EDF GROUP

Management Report 2007

Contents

1. Financial and legal information

1.1 Key figures

The figures presented in this document are taken from the EDF Group's consolidated financial statements at December 31, 2007.

Key figures at December 31, 2007 are as follows:

Extracts from the consolidated income statements

Year ended December 31 (in millions of euros)	2007	2006 (1)	Variation	Variation (%)
Sales	59,637	58,932	705	1.2
Operating profit before depreciation and amortization (EBITDA)	15,210	14,393	817	5.7
Operating profit (EBIT)	9,991	9,356	635	6.8
Income before taxes of consolidated companies(2)	7,457	6,655	802	12.1
Group net income	5,618	5,605	13	0.2
Net income excluding non-recurring items(3)	4,677	4,227	450	10.6(4)

(1) The figures published for 2006 have been restated to reflect the change in presentation for net increases in provisions for renewal of property, plant and equipment operated under concession (described in notes 3.2.3 and 4 to the consolidated financial statements at December 31, 2007).
(2) The income before taxes of consolidated companies corresponds to the EDF Group's net income before income taxes, share of net income of companies accounted for under the equity method, net income from discontinued operations and minority interests.
(3) Net income excluding non-recurring items is not defined by IFRS, and is not directly visible in the consolidated income statements. It corresponds to the Group's net income excluding non-recurring items, net of tax (see §1.4.5).
(4) 12% based on constant scope of consolidation and exchange rates.

Extracts from the consolidated balance sheets

December 31 (in millions of euros)	2007	2006
Non-current assets	134,572	130,824
Current assets	51,308	48,122
Assets classified as held for sale	269	140
Total assets	**186,149**	**179,086**
Equity (EDF share)	27,210	23,309
Minority interests	1,586	1,490
Non-current provisions	44,038	43,124
Other non-current liabilities	64,623	66,241
Current liabilities	48,578	44,806
Liabilities related to assets classified as held for sale	114	116
Total equity and liabilities	**186,149**	**179,086**

Operating cash flow

(in millions of euros)	2007	2006	Variation	Variation (%)
Operating cash flow [(1)]	10,647	11,165	(518)	(4.6)

(1) Operating cash flow is not defined by IFRS, and is not directly visible in the consolidated cash flow statements.
EDF uses Operating cash flow, equivalent to Funds From Operations or FFO, as an indicator to assess the Group's capacity to generate free cash flow. Operating cash flow is equivalent to net cash flow from operating activities (Cash flow statement) excluding changes in working capital, less net financial expenses disbursed and income taxes paid, adjusted for the impact of non-recurring tax effect items (€156 million in 2007, €527 million in 2006 mainly resulting from the effects of the legal restructuring of Light before its sale).

Net indebtedness

Year ended December 31 (in millions of euros)	2007	2006	Variation	Variation (%)
Loans and other financial liabilities	27,930	28,142	(212)	(0.8)
Derivatives used to hedge liabilities	23	237	(214)	(90.3)
Cash and cash equivalents	(6,035)	(3,308)	(2,727)	(82.4)
Liquid assets	(5,682)	(10,154)	4,472	44.0
Net financial liabilities from companies disclosed in non-current liabilities related to assets classified as held for sale	33	15	18	120.0
Net indebtedness	**16,269**	**14,932**	**1,337**	**8.9**

1.2 Economic Environment and Significant events

1.2.1 Economic environment in the energy sector

1.2.1.1 Economic environment

GDP growth[1]

2007 saw a slowdown in the world economy. The French National Institute for Statistics and Economic Studies (INSEE) estimated 2007 GDP growth for the principal industrialized countries at +2.4%, after the +2.8% registered in 2006.

According to the same source, GDP growth in the **Euro zone** was expected to be lower in 2007 (+2.6%) than 2006 (+2.9%). GDP growth in **France** is estimated at +1.9% for 2007 (+2.2% in 2006).
For the **United Kingdom**, the estimated 2007 GDP growth is +3.1% (+2.8% in 2006), while for **Germany** it is +2.7% (+3.1% in 2006) and for **Italy** +1.8% (+1.9% in 2006).
The principal factors affecting the economy in 2007 were the subprime mortgage crisis in the USA, which is still ongoing and has led to a fall in liquidities despite several cash injections by the central banks, and a slowdown in investments. Meanwhile, energy prices – particularly oil prices – continued to rise, especially at the end of the year when the price of a barrel of Brent reached $96. Inflationary pressures were also accentuated by food commodity price trends, for reasons related to both the business environment (bad weather) and the market environment (higher demand and production of biofuels).

[1] *Source: Note de conjoncture, INSEE, December 2007- extracts*

1.2.1.2 Trends in market prices and sales tariffs for electricity and natural gas

Wholesale electricity prices - 2007

Spot prices in France, Germany, the United Kingdom and Italy

Spot electricity prices declined on average on the main European wholesale markets.

In France, average 2007 spot prices[2] were €40.90/MWh baseload and €58.50/MWh peakload, respectively 17% and 16% lower than in 2006. In 2007, there was relatively little pressure on the supply-demand balance during the first nine months, as mild temperatures in the 1st quarter limited electricity consumption, and the summer was cool. 2006, in contrast, was marked by two periods of extreme weather conditions (a long cold winter in the first quarter and a heatwave in July), which drove spot prices upwards. The collapse of average prices per tonne of CO_2 for the first allocation period (2005-2007), from €17.6/tCO_2 in 2006 to € 0.7/tCO_2 in 2007, also contributed to the decline in spot prices, both in France and its neighboring countries. From October 2007, French spot prices rose sharply with the increase in fossil fuel prices, due to several cold spells and the unavailability of several plants in France. Under pressure on the supply-demand balance, spot prices reached high levels in late October and mid-November, peaking on November 15 at €314/MWh baseload, the record daily average for French spot electricity prices.

In Germany[3], the decline in spot prices was more pronounced than in France. The 2007 average was €38/MWh baseload and €56.2/MWh peakload, respectively 25% and 23% lower than in 2006. German 2007 spot prices were lower on average than French spot prices (by €2.9/MWh baseload), whereas they had been €1.5/MWh higher on average in 2006. This downward trend was associated

[2] *Average previous day Powernext price (baseload and peakload) for same-day delivery (€/MWh)*
[3] *Average previous day EEX price (baseload and peakload) for same-day delivery (€/MWh)*

with greater windpower output in Germany (+15%, with average power of 3.7 GW in 2007 compared to 3.2GW in 2006) and pressure related to French spot prices late in the year.

In the United Kingdom, spot prices[4] stood at €42.20/MWh baseload and €55.90/MWh peakload on average in 2007, respectively 29% and 27% lower than in 2006. The main factor in this decline was the reduction in gas prices in the United Kingdom.

The decrease in **Italian spot prices**[5] was on a much smaller scale than in other European countries, with average prices of €71.6/MWh baseload (-4% from 2006) and €104.6/MWh peakload (-2% from 2006).

Forward prices[6] in France, Germany, and the United Kingdom

Forward electricity prices[7] fell in France and the United Kingdom, but rose slightly in Germany compared to 2006.

