in the **United Kingdom** segment.

3.3.2. NET DEPRECIATION AND AMORTISATION

Net depreciation and amortisation was up by 9.1% from first-half 2012.

In **France,** net depreciation and amortisation was up by €202 million, largely as a result of maintenance investments in the generation fleet and distribution assets.

In **Italy**, the rise in net depreciation and amortisation is due to a scope effect related to the takeover of Edison in late May 2012.

At **EDF Energies Nouvelles**, commissioning of new generation facilities caused a €34 million increase in net depreciation and amortisation.

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

The €32 million rise in net increases in provisions for renewal of property, plant and equipment operated under concessions between the first half-year of 2012 and the first half-year of 2013 is mainly attributable to ERDF.

3.3.4. IMPAIRMENT / REVERSALS

Impairment losses for first-half 2013 amounted to €178 million, primarily concerning **Belgium** (€104 million for an EDF Luminus fossil-fired generation plant) and **Dalkia** (€49 million due to the slowdown in business at Dalkia Investissement).

In the first-half 2012, impairment mainly concerned the **Other International** segment: CENG recognised impairment of €233 million in view of the poor outlook for forward electricity prices in the United States observed over the period.

3.3.5. OTHER INCOME AND EXPENSES

In the first half-year of 2013, other income and expenses were not significant.

In the first half-year of 2012, other income and expenses included income of €177 million at ERDF, mainly due to reversal from a provision for renewal following a change in estimate concerning the operating lifetime of high/low voltage transformers (which was extended from 30 years to 40 years), and the effects of the Group's takeover of Edison (-€51 million).

3.4. FINANCIAL RESULT

(in millions of Euros)	H1 2013	H2 2012 restated	Variation	Variation (%)
Cost of gross financial indebtedness	(1,203)	(1,240)	37	-3.0
Discount effect	(1,482)	(1,550)	68	-4.4
Other financial income and expenses	1,018	993	25	+2.5
Financial result	**(1,667)**	**(1,797)**	**130**	**-7.2**

The financial result for first-half 2013 is a financial expense of €1,667 million, €130 million lower than in first-half 2012. This decrease is explained by:

- a lower level of interest expenses (-3.0%) due to the stability of long-term gross financial indebtedness following issuance of a perpetual bond and a reduction in the average coupon, in keeping with interest rate movements over the period;
- a €68 million decrease in discount expenses, essentially in France and mainly associated with use of lower discount rates;
- a €25 million increase in other financial income and expenses.

3.5. INCOME TAXES

Income taxes amounted to €1,531 million in the first half-year of 2013, corresponding to an effective tax rate of 37.2% (compared to an expense of €1,235 million corresponding to an effective tax rate of 32.5% for the first half-year of 2012).
They are calculated by applying the forecast effective tax rate for 2013 to the pre-tax income at 30 June 2013. The main factor in the rise in the effective tax rate for first-half 2013 compared to first-half 2012 is the impact of the new French budget in France, and the positive effect of a 1-point reduction in UK tax rates in first-half 2012 which had no equivalent in first-half 2013.

3.6. SHARE IN INCOME OF ASSOCIATES

The Group's share in income of associates was a positive €379 million in first-half 2013, up by €36 million from first-half 2012, mainly due to the rise in RTE's net income.

3.7. NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Net income attributable to non-controlling interests[23] amounted to €92 million at 30 June 2013, €38 million lower than at 30 June 2012, essentially a as a result of the downturn in EDF Luminus' net income.

3.8. EDF NET INCOME

EDF net income totalled €2,877 million at 30 June 2013, up by 3.5% compared to first-half 2012.

3.9. NET INCOME EXCLUDING NON-RECURRING ITEMS

The Group's net income excluding non-recurring items[24] stood at €3,068 million for first-half 2013, up by €112 million or 3.8% compared to first-half 2012.

[23] Formerly called "minority interests".
[24] Group net after-tax income excluding non-recurring items and net changes in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax.
Non-recurring items and net changes in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax in first-half 2013 (-€191 million):

- -€188 million for miscellaneous risks and impairment,
- -€3 million of net changes in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax.

Non-recurring items and net changes in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax in first-half 2012 (-€177 million):

- +€113 million for reversals of provisions for renewal following extension of operating lifetimes of certain assets,
- -€51 million for the effect of the takeover of TdE/Edison,
- -€304 million for miscellaneous risks and impairment (principally at CENG in the United States),
- +€65 million of net changes in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax.

4. NET INDEBTEDNESS, CASH FLOWS AND INVESTMENTS

Net indebtedness comprises total loans and financial liabilities, less cash and cash equivalents and liquid assets. Liquid assets are financial assets consisting of funds or securities with initial maturity of over three months that are readily convertible into cash regardless of their maturity and are managed according to a liquidity-oriented policy. It also includes the Group's loans to RTE (since 2010), and to joint ventures (since 2012).