In France, the average price under the 2008 annual contract (baseload) was €54.4/MWh in 2007, 3.5% lower than the 2007 annual contract price quoted in 2006. However, this average masks significant fluctuations. After an initial decrease, the 2008 annual contract price saw a subsequent upturn under the influence of rising fossil fuel prices and Phase II (2008-2012) CO_2 emission quota prices. At the year-end, pressure on French spot prices was reflected in winter forward prices (particularly in the first quarter of 2008), which caused a significant increase in the annual baseload contract price to €66/MWh at the end of the year, an all-time record for a French annual contract.

In Germany, a contrasting trend was observed as the annual baseload contract price rose by 2% from 2006 to a 2007 average of €55.9/MWh, due to the effect of fossil fuel and CO_2 price increases. German prices were above French annual contract prices by an average €1.5/MWH over the year. However, the price differential between France and Germany reversed in October when French annual contract prices outstripped German prices. At December 31, 2007, the French annual contract price was €4.3/MWh above the German annual contract price, although it had started the year €1.7/MWh lower. French forward prices rose significantly towards the end of the year in keeping with trends in spot prices.

In the United Kingdom, the fall in forward gas prices brought about a decline in forward electricity prices. The April 2008 annual contract price for the first nine months of listing (April 1 to December 31, 2007) was €61/MWh (baseload), 11% lower than under the April 2007 contract for the corresponding period of 2006.

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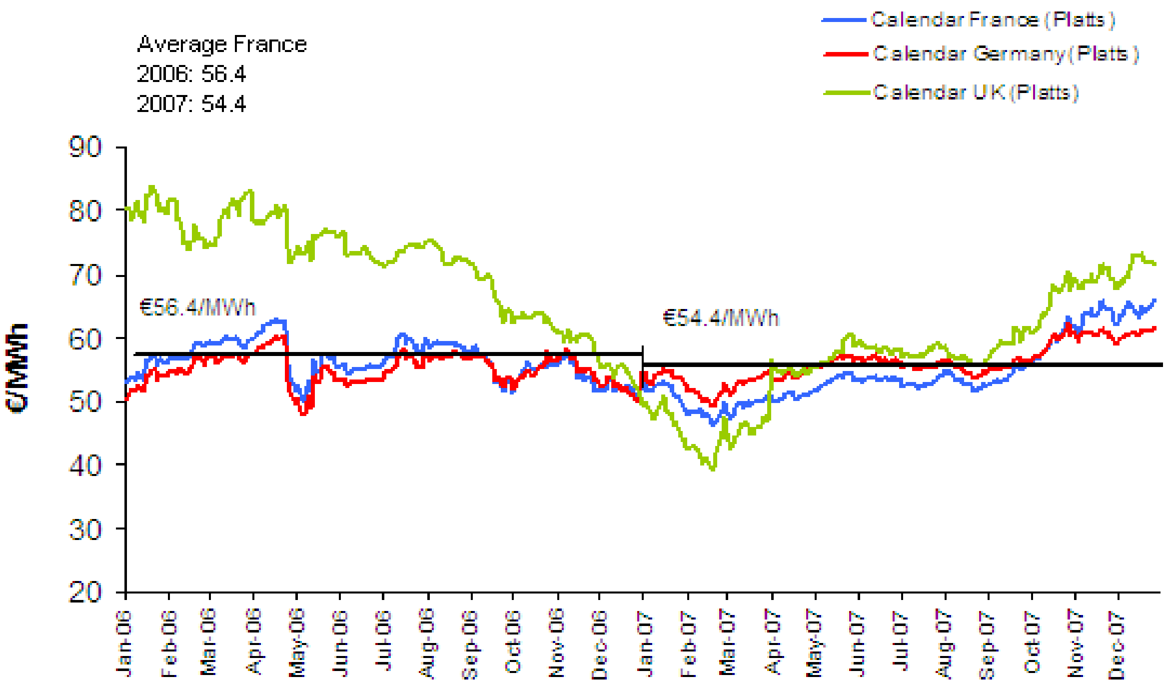
[4] *Average previous day Platts OTC price (baseload and peakload) for same-day delivery (€/MWh)*
[5] *Average GME price (baseload and peakload) for same-day delivery (€/MWh)*
[6] *Italy has no quotations for forward prices.*
[7] *Change between 2006 and 2007 in Platts average baseload year ahead index for France and Germany and from April 1, 2008 for the UK.*

Forward electricity prices in France, the United Kingdom and Germany in 2006 and 2007

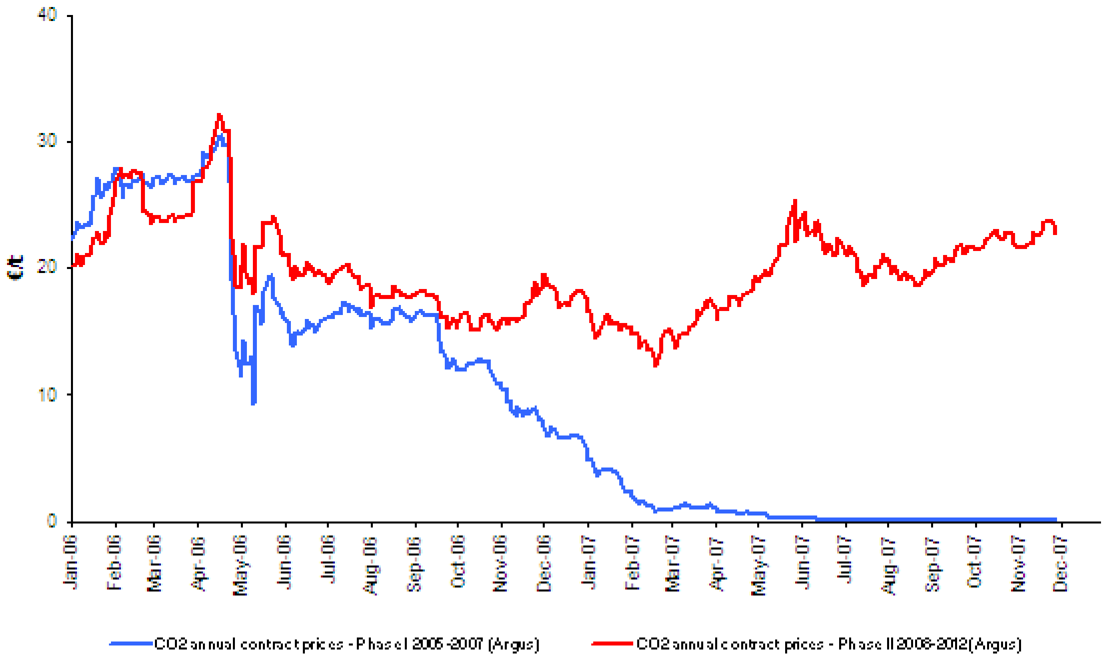


CO_2 emission quota prices

The price of CO_2 emission quotas for Phase I of the trading scheme (2005-2007)[8] collapsed in 2007 from €5.6/tCO_2 at January 2 to € 0.1/tCO_2 from July, as market actors anticipated that consumption of quotas would be below the volumes allocated.
There was only a slight decrease, however, in the price of CO_2 emission quotas for Phase II (2008-2012)[9]. The annual average price of CO_2 emission quotas for delivery in 2008 was €19.6/tCO_2, 4% lower than the previous year. After dipping early in the year to €12.3/tCO_2 on February 20, CO_2 emission quota prices recovered with the announcement of National Allocation Plans (NAPs) that were more restrictive than expected. They peaked at €25.4/tCO_2 on May 29, and ended the year at €22.5/tCO_2.

[8] *Argus index annual contract price for delivery in December (€/t) / Phase I (2005-2007)*
[9] *Argus index annual contract price for delivery in December (€/t) / Phase II (2008-2012)*

CO_2 emission quota prices in 2006 and 2007



Fossil fuel prices

Coal

2008 annual contract prices[10] for coal (delivery in Europe) rose significantly in 2007 to an average $85.3/t, an increase of 29% compared to the 2007 annual contract quoted in 2006. The overall annual rise was 65%, from $71.2/t at January 1 to $ 117.2/t at December 31. This rise is due to higher worldwide demand driven by economic growth in China and India, while the main coal-exporting countries (particularly Australia and Indonesia) experienced logistical problems and extreme weather conditions that limited export capacities. Maritime freight prices also rose significantly, feeding the rise in coal prices for delivery in Europe: the cost of transporting one tonne of coal from South Africa to Europe increased from an average $16/t in 2006 to $32/t in 2007.

Oil

Average oil prices (Brent[11] North Sea, Front Month) for 2007 were $72.5/barrel, up 10% from 2006. After dropping more than $8/barrel at the beginning of the year, oil prices marked an upturn as a result of increasing political tensions in the Middle East and the Niger Delta, the low level of US oil stocks and the falling value of the dollar, reaching $96/barrel on November 23. Brent prices then receded slightly at the end of the year to $93.9/barrel.

Natural gas

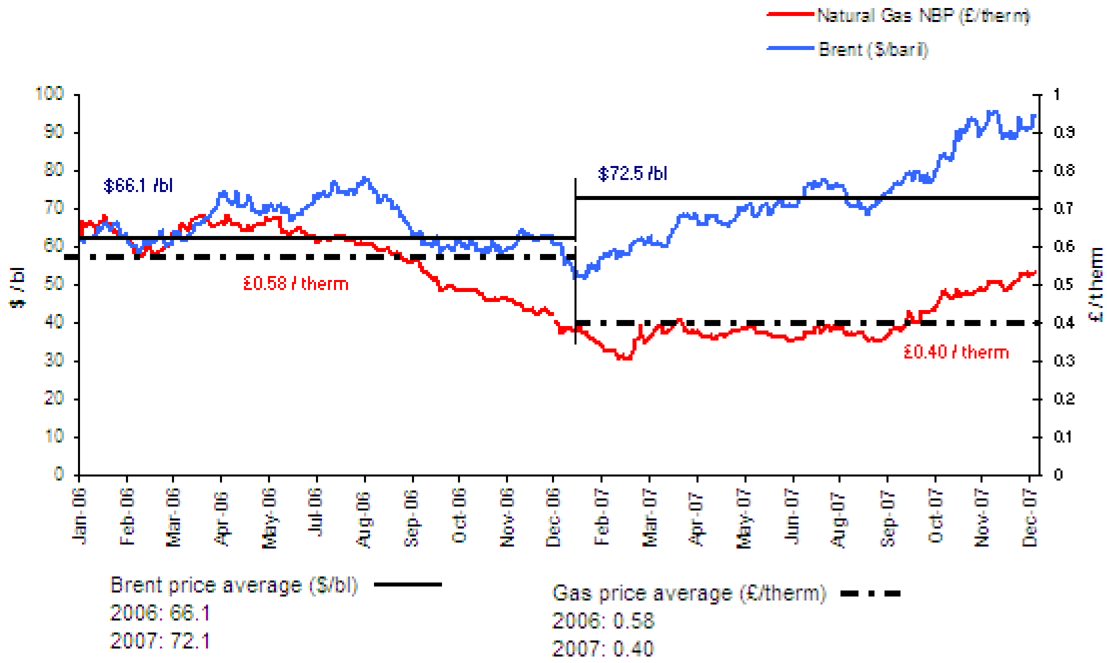
Natural gas prices under the United Kingdom's annual contract[12] fell by 32% compared to 2006 to an annual average of £0.40/therm. The primary explanation was the fall in spot prices (close to 30%) after new pipelines came into operation in late 2006 and new gas fields were opened up. With no pressure on spot prices, annual contract prices for gas followed oil price trends at the end of the year, rising by 47% between September 1 (£0.36/therm) and December 31 (£0.53/therm).

[10] *Average Argus OTC index for delivery in Europe (CIF ARA) the following calendar year (€/t)*

[11] *Brent first reference crude oil barrel, IPE index ($/barrel)*

[12] *Change between 2006 and 2007 in Platts average OTC index for delivery starting from October of the following year for the UK (£/therm)*

Gas and Brent forward prices in 2006 and 2007



Electricity and natural gas sales tariffs

En France, electricity sales tariffs fixed by the authorities increased from August 16, 2007 by 1.1% for residential customers and 1.5% for business customers [13].

In the United Kingdom, as competition intensified, operators reduced their sales tariffs by an average of 10% to 15% for natural gas and 5% for electricity. EDF Energy decided to reduce its gas prices by 10.2% from June 15, 2007 for residential customers. Since energy prices began another upward trend in the second half of 2007, EDF Energy raised its gas and electricity prices by 7.9% and 12.9% respectively from January 18, 2008.

[13] *The "yellow" and "green" tariffs*

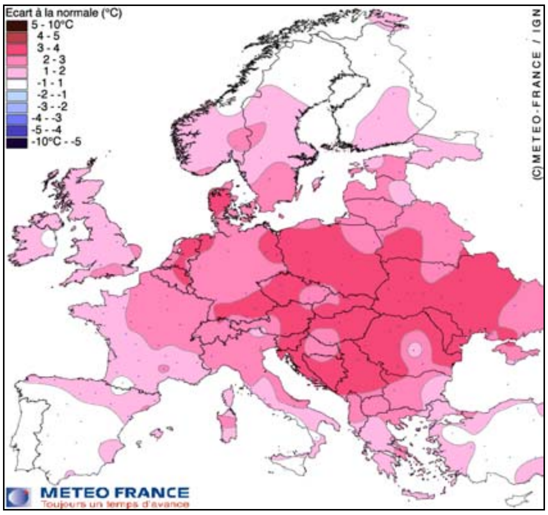
1.2.1.3 Weather conditions

Weather conditions can significantly affect the Group's business, in terms of volumes, prices and costs.