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

In millions of Euros	H1 2013	H1 2012 [4]	Variation	Variation (%)
Operating profit before depreciation and amortisation (EBITDA)	**9,698**	**9,071**	**627**	**+6.9**
Cancellation of non-monetary items included in EBITDA	(48)	(779)	731	
Net financial expenses disbursed	(1,011)	(814)	(197)	
Income taxes paid	(977)	(892)	(85)	
Other items	248	-	248	
Operating cash flow [1]	**7,910**	**6,586**	**1,324**	**+20.1**
Change in working capital	(2,800)	(2,458)	(342)	
Net operating investments (gross CAPEX less disposals)	(6,547)	(5,884)	(663)	
Free cash flow	**(1,437)**	**(1,756)**	**319**	
Allocation to dedicated assets, France	(20)	(366)	346	
Net financial investments	2,361	(583)	2,944	
Dividends paid	(187)	(1,187)	1,000	
Issuance of perpetual subordinated bonds	6,125	-	6,125	
Other changes [2]	334	164	170	
(Increase)/ decrease in net indebtedness, excluding the impact of changes in scope of consolidation and exchange rates	**7,176**	**(3,728)**	**10,904**	
Effect of change in scope of consolidation	148	(2,292)	2,440	
Effect of change in exchange rates	387	(452)	839	
Effect of other non-monetary changes [3]	135	41	94	
(Increase)/Decrease in net indebtedness	**7,846**	**(6,431)**	**14,277**	
Net indebtedness at beginning of period	41,575	33,285		
Net indebtedness at end of period	33,729	39,716		

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

[2] Principally capital increases subscribed by minority shareholders, changes in accrued interest on debt, contributions received on assets operated under concession and investment subsidies.

[3] Mainly corresponds to changes in fair value and accounting reclassifications affecting net indebtedness.

[4] Figures for 2012 have been restated to incorporate the change in accounting method for actuarial gains and losses on employee benefits under IAS 19 (revised): the restatements to "EBITDA" and "Cancellation of non-monetary items included in EBITDA" amount to -€4 million and +€4 million respectively.

4.1. OPERATING CASH FLOW

The operating cash flow amounted to €7,910 million in the first-half 2013 compared to €6,586 million in the first-half 2012, up by €1,324 million or 20.1%.

This increase principally reflects the rise in EBITDA excluding non-monetary items (+€1,358 million) and the higher amount of Other changes (+€248 million) which mainly reflects the dividend received from RTE.
These positive effects were partly counterbalanced by net financial expenses (-€197 million) and the rise in income taxes paid (-€85 million), mainly as a result of the differences in the taxes paid in France in respect of previous years and advance instalments on current year taxes.

4.2. CHANGE IN WORKING CAPITAL

The change in working capital over the first half-year of 2013 amounted to €2,800 million, similar to the change for the same period of 2012. Excluding optimisation and trading activities, the change amounted to €2,294 million and is explained by:

- a €1,458 million decrease in trade payables, essentially in France where it is mainly caused by seasonal effects, particularly affecting purchase volumes for generation and electricity purchase obligations;
- a €165 million increase in trade receivables, essentially in France due to the cold weather of the first half-year;
- a -€663 million variation in other receivables and liabilities included in working capital, mainly attributable to payment to external pension funds in France.

The working capital for optimisation and trading activities was down by -€506 million, notably due to a rise in coal-related activity.

4.3. OPERATING INVESTMENTS[25] (GROSS CAPEX)

Operating investments (gross capital expenditure before disposals) amounted to €6,619 million at 30 June 2013, €386 million (+6.2%) higher than for at 30 June 2012.

In millions of Euros	H1 2013	H1 2012	Variation	Variation (%)
Network activities	1,596	1,491	105	+7.0
Deregulated activities	2,696	2,098	598	+28.5
Island activities	204	317	-113	-35.6
France	**4,496**	**3,906**	**590**	**+15.1**
United Kingdom	660	758	-98	-12.9
Italy	154	176	-22	-12.5
Other International	223	254	-31	-12.2
Total International	**1,037**	**1,188**	**-151**	**-12.7**
Other activities	**1,086**	**1,139**	**-53**	**-4.7**
Operating investments	**6,619**	**6,233**	**386**	**+6.2**

[25]Operating investments before disposal of property, plant & equipment.

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

Capital expenditure in **France** increased by €590 million or +15.1%.
The €105 million increase in the network activities is essentially explained by investments in connections and network modernisation.
For the deregulated activities, the €598 million increase was concentrated in nuclear maintenance (€460 million), mainly for asset maintenance operations and improvement of nuclear plant performance. The reinforced management plan also enhanced monitoring of general maintenance expenditure and scheduled checks carried out at regular intervals. These checks qualify as major inspections and the related costs are capitalised. This rise in capital expenditure also reflects progress in work on Flamanville 3.
In the island activities, the €113 million decline in first-half operating investments between 2012 and 2013 is largely due to different paces of work on the projects at Bellefontaine in Martinique and Port Est on Reunion Island.

Internationally, capital expenditure was down by €151 million (-12.7%), principally as a result of lower investments in renewable energies in the United Kingdom.

In the **Other International** segment, capital expenditure for the first-half 2013 declined by €31 million (-12.2%). The decrease was mostly concentrated in the United States (-€18 million) and Continental Europe (-€13 million).

Capital expenditure in the **Other activities** was down by €53 million. This change is primarily due to a lower level of operating investments by EDF Energies Nouvelles (-€115 million) and to a lesser extent Dalkia (-€42 million), partly offset by progress on construction of the Dunkirk methane terminal (€104 million).

4.4. FREE CASH FLOW

The Group's free cash flow at 30 June 2013 was negative at -€1,437 million (against -€1,756 million at 30 June 2012). The main factors were:

- operating cash flow of €7,910 million (see section 4.1);
- use of working capital over the first half-year of 2013 (-€2,800 million, see section 4.2);
- gross capital expenditure of €6,619 million at June 30 (see section 4.3).

4.5. ALLOCATION TO DEDICATED ASSETS

In compliance with the French Law of 28 June 2006 on the sustainable management of radioactive materials and waste, EDF has built up a portfolio of dedicated assets for secure financing of long-term nuclear obligations (€20,666 million).
Allocation of the CSPE receivable to the dedicated asset portfolio on 13 February 2013 brought coverage of EDF's eligible nuclear liabilities to 100%, and as a result there have been no further allocations since February 2013. Allocations made during the first six months of 2013 amounted to €20 million, €346 million less than in first-half 2012.

4.6. NET FINANCIAL INVESTMENTS

In the first half-year of 2013, net financial investments generated income of €2,361 million, mainly in connection with the following operations:

- withdrawals from dedicated assets amounting to €2,407 million. Allocation of the CSPE receivable to dedicated assets (see section 4.5) achieved 100% coverage of eligible nuclear liabilities and made this withdrawal possible;
- receipt in March 2013 of €196 million for sale of the Sutton Bridge power plant in the United Kingdom;
- investments for external growth (-€216 million), mainly relating to Estag's additional investment (+34.57%) in SSG, the Taishan project, and various financial investments at EDF Energies Nouvelles.

4.7. DIVIDENDS

Dividends paid in cash (€187 million) correspond to the dividends paid by Group subsidiaries to their minority shareholders, principally Centrica in the UK (€127 million).

The level of dividends paid is lower than in first-half 2012 (-€1,000 million) because the balance of dividends for 2012 was paid on 8 July 2013, whereas the balance of the 2011 dividend was paid in June 2012. Payment was delayed to the second half-year because each shareholder was entitled to receive their dividends in the form of shares on a basis of €0.10 per share, and the period for choosing this option ran from 6 June to 26 June inclusive.

4.8. PERPETUAL BOND

In January 2013, the Group issued a perpetual bond for an equivalent of €6,125 million (net of transaction costs) in several different tranches and several currencies:

- $3,000 million at 5.25% with a 10-year first call date,
- £1,250 million at 6% with a 13-year first call date,
- €1,250 million in Euros at 4.25% with a 7-year first call date;
- €1,250 million in Euros at 5.375% with a 12-year first call date.

Details of this bond are given in section 5.1.1.2 below.

4.9. SCOPE AND FOREIGN EXCHANGE EFFECTS

The scope effect (changes in the scope of consolidation) essentially reflects acquisitions and disposals by EDF Energies Nouvelles during the first half-year of 2013 (€146 million).

The foreign exchange effect (the pound sterling fell sharply against the Euro while the US dollar showed a slight appreciation[26]) has a favourable impact of +€387 million on the change in the Group's net indebtedness during the first half-year of 2013.

4.10. NET INDEBTEDNESS

The Group's net indebtedness stood at €33,729 million at 30 June 2013 compared to €41,575 million at 31 December 2012, down by €7,846 million from the first-half 2013 despite the negative free cash flow (€1,437 million, see section 4.4). This decrease is principally explained by the perpetual bond issue in January 2013 (€6,125 million) and the withdrawal of €2,407 million from dedicated assets in March 2013 after the CSPE receivable was allocated to dedicated assets.

[26] The pound sterling fell by 5.0% against the Euro, from €1,2253/£1 at 31 December 2012 to €1.1666/£1 at 30 June 2013.
The US dollar rose by 0.9% against the Euro, from €0.7579/$1 at 31 December 2012 to €0.7645/$1 at 30 June 2013.

4.11. FINANCIAL RATIOS

	30 June 2013	31 December 2012 proforma (1)	31 December 2012 restated
Net financial debt /EBITDA	2.0	2.4 (2)	2.6 (2)
Net financial debt /(Financial debt + equity) (3)	47%	56%	57%

(1) The 2012 proforma ratios have been restated to reflect allocation of the CSPE receivable to dedicated assets on 13 February 2013 and withdrawal of €2.4 billion of assets, such that 100% of EDF's eligible nuclear liabilities are covered by the dedicated assets.
(2) The 2012 NFD/EBITDA ratios include 100% of Edison's restated EBITDA in the denominator and the restatement resulting from application of IAS 19 (revised).
(3) Equity including non-controlling interests, restated following application of IAS 19 (revised).

5. MANAGEMENT AND CONTROL OF MARKET RISKS

The policy and principles for management and control of the Group's market risks are presented in Section 9.5 of the 2012 Reference Document. There have been no significant changes during the first half-year of 2013.

This chapter sets forth the main changes over the first half-year of 2013 in financial data concerning the management and control of market risks.

5.1. MANAGEMENT AND CONTROL OF FINANCIAL RISKS

5.1.1. LIQUIDITY POSITION AND MANAGEMENT OF LIQUIDITY RISKS

5.1.1.1. Liquidity position

At 30 June 2013, the Group's liquidities totalled €18,194 million compared to €16,163 million at 31 December 2012, and available credit lines amounted to €9,070 million compared to €8,598 million at 31 December 2012.

5.1.1.2. Management of liquidity risks

During the first-half 2013, EDF undertook several new bond issues:

- €120 million with annual coupon of 3.450% and 20-year maturity (on 25 January 2013)
- €100 million with annual coupon of 3.286% and 20-year maturity (on 31 May 2013)
- €100 million with annual coupon of 2.991% and 20-year maturity (on 19 June 2013)

Two bonds matured during the first half-year of 2013: a CHF 300 million bond which matured on 31 January 2013, and a €1,395 million bond which matured on 23 January 2013.