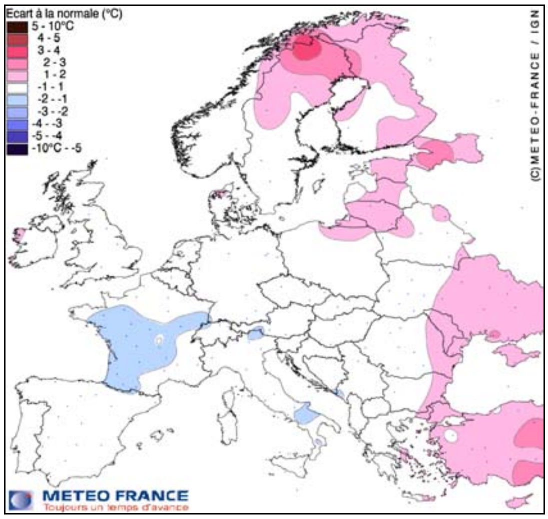
Temperatures[14]

2007 half-yearly temperature charts

Half-year 1 (January - June 2007)

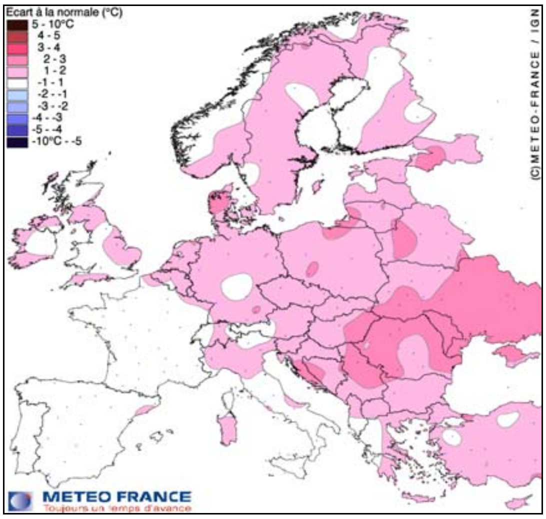


Half-year 2 (July – December 2007)



Annual temperatures 2007

Year 2007 (January – December 2007)



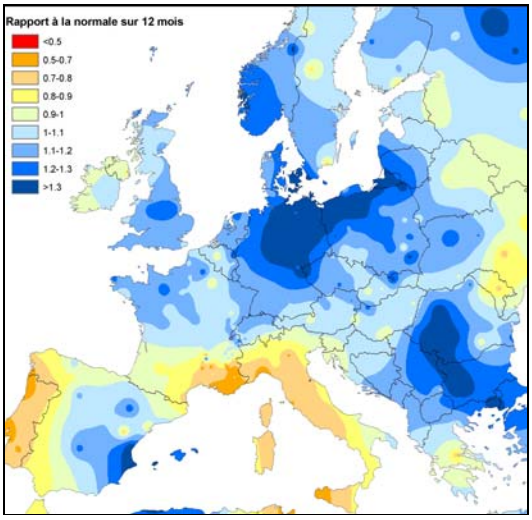
In France, the annual average temperature for 2007 was 12.4°C[15], 0.3°C lower than in 2006 and consistent with the normal level.
However, this apparent stability includes wide variances. 2007 was marked by initial mild weather, a cool summer, and several cold spells towards the end of the year. 2006 saw a cold period in the first quarter, a heatwave in July, and a relatively warm autumn.
Temperatures for the first half-year of 2007 were on average 0.8°C higher than normal, whereas they had been 1.1°C below normal in the first half of 2006. In contrast, in the second half-year of 2007 temperatures were 1.3°C lower than normal, while in the same period of 2006 they had been 1.2°C above normal.

[14] *The maps show the difference from normal half-yearly and annual levels of Average Temperatures (no weighting for electricity consumption).*
Source: Base de Données Climatologiques de METEO FRANCE. (Comparison of average temperatures with normal temperatures over 30 years. For Western Europe, normal temperatures are measured from 1971 to 2000, and for Eastern Europe from 1961 to 1990).

[15] *To reflect the impact of temperature on electricity consumption, raw weather data is adjusted to take into account consumption for each region. Source: RTE-EDF Transport.*

Rainfall[16]

2007 Rainfall



Annual rainfall levels were above normal in much of Europe, with the exceptions of the southern half of France, Italy, and the western third of the Iberian peninsula.

There was a serious shortage of rain in the south-eastern quarter of France (Southern Alps and Southern Massif Central), where many EDF dams are located, and in north Italy. In addition, snowfall was low in all mountain areas early in the year, and this affected water runoff into the dam lakes during the spring thaws. This situation led EDF to pursue its prudent management policy for the hydropower stock, in order to fulfill its obligations related to the multiple uses of water (for agriculture, tourism and other purposes).

Hydropower output by EDF was 2.4% higher than in 2006, although rainfall on EDF production sites was 19% lower than normal.

Along the Mediterranean Arc, only Spain registered good rainfall levels.

Conversely, North Germany, Poland, Hungary and Romania saw significantly above-average rainfall.

This overall analysis masks strong contrasts over the year: there were extremely dry months (in France and in many other countries, April and October had no rain) and extremely wet months (for example, the rainy summer in the United Kingdom and Switzerland, which led to very high river levels, as seen in the Rhine in August).

Electricity consumption

In France, internal electricity consumption[17] for 2007 totaled 480.3 TWh[18], practically the same level as in 2006 (+0.4%).

After adjustment for the impact of the unusual weather conditions[19] in the two years 2006 and 2007, electricity consumption in France rose by 2.2%.

Excluding the major companies in the energy sector, internal consumption decreased by 0.3% in gross value, and increased by 1.6% after adjustment for unusual weather conditions.

In the United Kingdom, domestic electricity consumption was estimated at 410 TWh, approximately 1% higher than in 2006.

In Germany, domestic electricity consumption was estimated at 541 TWh, very slightly higher than in 2006 (+0.3%).

In Italy, domestic electricity consumption was 339.8 TWh in 2007, an increase of 0.7% from 2006.

1.2.2 Significant events[20]

1.2.2.1 Changes in market structure and implementation of recent regulatory changes

Total opening of the electricity and natural gas market in France from July 1, 2007

After non-residential customers, who became eligible to choose their supplier from July 1, 2004, residential customers have also been eligible since July 1, 2007[21]. The French

[16] *Map prepared by EDF based on data from the NOAA (National Oceanic & Atmospheric Administration) and EDF's rainfall network for the French Alps*

[17] *Source: RTE EDF Transport. Provisional figures.*

[18] *1 TWh= 1 billion kWh.*

[19] *Temperature greatly influences electricity consumption in the summer, but the influence is more marked in the winter. In analysing consumption trends, RTE must therefore correct actual observations in order to eliminate fluctuation due to climate, and use identical benchmark temperatures for the various periods studied.*

[20] *Significant events related to litigation are described in chapter 1.16.*

[21] *An "eligible" customer can enter into an electricity purchase contract with the producer or supplier of his choice established in the territory of the European Community or the territory of a State that has signed an*

electricity market is thus now totally open to competition.
National natural gas markets have also been totally open for all customers since July 1, 2007.
EDF has taken all the necessary steps to guarantee all suppliers access to the electricity distribution network from July 1, in fully equitable and transparent conditions.

Formation of Electricité Réseau Distribution France (ERDF)

In application of the French law of December 7, 2006 on the energy sector amending the law of August 9, 2004, designed to transpose the provisions of the EU Directive of June 26, 2003 concerning legal separation of the distribution activity, on June 14, 2007 EDF's Board of Directors approved a partial business transfer agreement (governed by the French laws on demergers) with C6 SA, fully-owned by EDF. An amendment to the agreement was signed on November 7, 2007.
Under the terms of the agreement, EDF was to transfer to C6, subsequently to be renamed Electricité Réseau Distribution France (ERDF), public electricity distribution facilities and assets of all kinds owned by EDF and related to the electricity distribution activity.
The transfer took place at net book value for €2.7 billion, with retroactive effect to January 1, 2007 for accounting and tax purposes.
In consideration of the transfer, EDF received 540 million fully paid-up shares with nominal value of €0.50 issued by the future subsidiary Electricité Réseau Distribution France (ERDF) in the form of a capital increase for a total of €270 million, with an overall premium of €2.430 billion.
The transfer of assets by EDF to C6 was approved by the shareholders of EDF at an extraordinary meeting on December 20, 2007.
The C6 shareholders' meeting on December 21, 2007 approved the transfer, which took effect at midnight on December 31, 2007 with the company becoming operational at January 1, 2008, and approved the change of name from C6 to Electricité Réseau Distribution France (ERDF).

international agreement with France (article 20-III of Law 2000-108 of February 10, 2000).

ERDF's Executive Board formally recorded the finalization of the transfer on January 2, 2008.

Transition tariff (*Tarif réglementé transitoire d'ajustement de marché* or TaRTAM)

The decision of January 3, 2007 clarified the provisions of law 2006-1537 of December 7, 2006 on the energy sector, which among other measures introduced a transition tariff (*Tarif réglementé transitoire d'ajustement de marché* or TaRTAM).
A provision of €470 million was booked in 2006 to cover EDF's contribution to the compensation for electricity suppliers introduced by the transition tariff. A further amount of €248 million was added to the provision for 2007, including an adjustment to the amounts due to competitors and an estimation of the expected levels of the Contribution to the Public Electricity Service (Co*ntribution au Service Public de l'Electricité* or CSPE) for 2008 and 2009.

Partnership agreement with Exeltium

On April 5, 2007, EDF and Exeltium (the consortium of electricity-intensive customers founded by 7 industrial companies, principally Alcan, Arcelor-Mittal, Air Liquide, Rhodia and Solvay) signed an industrial partnership agreement setting forth the terms and conditions corresponding to the memorandum of understanding signed on January 15, 2007, in accordance with the amended French Finance Law of December 31, 2005. This agreement enables Exeltium to have greater visibility over long-term electricity supply prices in return for sharing risks relating to development and operation of EDF nuclear power plants, and covers volumes of some 350 TWh spread over 24 years. The signature of the agreement marked the end of a period of negotiations following Exeltium's call for tenders from electricity suppliers for supplies of maximum volumes of 28 TWh per year. The terms of the agreement are not yet finalized: it was presented to the European Commission in spring 2007. The Commission and the parties to the agreement have been in discussions since then to reach an arrangement that is satisfactory in view of competition rules.

France's Competition Council accepts EDF's proposals for alternative suppliers

On February 22, 2007, Direct Energie filed a complaint and an application for interim measures with France's Competition Council (*Conseil de la Concurrence*), claiming that EDF had used several practices allegedly constituting abuse of a dominant market position. In a ruling of June 28, 2007, the Council ordered EDF to negotiate in good faith with Direct Energie to establish a transitional contract with a minimum one-year term for supplies at a price that reflects its full production costs, and to make a proposal for electricity wholesale supplies or any solution that would enable alternative suppliers to compete effectively with EDF's retail offers on the free market. The ruling stipulated that EDF could, as it had proposed on June 20, 2007, implement this injunction by submitting one or more commitments (under the procedure set forth in article L.464-2 I of the French Commercial Code) by July 14, 2007.

EDF made a formal proposed commitment on July 13, 2007.

In ruling issued on December 10, 2007, after amendments in view of observations from third parties, the Council accepted EDF's proposed commitments to tender a significant volume of electricity (1,500 MW, i.e. approximately 10 TWh per year for periods of up to 15 years) to alternative suppliers at prices enabling them to compete effectively with EDF's offers on the deregulated mass market. These commitments are now binding.

EDF proposed to apply an average baseload supply price of €42/MWh in current euros for the initial 5-year period 2008-2012. This price is set at €36.8/MWh for the first year, with progressive rises until 2012.

For the second 10-year period, the price is to be fixed at a level that covers the development costs of the Flamanville EPR (estimated in 2006 at €46/MWh at 2005 value), as this is a requirement for sustainable, appropriate development of the electricity sector.

These volumes will be allocated through 3 successive calls for tender in 2008 and 2009, open to all alternative electricity suppliers in France. The bids will concern the price that purchasers are prepared to pay for access to electricity available for the second 10-year period. The minimum capacity accessible to each purchaser is 1 MW. The first contract, for 500 MW, is to be awarded on March 12, 2008.

Direct Energie has appealed against the Council's decision.

1.2.2.2 Reinforcement and maintenance of generation capacities

A – Nuclear generation

a - France

Construction of the Flamanville EPR[22] nuclear power plant

The authorization decree for development of the "Flamanville 3" nuclear power plant was signed by the Prime Minister on April 10, 2007. Construction of the buildings of this future EPR plant at Flamanville in Normandy began on schedule.
The first section of the reactor's concrete floor was poured in December. This major milestone in the project marked the start of construction of the nuclear block.
Preparatory work started in summer 2006, and construction will continue for 54 months until the reactor's planned start-up in 2012.

Industrial partnership with Enel

In a partnership agreement signed on November 30, 2007, EDF and Enel defined the terms of an industrial partnership for nuclear energy as follows:

- Enel finances 12.5% of all construction, operation, decommissioning and long-term nuclear waste management expenses for the Flamanville 3 project;
- in return, Enel will receive 12.5% of the electricity generated by Flamanville 3 over its lifetime, delivered in France via the RTE-EDF Transport transmission network;
- The nuclear operator of Flamanville 3 is EDF, which bears full responsibility for its operations;
- Enel is entitled to assign engineers to the teams in charge of the project, and subsequently to the teams operating

[22] *European Pressurized Reactor.*

Flamanville 3, in order to acquire the expertise in the nuclear sector desired by Enel.

Enel also has an option, until 2023, to take a 12.5% stake under similar terms in the five potential EPR projects likely to be implemented by EDF in France up to that date. To exercise these options, Enel must offer EDF the opportunity to participate under similar terms in future EPR-type nuclear projects that may be undertaken by Enel in Italy or in Europe, or in other similar investment projects. Prior to making these investments, Enel has the option of progressively acquiring the electricity generated by EDF's nuclear plants, up to a total capacity of 1,200 MW.
The memorandum of understanding with Enel also covers fossil-fired generation facilities.

Law of June 28, 2006 on sustainable management of radioactive materials and waste

EDF has adapted the presentation and estimation of its nuclear obligations to the requirements of the law of June 28, 2006 and its implementing provisions (decree of February 23, 2007 and decision of March 21, 2007). Application of these rules leads to a €1,258 million increase in provisions for the two years, a cumulative net expense of €111 million for 2006 and 2007, and a €932 million increase in the financial assets dedicated to covering nuclear obligations.

Steam generator maintenance

In late 2006/early 2007, EDF observed that in certain nuclear power plants' steam generators, passages for circulation of second circuit water were partly clogged.
Examinations showed that 15 units of the total 58 were potentially affected, and cleaning the steam generators by chemical washing was necessary. This process was planned with the help of the ASN[23] and successfully applied to the first unit during the first half-year of 2007, then rolled out to three other units in the second half of the year.
Curative treatment of all the units concerned is scheduled for the coming years.
The impact on the availability of nuclear plants was 2.2 points in 2007.