EDF also issued hybrid (perpetual) bonds in three currencies, for the equivalent of €6,125 million (net of transaction costs). The Euro and sterling tranches were negotiated on 22 January 2013. The US dollar tranche was negotiated on 23 January 2013. These bonds have perpetual maturity but include a redemption option at face value at the issuer's initiative, exercisable at the coupon payment dates after a certain contractual period. The tranches are as follows:

- £1,250 million with a 6% semi-annual coupon, with a 13-year first call date and subsequently at each coupon date,
- $3,000 million with a 5.250% semi-annual coupon, with a 10-year first call date and subsequently at each coupon date,
- €1,250 million with a 4.25% annual coupon with a 7-year first call date and subsequently at each coupon date,
- €1,250 million with a 5.375% annual coupon with a 12-year first call date and subsequently at each coupon date.

The average maturity of Group debt was thus 9 years at 30 June 2013, compared to 8.5 years at 31 December 2012. For EDF SA, the average maturity of debt was 10 years against 9.6 years at 31 December 2012.

No drawings were made on EDF SA's syndicated loan or bilateral credit lines during the first half-year of 2013.

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

Edison is currently being integrated into the Group, and external credit lines are progressively being replaced by Group financing once they mature.

When its syndicated credit matured in April 2013, Edison reimbursed the €1.15 billion drawing made in late December 2012 and the €350 million drawing made during the first quarter of 2013.
This credit has been refinanced by two new bilateral credit lines with the EDF group:

- An €800 million loan from EDF IG with 7-year maturity,
- A revolving credit line from EDF SA, amounting to €600 million with 2-year maturity, drawn to the extent of €400 million at 30 June 2013.

5.1.2. CREDIT RATINGS

The financial ratings agencies Standard & Poor's, Moody's and Fitch Ratings attributed the following long-term and short-term ratings to EDF group entities at 30 June 2013:

Company	Agency	Long-term rating	Short-term rating
EDF	Standard & Poor's Moody's Fitch Ratings	A+, stable outlook Aa3, negative outlook A+, negative outlook [(1)]	A-1 P-1 F1
EDF Trading	Moody's	A3, negative outlook	n.a
EDF Energy	Standard & Poor's Moody's Fitch Ratings	A, negative outlook n.a [(2)] n.a	A-1 n.a n.a
Edison	Standard & Poor's Moody's Fitch Ratings	BBB, creditwatch positive Baa3, negative outlook n.a [(3)]	A-2 n.a n.a

n.a.: not applicable.

[(1)] Fitch Ratings placed EDF on negative outlook on 1 July 2013 (as the electricity tariff rises were considered too low to maintain a level of indebtedness consistent with an A+ rating).
[(2)] Moody's stopped rating EDF Energy on 17 April 2013.
[(3)] Fitch Ratings stopped rating Edison on 20 February 2013.

5.1.3. MANAGEMENT OF FOREIGN EXCHANGE RISK

The Group's gross debt at 30 June 2013 breaks down as follows by currency after hedging as defined by IFRS: 61% in Euro, 23% in pound sterling and 10% in US dollar. 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

30 June 2013 *(In millions of Euros)*	Initial debt structure	Impact of hedging instruments [(1)]	Debt structure after hedges	% of debt
EUR	33,153	39	33,192	61%
USD	9,638	-4,304	5,334	10%
GBP	7,374	4,898	12,272	23%
Other currencies	3,820	-633	3,187	6%
TOTAL DEBT	**53,985**	**0**	**53,985**	**100%**

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

The table below presents the impact of an unfavourable variation in exchange rates on the group's gross debt at 30 June 2013.

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

30 June 2013 *(In millions of Euros)*	Debt after hedging instruments converted into Euros	Impact of a 10% unfavourable variation in exchange rates	Debt after a 10% unfavourable variation in exchange rates
EUR	33,192	-	33,192
USD	5,334	533	5,867
GBP	12,272	1,227	13,499
Other currencies	3,187	319	3,506
TOTAL DEBT	**53,985**	**2,079**	**56,064**

The table below sets forth the foreign exchange position relating to net non-operating investments in foreign currency of the Group's principal subsidiaries at 30 June 2013.

Net asset position

(In millions of currency units)	Net position after management (Assets) at 30 June 2013 [1]	Net position after management (Assets) at 31 December 2012
USD	178	430
CHF (Switzerland)	159	473
HUF (Hungary)	38,027	34,758
PLN (Poland)	1,192	869
GBP (United Kingdom)	4,787	3,189
BRL (Brazil)	772	626
CNY (China)	5,954	5,870

[1] Net asset positions as at 31 March 2013

The assets in the above table are the net assets of the Group's foreign subsidiaries in foreign currencies at 31 March 2013, adjusted for changes in the fair value of cash flow hedges and available-for-sale financial assets recorded in equity, and changes in the fair value of financial instruments recorded in income at 30 June 2013.

5.1.4. MANAGEMENT OF INTEREST RATE RISK

The Group's debt after hedging instruments at 30 June 2013 was structured as follows: 79% of debt bore interest at fixed rates and 21% at floating rates. These proportions have remained stable since 31 December 2012.

A 1% uniform rise in interest rates would generate an increase of approximately €113 million in financial expenses at 30 June 2013, based on gross floating-rate debt after hedging.

The average coupon on Group debt (weighted interest rate on outstanding amounts) was 3.9% at 30 June 2013 against 3.7% at 31 December 2012.

The table below sets forth the structure of Group debt and the impact of a 1% variation in interest rates at 30 June 2013:

Group debt structure and sensitivity to interest rate risks

30 June 2013 *(In millions of Euros)*	Initial debt structure	Impact of hedging instruments	Debt structure after hedges	Impact on net income of a 1% variation in interest rates
Fixed rate	48,124	-5,476	42,648	-
Floating rate	5,861	5,476	11,337	113
TOTAL DEBT	**53,985**	**0**	**53,985**	**113**

5.1.5. MANAGEMENT OF EQUITY RISKS

The equity risk is concentrated in the following areas:

Coverage of EDF's nuclear obligations

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

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

30.2% of the assets covering EDF’s employee benefit obligations were invested in equities at 30 June 2013, corresponding to a total amount of €2.5 billion of equities.