[23] *Nuclear safety authority*

Special program to improve conditions of facilities (Projet *"obtenir un état exemplaire des installations*")

EDF intends to bring the condition of its facilities to a level comparable to the best international operators. This requires continued improvement of behaviors and practices on maintenance sites, and targeted investment for renovation of premises and equipment. In late 2006, a program developed to improve the conditions of the facilities ("*Obtenir un état exemplaire des installations*") was launched to improve all nuclear sites to the levels of the best international operating standards. The objective is to bring the 19 nuclear power plants to "good" level in international comparisons on the operation of installations and create conditions that guarantee they will remain at that level. This investment and maintenance program involves outlay of some €600 million over a 5-year period, including €102 million in 2007.

b - Development of nuclear activities outside France

United States: EDF and Constellation Energy signed a strategic partnership agreement in July 2007 for the joint development of EPR-type nuclear power plants in the United States

On July 20, 2007, EDF and the US electricity group Constellation Energy (CEG) signed an agreement to form a 50/50 joint venture named UniStar Nuclear Energy, LLC, for the joint development, construction, ownership and operation of EPR-type nuclear power plants in the United States.
This agreement follows a Memorandum of Understanding announced on June 1, 2006 under which both companies agreed to work together on the development of new-generation EPR-type nuclear power plants in the United States.
Under the terms of the agreement, EDF made an initial investment of US$350 million into the joint venture, which may be followed by subsequent contributions of up to US$275 million upon reaching certain milestones in the authorization process for EPR projects on CEG's existing sites.
In exchange, Constellation Energy plans to contribute its shareholding in UniStar Nuclear and its right of use for the existing sites Calvert

Cliffs Nuclear Power Plant, Nine Mile Point Nuclear Station and R.E. Ginna Nuclear Plant, in order to develop up to four standardized EPR plants. The joint venture is governed by an eight-member board consisting of four EDF-appointed members and four CEG-appointed members, including the chairman.
The operation has been approved by the US regulators.
Additionally, under the terms of an investment agreement signed on July 20, 2007, EDF may acquire up to 9.9% of CEG's outstanding shares on the open market within 5 years, 5% of which can be acquired in the twelve months of the agreement.
EDF and CEG have also signed a cooperation agreement to review potential joint developments by both companies in the United States.

Strategic nuclear partnership agreement in China

Following on from their industrial partnership announced in October 2006, on November 26, 2007 EDF and CGNPC signed a joint venture agreement for the ownership, construction and operation of two new-generation EPR nuclear reactors at Taishan in the province of Guangdong. The construction of these two EPR units, developed by AREVA at 1,700 MW capacity each, could begin in autumn 2009. The units are expected to come on line in 2014.
Under the joint venture agreement, EDF will acquire a shareholding of approximately one third in Taishan Nuclear Power Company (TNPC), the owner of the EPRs. EDF will primarily contribute its operating expertise, while CGNPC will contribute the site, and provide the engineering and operational skills it has developed over more than twenty years as operator of the Guangdong power plants.
EDF and CGNPC have also signed a comprehensive cooperation agreement to study joint development projects in China and internationally.

Furthermore, on August 1, 2007, EDF and China Datang Corporation signed a memorandum of understanding to examine joint development of a planned nuclear plant.

United Kingdom: EDF intends to participate in British nuclear power projects

Following publication of the Energy White Paper on May 23, 2007 and a widescale public consultation process in the United Kingdom, the British government gave the go-ahead on January 10, 2008 for construction of new nuclear plants. EDF intends to build four EPR-type reactors in the United Kingdom.

Together with Areva, the Group has submitted an application to the relevant British authorities for certification of an EPR plant model of the same type as the plant under construction in Flamanville, France.

B - Fossil-fired generation

EDF reinforces the flexibility of its generation facilities, by investing in semi-baseload and peakload resources

In **France**, EDF's Board of Directors decided on June 14, 2007 to invest €900 million in the construction of new fossil-fired generation facilities.
Combined-Cycle Gas (CCG) turbine units - a first for EDF in France - and Combustion Turbine units are to be constructed in addition to the fossil-fired generation capacity extension program already begun under the Group's Industrial Plan.
The Group's objective is to have a further 2,540 MW of generation capacity by 2010 through reactivation of four oil-fired units, and a 2,420 MW increase in natural gas generation capacities[24].

In **the United Kingdom,** EDF Energy launched construction of a 1,300 MW combined-cycle gas plant at West Burton, due to come on line in late 2010/early 2011, and is continuing to examine other generation capacity extension projects, particularly through combined cycle gas facilities and renewable energies (wind farms) in partnership with EDF Energies Nouvelles.

[24] *Construction of combustion turbines (1,055 MW), construction of a combined cycle gas plant (440 MW) and conversion of the oil-fired plants at Martigues (750 MW) into two CCG plans to operate on semi-baseload (930 MW, i.e. a gain of 180 MW).*

The EDF Group also intends to exploit opportunities for the latest technologies (supercritical coal-fired plants) in Europe and the world, and position itself as a proactive company in the capture, distribution and storage of CO_2 (“CCS: Carbon Capture & Sequestration”).
In December 2006, EnBW therefore decided to start construction of a supercritical coal-fired plant with capacity of more than 900 MW at Karlsruhe, in **Germany.**

In Italy, Edison completed construction of two 850 MW CCG plants. The Turbigo (Edipower) plant and the Simeri Crichi (Edison) plant came on line in the second half of 2007.

C - Hydropower

Hydropower plant performance and safety

In 2006, EDF launched a technical renovation and reinforced maintenance program for hydropower facilities (the SuPerHydro program) to renew certain plants, maintain a high level of hydropower safety in the long term, and preserve technical performance for all the relevant facilities. The total budget (expenditure and investments) is some €560 million overall for the period 2007-2011, and program expenditure in 2007 amounted to €81 million.

1.2.2.3 Development in new countries

Edison’s developement in Greece

On July 11, 2007, Edison’s Board of Directors ratified the signature of a memorandum of understanding between Edison and Hellenic Petroleum for the creation of a 50/50-owned company to operate in the Greek electricity market, with ultimate generating capacity of over 1,400 MW. Hellenic Petroleum will contribute its subsidiary T-Power, which owns a 390 MW combined-cycle gas power plant located in Thessalonica. Edison will contribute its equity investment in a 420 MW combined-cycle site under construction in Thisvi, and in a project under examination to construct a 600 MW coal-fired plant.
The new venture is expected to form the second-largest operator on the Greek market.

EDF has made its entry into the Netherlands

In July 2006, EDF signed a partnership agreement with the Dutch energy operator Delta NV for development of a project to construct a 870 MW natural gas-fired plant in the south-west Netherlands. On March 29, 2007, EDF and Delta set up a joint company, Sloe Centrale BV, to construct and operate the future plant. Through the partnership, EDF and Delta will each provide 50% of the financing, run the plant jointly and share the electricity output equally. The plant is due to come on line in 2009.