At 30 June 2013, the two pension funds set up by EDF Energy *(EEGSG: EDF Energy Generation & Supply Group* and *EEPS: EDF Energy Pension Scheme)* were invested to the extent of 38.6% in equities, representing an amount of £336 million of equities.

31.7% of the British Energy funds were invested in equities at 30 June 2013, corresponding to an amount of £1,323 million.

CENG fund

CENG is exposed to equity risks in the management of its funds established to cover nuclear plant decommissioning and employee benefit obligations.

EDF’s long-term cash management

In the first-half 2013, equity-correlated investments included in EDF’s long-term cash management investments amounted to €2.8 million, and are still being reduced.

Direct investment securities

At 30 June 2013, EDF’s investment in Veolia Environnement amounted to €193 million, with estimated volatility of 37.05% (annualised volatility of monthly returns observed over three years).

At the same date, EDF’s investment in AREVA amounted to €102 million, with estimated volatility of 39.55% (annualised volatility of monthly returns observed over three years).

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

Content and performance of EDF's dedicated asset portfolio

At 30 June 2013[27], the total value of the dedicated asset portfolio was €20,666 million compared to €17,642 million at 31 December 2012 (restated for the effect of RTE share valuations and retrospective application of IAS 19 (revised)). Details of portfolio content are shown below:

	30 June 2013	31 December 2012
Equities sub-portfolio	33.8%	41.6%
Bonds sub-portfolio	27.3%	39.4%
Risk-free assets	26.9%	5.4%
RTE shares	12.0%	13.6%
TOTAL	100%	**100%**

The table below presents the performance by sub-portfolio at 30 June 2013 and 31 December 2012:

(In millions of Euros)	30/06/2013 Stock market or realisable value	Performance at 30/06/2013		31/12/2012 Stock market or realisable value	Annual performance at 31/12/2012	
		Portfolio	Benchmark index[28]		Portfolio	Benchmark index[29]
Equities sub-portfolio	6,984	+8.2 %	+8.2 %	7,343	+13.8 %	+14.4 %
Bonds sub-portfolio	5,638	-1.1 %	+0.1 %	6,937	+10.3 %	+10.6 %
Total Equities and Bonds portfolio	**12,622**	**+3.7 %**	**+4.0 %**	**14,280**	**+12.0 %**	**+12.6 %**
Cash sub-portfolio				953	+1.1%	+0.2%
Total Financial portfolio	**12,622**	**+3.7 %**	**+4.0 %**	**15,233**	**+11.1 %**	**+12.6 %**
Risk-free assets	5,571	+0.7%	- %			
RTE shares	2,473	+7.0%		2,409[30]		
TOTAL Dedicated Assets after hedging	**20,666**	**+4.1%**		**17,642**	**+10.4%**	

(1)The assets from the Cash sub-portfolio have been transferred to "Risk-free assets".

The first half-year of 2013 was marked by two phases. The first phase continued the movement begun in the year 2012 when trust in the Euro markets returned and American growth was stable, and stock markets rose in all zones. Japan in particular was boosted by introduction of new economic, budgetary and monetary policies, and the United States by their improved economic situation; meanwhile, the emerging markets lagged behind, with disappointing growth in China. In bond markets the focus was on returns, as reflected in a general shrinking of spreads. The Federal bank's two-stage announcement from mid-April of a possible reversal of its policy towards less quantitative

[27] In fact these are the prices at 28 June 2013, as 30 June 2013 was a Sunday.

[28] Benchmark index in 2013: MSCI World AC DN hedged in Euros 50% (excluding emerging country currencies) for the equities sub-portfolio, Citigroup EGBI for the bonds sub-portfolio, Eonia Capitalisé for the cash sub-portfolio, 49% equities index + 51% bonds index for the total portfolio.

[29]Benchmark index in 2012: MSCI World DN hedged in Euros 50% for the equities sub-portfolio, Citigroup EGBI for the bonds sub-portfolio, Eonia Capitalisé for the cash sub-portfolio, 50% equities index + 50% bonds index for the total portfolio.

[30] Pro forma after the change of accounting method for actuarial gains and losses on employee benefits.

easing caused a sudden switch in the market: equity markets declined, led by the emerging markets, while spreads rose slightly on the bond markets.

Against this background, the financial portfolio ended the half-year on a positive note at +3.7%. The difference compared to the composite benchmark index, which registered a +4.0% rise, is explained by continued prudent management, achieving greater asset diversification and lower volatility than in the benchmark index, and the decision in the bond pocket to keep exposure low on the edges of the Euro zone, especially Spain.

As part of the regular reviews of strategic allocation, in order to pursue the diversification into real assets begun since 2010 with the RTE shares, the Board of Directors approved a new strategic allocation that took effect in early 2013, with a 2-year transition period for implementation. This allocation consists of real assets (18% infrastructure assets including the RTE shares allocated, 4% real estate assets, 2% unlisted assets) in addition to the financial portfolio (37% international equities and 39% bonds). The index for the equities sub-portfolio is now the MSCI World AC DN hedged in Euros 50%, excluding emerging country currencies.