1.2.2.4 Development by EDF Energies Nouvelles in the field of solar energy and continuing development in wind power, particularly in the United States

EDF Energies Nouvelles significantly expanded its installed wind power capacities in 2007 by 405 MW gross (265 MW net), bringing it over the threshold of 1000 MW of net installed capacity.
In Europe, new wind farms came into operation in Italy, Greece, France and the United Kingdom, totaling 224 MW gross (138 MW net). The pace of wind farm construction accelerated in 2007, particularly in France, where thirteen farms totaling 328 MW are under construction, and in Portugal where EDF Energies Nouvelles is currently constructing two large-scale wind farms, Alto Minho 240 MW and Arada 112 MW.
In the United States, 2007 saw the commissioning of EDF Energies Nouvelles’ Fenton windfarm, with capacity of 205 MW gross (119 MW net). The Fenton wind farm is equipped with 137 wind turbines supplied by General Electric and is the largest commissioned by the Group to date. Two other wind farms have also been constructed for non-Group entities: Pomeroy (198 MW), completed at the end of 2007, and Goodnoe (94 MW), to be handed over in early 2008.

EDF Energies Nouvelles continued its policy to secure turbine supplies by signing two major contracts. The first, with General Electric, is an order for a total of 300 MW in capacity, to be completed in the United States in 2009. The second, with REpower, is for 690 MW of capacity for delivery in Europe and the United States in 2009 and 2010. These contracts cover EDF Energies Nouvelles' estimated requirements for turbines for 2008, 2009 and most of 2010.

In the field of solar energy, EDF Energies Nouvelles continued its policy of diversifying and securing supplies of photovoltaic modules, through several supply contracts with the US companies First Solar and United Solar Ovonic LLC, the Canadian group ATS and the Chinese companies Solarfun and Yingli. These contracts cover a total of 298 MWp[25], plus an optional 64.5 MWp, for delivery in the years 2008 to 2012.

1.2.2.5 Development of natural gas activities

The EDF Group continued to pursue its development and investment strategy for natural gas activities during 2007, progressively building up a network of gas positions under a complementary geographical approach based on Edison's longstanding projects in South-East Europe and new projects developed by various entities in North-West Europe.

A – Main developments of 2007 in North-West Europe

After EDF was awarded the tender in 2006 to carry out feasibility studies for the construction of a methane terminal at the port of Dunkirk, and build and operate the terminal, EDF and the Dunkirk Port Authorities signed a memorandum of understanding on March 16, 2007 setting forth the general framework of the terms for use of the site, and cooperation between the parties. The project involves initial capacity of at least 6 Gm^3 per year in phase I (the start of operations is planned for 2012), and at least 12 Gm^3 per year in phase II.

In compliance with the decision of the French Commission for Public Debate (*Commission Nationale du Débat Public* - CNDP) of April 4, 2007, EDF and the Dunkirk Port Authorities as project managers carried out an open debate during autumn 2007. At the concluding meeting on December 6, 2007, the French Special Commission for Public Debate *(Commission Particulière du Débat Public)* stated its "general intention … to recommend that the French Commission for Public Debate should inform the project managers that it appears possible to proceed with the project". The Commission is expected to issue its formal opinion in early 2008.

Meanwhile, on May 31, 2007 EDF and EnBW announced their joint participation in a plan for **gas storage in salt caverns** in Etzel, Germany. Under the agreements signed, EDF and EnBW will, by 2010, have the use of four caverns providing total storage capacity of 400 million m^3 over 35 years.

Through its wholly-owned subsidiary EDF Trading Ltd, the EDF Group signed a 4½ year agreement with the Qatar gas group Ras Laffan Liquefied Natural Gas Company Limited (II) (RasGas) on June 7, 2007, for flexible supplies of liquefied natural gas (LNG). The annual volume concerned is up to 3.4 million tonnes, equivalent to 4.5 Gm^3 or approximately 50 TWh annually.

On June 13, 2007, EnBW signed a Memorandum of Understanding with 4Gas to form a strategic partnership in the **Liongas methane terminal project at Rotterdam**, entitling EnBW to annual capacity of 3 Gm^3 and 15% of the capital of the planned terminal, expected to be operational in 2011 with total capacity of 9 Gm^3 per year.

B - Main developments of 2007 in South Europe

Work continued on the construction of the future **Rovigo** terminal in the Adriatic sea. Edison is due to start using the terminal immediately it is opened in late 2008, with access to 6.4 Gm^3 of Qatar gas a year over 25 years.

Edison is involved in two gas pipeline projects:

- the IGI pipeline between Greece and Italy, with annual capacity of 8 Gm^3, for which an amendment concerning third party access (granting Edison and Depa, the owners of the pipeline, usage rights for the infrastructure) was conditionally approved by the European Commission on May 22, 2007; and
- the GALSI pipeline between Algeria and Italy, with total capacity of 8 Gm^3. Edison has

[25] *MWp: Megawatt-peak: Measurement unit for the power of a photovoltaic installation per unit of time.*

entered into a natural gas supply contract with Sonatrach for the delivery of 2 Gm^3 a year over 15 years in connection with this project.

In June 2007, EDF set up a consortium with Distrigaz, ENI and Essent Energy Trading, in which EDF acted as the bidder, to reserve the 0.825 Gm^3 of capacity released over 3 years for third party access to the **Fos Cavaou terminal**. Through this consortium, EDF will have access to annual capacity of some 0.2 Gm^3 when the terminal comes into operation, scheduled for 2008.

In **Spain**, EDF Trading was granted a license to trade on the Spanish market.

With this European approach, EDF is progressively positioning itself as a gas operator in its own right, and has been admitted as a member of Eurogas, the association for Europe's principal gas companies.

1.2.2.6 Ongoing restructuring in Switzerland

Motor Columbus was renamed Atel Holding AG and made a public exchange offer for Atel shares. After this offer, Atel Holding held 96.04% of shares and thus 99.81% of the voting rights in Atel, enabling it to make a compulsory buyout offer for Atel shares early in 2008. These were further steps towards creating Switzerland's first European-oriented energy company, by the transfer in 2008 of the business and assets of EOS Holding, and potentially those of EDF in Switzerland, to Atel Holding AG to form a fully integrated industrial entity by early 2009. Following completion of all these transactions, EDF will hold approximately 25% in the new entity.

1.2.2.7 Tax reforms in Germany, Italy and the United Kingdom

Following the corporate tax reform enacted by the German parliament on July 6, 2007, the average corporate income tax rate applicable (including the *Gewerbesteuer*) will be reduced from 38.0% to 29.0% from 2008.
At December 31, 2007, this reform is reflected in a lower level of deferred tax liabilities for EnBW, and recognition in the consolidated financial statements of exceptional tax income of approximately €304 million.

Tax reductions on a smaller scale were also introduced in Italy and the United Kingdom. In **Italy**, the tax rate (income tax + IRAP[26]) will decrease to 31.4% in 2008 compared to 37.5% in 2007; in the **United Kingdom**, it will be reduced from 30% to 28% from April 1, 2008.

1.2.2.8 Employee shareholdings

As as result of EDF's IPO 130,000 current and retired Group employees became shareholders in EDF, particularly through the preferential Employee Offering made in application of laws 2004-803 of August 9, 2004 and 86-912 of August 6, 1986.
Under this offering, 205,923 free shares were allocated to members of the Energie Express scheme on January 30, 2007.
At December 31, 2007, current and retired EDF Group employees held more than 34.6 million EDF shares, equivalent to 1.90% of the Group's capital and 12.6% of the capital in circulation.
Following the sale by the French State of 2.5% of the capital of EDF on December 3, 2007, a preferential offer will be made to current and retired employees of EDF during the first half-year of 2008, covering a volume of shares representing 15% of the total number of shares put on the market, i.e. approximately 0.4% of the capital.