In application of the decree of 23 February 2007, on 8 February 2013 the French government authorised allocation of CSPE receivable held by EDF to the dedicated assets for secure financing of long-term nuclear expenses. In view of this authorisation, the positive opinion of the Nuclear Commitments Monitoring Committee and the deliberations of the Board of Directors at its meeting of 13 February 2013, EDF decided to allocate the total receivable, which represents the accumulated shortfall in CSPE compensation at 31 December 2012 and amounts to €4,879 million, to dedicated assets. This allocation is concurrent with a withdrawal of financial assets from the portfolio (diversified bond and equity investments) totalling €2,379 million (pro forma at 31 December 2012). The net allocation to dedicated assets was thus €2,500 million (pro forma at 31 December 2012) and the objective of 100% coverage of long-term nuclear provisions has thus been reached in advance of the legal deadline of June 2016 set by the "NOME" law on the new electricity market organisation.

The actual (unadjusted) allocation for the first half-year of 2013 amounts to €2,502 million, resulting from allocation of the CSPE receivable (€4,889 million at 13 February 2013 including accrued interest) net of withdrawals (€2,407 million unadjusted) and a €20 million cash allocation.

The market value of the equities sub-portfolio was €6,984 million at 30 June 2013. The volatility of the equities sub-portfolio in the dedicated assets can be estimated on the basis of the volatility of the benchmark index. At 30 June 2013, this volatility was 10.1% 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 €705 million. This volatility is likely to affect consolidated equity.

At 30 June 2013, the sensitivity of the bonds sub-portfolio (€5,638 million) was 5.2%, i.e. a uniform 100 basis point rise in interest rates would result in a €293 million decline in market value, which would be recognised in Group equity. This bond sub-portfolio sensitivity was 5.06 at 31 December 2012.

5.1.7. MANAGEMENT OF COUNTERPARTY / CREDIT RISK

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

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

These supervision procedures proved their robustness in the early stages of the financial crisis, when the Group moved to a more frequent (quarterly) consolidation of all counterparty risks. Since the end of 2012, a consolidation system has been in use, making the process more reliable and more responsive.

The table below gives details, by rating, of the EDF group's consolidated exposure at the end of March 2013. 85% of the main counterparties for the Group's business qualify as "investment grade", slightly more than the proportion resulting from the risk consolidation at 30 September 2012.

	AAA	AA	A	BBB	BB	B	CCC/C	Unrated	Total
31/03/2013	8%	21%	40%	16%	3%	0%	1%	11%	**100%**
30/09/2012	7%	23%	39%	14%	2%	1%	1%	13%	**100%**

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

	Purchases	Insurance	Distribution and sales	Cash and asset management	Fuel purchases and energy trading	Total
31/03/2013	2%	37%	6%	44%	11%	**100%**
30/09/2012	4%	38%	7%	39%	12%	**100%**

Exposure in the energy trading activities is concentrated at EDF Trading. Counterparty risk management for this subsidiary has explicit limits for each counterparty according to its financial robustness. A range of means are used to reduce counterparty risk at EDF Trading, primarily position netting agreements, cash collateral agreements and establishment of guarantees from banks or affiliates.

Particularly for counterparties dealing with EDF's trading room, the Group Risk Control department has drawn up a framework specifying counterparty authorisation procedures and the methodology for calculation of allocated limits (which must correspond to requirements). The level of exposure can be consulted in real time and is systematically monitored on a daily basis. The suitability of limits is reviewed without delay in the event of an alert or unfavourable development concerning a counterparty.

In the context of the Euro zone's financial crisis, EDF has continued its prudent management policy for cash investments (EDF SA and cash pooling) concerning countries on the edges of the Euro zone. Sovereign debt purchases are limited to Italy and Ireland (no exposure in Portugal, Greece, Cyprus and Spain) for maturities of less than one year. Only "investment grade" banking counterparties considered systemic by the Financial Stability Board (meaning they have low risk of default) are authorised, for restricted amounts and maturities.

5.2. MANAGEMENT AND CONTROL OF ENERGY MARKET RISKS

This section presents the main changes in energy market risks affecting the Group since 31 December 2012.

The principles for management and control of energy market risks are presented in section 9.5.2 of the 2012 reference document. They are unchanged from 31 December 2012.

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

The principles for management of the Group's energy market risks referred to above are partially applied in CENG (in respect of EDF's share of energy). For Edison, rollout of these principles began in 2012 with consolidation of Edison's positions into the Group's risk profile, and will continue as Edison is integrated into the EDF group.

The table below presents the values of risk indicators used to monitor EDF Trading's markets commitments for the first half-year of 2013 and the second half-year of 2012.

The stop-loss was not triggered during the first half-year of 2013.

(in millions of Euros)	H1 2013	H2 2012
VaR limit[31] (97.5 % 1-day)	45	45
Stop-loss limit	225	225
Minimum VaR	3.8	2.6
Average VaR	5.5	7.1
Maximum VaR	8.7	11.4

[31] This limit takes account of the risk diversification between the activities of EDF Trading and EDF Trading North America. It does not take account of diversification related to the Chubu joint venture, whose VaR limit of €2 million is added to EDF Trading's VaR limit of €43 million.

6. TRANSACTIONS WITH RELATED PARTIES

The types of transaction undertaken with related parties are detailed in note 26 to the condensed consolidated half-year financial statements at 30 June 2013.

7. PRINCIPAL RISKS AND UNCERTAINTIES FOR THE SECOND HALF-YEAR OF 2013

The principal risks and uncertainties to which the EDF Group considers itself exposed are described in section 4.1 of the 2012 Reference Document.

The EDF Group policies for risk management and control are described in section 4.2 of the 2012 Reference Document.

This presentation of the major risks remains valid at the date of publication of this report for assessment of the principal risks and uncertainties for the second half-year of 2013, and the Group remains subject to the usual risks specific to its business.

8. SIGNIFICANT EVENTS RELATED TO LITIGATION IN PROCESS

Litigations concerning the EDF group are described in section 20.5 of the 2012 Reference Document. This chapter reports on litigations which have seen significant developments since the release of the 2012 Reference Document.

8.1. PROCEEDINGS CONCERNING EDF

General network

The European Commission initiated proceedings against France in October 2002, claiming that EDF had received State aid when its balance sheet was restructured at 1 January 1997. By a decision dated 16 December 2003, the European Commission set the amount of aid to be repaid at €889 million (principal). On 11 February 2004, the French State issued a collection note for €1,224 million, comprised of the principal amount of the aid to be repaid, plus interest. This amount was paid by EDF. On 27 April 2004, EDF filed an appeal with the European Court of First Instance, now the General Court of the European Union, to have the Commission's decision reversed. The Court issued a ruling on 15 December 2009 cancelling the Commission's decision of 16 December 2003. As this was immediately enforceable, the State repaid the sum of €1,224 million to EDF on 30 December 2009. By a decision of 5 June 2012, the Court of Justice upheld the 15 December 2009 ruling by the General Court of the European Union. On 2 May 2013, the Commission adopted a decision to reopen these proceedings, and this decision marked the start of a further adversarial exchange of positions between the French state and the European Commission.

Solaire Direct

On 19 May 2008, Solaire Direct filed a complaint and an application for protective measures with France's Competition Council *(Conseil de la Concurrence)*, alleging that the EDF group had abused its dominant position in the various electricity markets to penetrate the emerging comprehensive services market for shared photovoltaic electricity generation through its subsidiary EDF Energies Nouvelles Réparties ("EDF ENR"), thereby hindering the entry of new competitors on that market.

The Council met on 26 November 2008 to consider the admissibility of the case on the merits and the request for protective measures. EDF proposed certain commitments to address concerns over competition expressed by the Council. These commitments were posted on the Council's website as part of a "market test" procedure, in order to allow interested companies to state their opinion.

In early 2009, the Competition Council, now renamed the Competition Authority *(Autorité de la Concurrence)* decided not to pursue the commitment proposal made by EDF, and to order protective measures relating to the methods used by EDF ENR to market global photovoltaic energy services, without prejudice to the outcome of the proceedings. At that stage, the Competition Authority considered that the communication methods used by EDF maintained a confusion between EDF's role as electricity supplier subject to regulated tariffs, and the deregulated activities of its subsidiary. In a ruling of 8 April 2009, the Competition Authority ordered EDF (i) to delete all reference to EDF ENR's activity in the photovoltaic market from all communication materials for the Bleu Ciel® brand, (ii) to forbid agents answering calls on the 3929 hotline (a dedicated number for individuals and EDF clients) to make any reference to the services offered by EDF ENR, (iii) to cease all communication of information obtained through the 3929 hotline to EDF ENR, not only fixing appointments for EDF ENR but also passing on information about people interested in photovoltaic energy generation, and finally (iv) to refrain from providing EDF ENR with information EDF possesses as a result of its business as an electricity services provider subject to regulated tariffs. EDF complied with these orders within the deadlines set by the Competition Authority.

Once examination of the substance of the case was complete, the Competition Authority met on 11 June 2013 and is expected to issue its decision in the autumn. If the Authority concludes that anti-competitive practices were applied by EDF, it could, among other sanctions, levy a fine on EDF in accordance with article L. 464-2 of the French Commercial Code. The amount of any sanctions must be proportional to the seriousness of the offences, the significance of the damage to the economy, and the company's position, up to a maximum of 10% of its potential worldwide sales excluding taxes.

Fessenheim

On 25 July 2008, an association and individuals petitioned the French ministers in charge of nuclear safety (the ministers for energy and environmental protection) to order the permanent shutdown and dismantling of the Fessenheim nuclear power plant. This request was based on article 34 of French law 2006-686 of 13 June 2006 relating to transparency and safety in nuclear matters, which allows the enactment of a decree adopted in the French Council of State, after consultation with the Nuclear Safety Authority *(Autorité de Sûreté Nucléaire* - ASN), to order the final shutdown and dismantling of a nuclear installation that presents serious risks, when no other course of action is possible.

After the dismissal of the petition by the ministers, the petitioners filed an appeal with the Strasbourg Administrative Tribunal on 10 December 2008, which was rejected on 9 March 2011. The petitioners lodged an appeal against this decision on 4 May 2011, and this too was rejected by the Nancy Administrative Court in a decision of 16 May 2013.

The same petitioners filed an application for review on 18 April 2011, requesting the ministers in charge of nuclear safety and the ASN to suspend operation of the Fessenheim power plant. This request is founded on articles 34 and 35 of the decree of 2 November 2007 relating to basic nuclear installations and the control of nuclear safety and security for the transportation of radioactive substances, which entitles ministers or the ASN to suspend the operation of a basic nuclear installation in the event of serious risk. After the ministers and the ASN refused to grant their request, the petitioners initiated actions before the Strasbourg Administrative Court (against the ministers' implicit decision of refusal) and French Council of State (against the ASN's implicit decision of refusal).

By an ordinance of 9 March 2012, the President of Strasbourg Administrative Court referred the actions concerning the ministers' implicit decision of refusal back before the Council of State. On 28 June 2013, the Council of State issued a decision rejecting these actions, considering that there was no demonstrable existence of serious imminent risks concerning the security, health and safety of the public, nature and the environment that would justify suspension of the plant.

Finally, an application was filed on 23 March 2013 by several associations including the Réseau Sortir Du Nucléaire, requesting summary suspension of work on the review of safety, particularly reinforcement of the apron. This petition was rejected in an ordinance by the Council of State dated 10 April 2013.

Packaging and interim storage installation for radioactive waste (ICEDA)

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

A third petition for cancellation of the decree was filed in April 2012 before the Council of State by the city of Geneva, and the decision is still pending.

Roozen also filed a petition with the Lyon Administrative Court on 21 April 2010 seeking cancellation of the building permit. In a judgment of 13 December 2011, the Administrative Court cancelled the building permit due to violation of the local zoning plan. EDF lodged an appeal with the Lyon Administrative Court of Appeal. After this court confirmed cancellation of the building permit in a ruling of 19 June 2012, EDF filed a further appeal before the Council of State in August 2012.

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

Roozen applied for an emergency injunction to suspend the zoning plan. The Judge at the Lyon Administrative Court dismissed this application on 14 January 2013 on the grounds that there was no urgency.

Vent de Colère – Appeal against the decision of 17 November 2008 setting wind power purchase tariffs

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

On 11 July 2013, the Advocate General at the Court of Justice issued his Opinion that this financing mechanism does indeed qualify as intervention by the State or through State resources. The Court is due to issue its decision in the coming months. It is under no obligation to concur with the opinion of its Advocate General.

Once the Court has issued its decision, the case will resume before the French Council of State, which will make a final ruling on the appeal lodged by "Vent de Colère" against the decision of 17 November 2008.

Superphénix

Following France's decision to stop building the Superphénix nuclear reactor, AREVA NC considers that EDF should bear part of the cost of the preparatory services for construction of core 3, and the cost of processing wasyte from manufacturing of cores 1 and 2 to recover the surplus plutonium. As the companies were unable to reach an amicable settlement, Areva NC decided to bring action against EDF on 19 June 2013 for payment of an amount (subject to adjustment) of €148 million (under the initial economic conditions). The case is scheduled to be heard by the Paris Commercial Court on 5 September 2013.

8.2. PROCEEDINGS CONCERNING EDF'S SUBSIDIARIES AND AFFILIATES

8.2.1. ERDF

Litigation with photovoltaic producers

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

When the moratorium ended, new arrangements for electricity purchases were introduced. A system of tender offers developed, and a further decision set the new tariff for compulsory purchases of photovoltaic power. This decision was issued on 4 March 2011 and significantly reduced the purchase price applicable.

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

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

Consequences of cancellation of the TURPE 3 network access tariff decisions

On 28 November 2012, the French Council of State announced the cancellation of the decisions of 5 May and 5 June 2009 setting the TURPE 3 distribution network access tariff for the period 2009-2013.

The grounds for cancellation concerned the method used to calculate weighted average cost of capital (WACC): the French Council of State judged this method "an error in law" because it does not take account of "the special concession accounts, which correspond to the grantor's rights to recover concession assets for no consideration at the end of the contract (…) and the provisions for renewal of assets".

This cancellation took effect on 1 June 2013. The tariff applicable from 1 June 2013 is described in section 2.2.3.1.4.

8.2.2. EnBW

In February 2012, EDF International received a request for arbitration filed with the International Chamber of Commerce by the German company Neckarpri GmbH, the vehicle for the Baden-Württemberg region's acquisition of the EDF group's stake in EnBW, which was agreed on 6 December 2010 and completed on 17 February 2011.

Neckarpri claims that the price paid for the EDF group's investment in EnBW was excessive and therefore constitutes illegal State aid. On those grounds, it is claiming reimbursement of the allegedly excess portion of the price. This was initially estimated at €2 billion in the request for arbitration, but was re-estimated at €834 million in July 2012 in an independent report on the valuation of EnBW commissioned by Baden- Württemberg. In September 2012, Neckarpir confirmed that its principal claim was being reduced to that amount. As an alternative Neckarpri is seeking cancellation of the sale of the EDF group's stake in EnBW.

The arbitration procedure is currently in process. The first conclusions filed in support of Neckarpri's claim and in defence of EDF have been exchanged, including EDF's counterpetition for compensation for the prejudice suffered as a result of these proceedings, which EDF considers unfounded and a misuse of law. After a further exchange of conclusions, the hearings//interviews will take place in January 2014 and the decision should be issued in the first half-year of 2014.

9. FINANCIAL OUTLOOK

The results for the first half-year of 2013 showed a positive development, notably thanks to higher hydropower output and a favourable weather effect, partly counterbalanced by the scheduled outages in the nuclear generation fleet. The faster conclusion of Edison's renegotiations of certain gas supply contracts also contributed to the positive trends in half-year results.

In this context, for 2013 the Group :

- has raised its operating performance targets :
  - growth in EBITDA[32] (excluding Edison) of at least 3%
  - EBITDA of approximately €1 billion for Edison

- and confirmed its financial objectives:
  - net indebtedness/EBITDA ratio of between 2x and 2.5x
  - a dividend distribution rate of between 55% and 65% of net income excluding non-recurring items.

These financial objectives are notably founded on the rollout of a cost optimisation plan which is progressing in line with forecasts, such that the target was 35% achieved by 30 June. This plan covers both operating expenses and investments, and will cut costs by €1 billion in 2013.

The Group aims to make net investments of between €12 billion and €12.5 billion in 2013, depending on the timing of completion of certain disposals.

[32] Growth based on constant scope of consolidation and exchange rates.