1.2.2.9 Free share plan for Group employees

The General Shareholders' Meeting of May 24, 2007 granted the Board of Directors the power to introduce a free share plan for Group employees within 12 months, covering ordinary shares up to the limit of 0.2% of the share capital, to be awarded to all or some categories of employees or directors and chief officers at EDF or related groups and companies as defined by article L. 225-197-2 of the French commercial code.
The list of beneficiaries and the number of shares to be received by each beneficiary were defined at the Board of Directors' meeting held on August 30, 2007.
This free share plan is named ACT 2007, and concerned 2.9 million shares at August 30, 2007. It applies to all employees, i.e. approximately 150,000 beneficiaries spread across 24 countries, with an average of 19.2

[26] *Regional generation tax*

shares per beneficiary (minimum 10, maximum 50).
Final vesting of the shares will take place on August 31, 2009, subject to the employee having had a contract with the company for the entire vesting period, and achievement of multiannual growth of at least 3% in consolidated EBITDA (organic growth, excluding the effects of changes in scope of consolidation and exchange rates) for the period 2006-2008. The benefit thus granted to employees is valued at €207 million over three years (2007-2008-2009).

1.2.2.10 Launch by the European Commission of a procedure against France concerning breach of the law on State aid for regulated electricity tariffs in France

In a letter dated June 13, 2007, the European Commission initiated a formal inquiry against France over the aid allegedly granted to medium-sized and large companies through the French regulated electricity tariffs.
The Commission considered that the low level of the standard "green" and "yellow" tariffs compared to market prices conferred an advantage for some companies. The resulting aid would be open to action from July 1, 2004 for non-residential customers other than small companies.
The Commission also considered that for non-residential customers other than small companies, the green and yellow transition tariffs (TaRTAM) could be considered to contain state aid since their introduction.

1.2.2.11 Metronet

EDF Energy is one of the five partners in the Metronet consortium, which carries out maintenance and upgrading work on 9 of London's 12 tube lines for London Underground Ltd.

Metronet's financial position was affected by changes in specifications and the initial scope of the contract, and difficulties encountered in executing the work.

Consequently, as was their right under a clause in the contract with LUL, Metronet's shareholders decided in June 2007 to have the economic terms of the contract reviewed by an independent arbiter, with a view to gaining additional financing from LUL. The resulting additional financing awarded in mid-July was not sufficient to prevent Metronet entering into insolvency administration on July 18, 2007.
Although negotiations between the shareholders, the administrator and the client (Transport for London) have not yet reached a final agreement on the future contractual relationships between the parties, discussions are continuing constructively.

In view of this situation, the provision booked by EDF Energy at June 30, 2007 provides appropriate coverage of the risks to which the Group and EDF Energy consider themselves exposed.

1.2.2.12 Changes in the scope of consolidation

The principal changes in the scope of consolidation are presented in note 6.1 to the consolidated financial statements at December 31, 2007,
and relate to the following:

EnBW: sale of U-plus and consolidation of Drewag and several other companies

In May 2007, EnBW sold its subsidiary U-Plus (a waste processor) to the German company Alba for €35 million.
EnBW also now consolidates the 35%-owned Drewag (the city of Dresden's municipal operator) and six other companies by the equity method.
In addition, ESW and GSW are now fully consolidated by EnBW following acquisitions of additional investments.

Exercise of Edison warrants

In 2007, conversion of Edison warrants at the exercise price of €1 raised the capital of Edison from €4,273,139,453 at December 31, 2006 to €5,291,664,500 in December 2007.
On January 2, 2008 Edison announced that 99.992% of its warrants issued in April/May 2003 had been exercised, and the balance (91,877 unexercised warrants) was cancelled.
EDF and TDE exercised all of their Edison warrants in December 2007 for €281,549,517 and €210,012,399.
The governance of Edison is unaffected by conversion of the warrants, as the governance agreement with AEM was drawn up on a

totally diluted basis, in anticipation of the warrants being exercised. After conversion of the warrants, the EDF group held 50% of the voting rights and 48.96% of the economic interests in the Edison group.

Exercise by Edison of its call options on Edipower shares

On July 16, 2007 Edison exercised its call options on Edipower shares held by the financial institutions Interbanca SpA and Albojo (Royal Bank of Scotland). The transfer of these shares (5% of the capital of Edipower) was effective as of July 31, 2007.
Also in 2007, Edison received notification that Unicredit was to exercise its put option for 5% of Edison's capital. The shares were transferred in late January 2008. After completion of these operations, Edison's investment in Edipower increased from 40% to 50% for a transaction value of approximately €265 million.

Sale by Edison of its investment in Serene

On February 14, 2007, Edison sold its 66.32% investment in Serene SpA (electricity generation plants benefiting from sales contracts under the CIP6/92 incentive system) to British Gas Italia (a subsidiary of the British Gas Group) for a price of €98 million.

Edison also consolidates the joint venture formed with Hellenic Petroleum, and the company Thisvi Power Generation Plant.

Change in consolidation method for SSE (Slovakia)

The Slovakian company SSE, owned 49.0% by EDF, has been proportionally consolidated since January 1, 2007. It was previously accounted for under the equity method.

Sale of the residual holding in Edenor

On May 4, 2007, EDF sold its residual 25% investment in the Argentinean electricity distributor Edenor. This sale, amounting to US$171 million (€125 million), took place as part of Edenor's IPO on the New York and Buenos Aires stock markets on April 10, 2007. The resulting gain amounted to €111 million.

Sale of assets in Mexico

On October 24, 2007 EDF signed an agreement with the Spanish energy operator Gas Natural for the sale of all its assets in Mexico, comprising five combined cycle gas generation units with a total capacity of 2,233 MW (Saltillo, Altamira 2, Rio Bravo 2, Rio Bravo 3, Rio Bravo 4), along with their operating company Comego and a 53-km natural gas pipeline (Gasoducto del Rio). The total value of the transaction is US$1,448 million.
It was completed on December 27, 2007, generating net-of-tax proceeds of €376 million and a positive €970 million impact on the Group's net indebtedness.

Electricité de Strasbourg

The major shareholders of Electricité de Strasbourg (a limited company traded on Euronext Paris' Eurolist market), were EDF and the Swiss company Electricité de Laufenbourg,
which sold its shares (13.8%) to EDF in September 2007 for €150 million. The resulting goodwill, based on the value of assets and liabilities included in the Group's financial statements, is €126 million. .
At December 31, 2007, EDF held 88.34% of Electricité de Strasbourg, and the rest of the shares are publicly traded.

Finally, EDF now applies the full consolidation method to Supra and Fahrenheit and proportional consolidation to Sloe, UniStar Nuclear Energy (UNE), EDF Investissement Groupe and Domofinance, and carried out external growth operations in the Dalkia and EDF Energies Nouvelles groups.

1.3 Introduction to analysis of 2007 results

1.3.1 Declaration of conformity and Group accounting policies

Pursuant to European regulation 1606/2002 of July 19, 2002 on the adoption of international accounting standards, the EDF Group's consolidated financial statements for the year ended December 31, 2007 are prepared under the international accounting standards published by the IASB and approved by the European Union for application at December 31, 2007. These international standards are IAS (International Accounting Standards), IFRS (International Financial Reporting Standards), and interpretations issued by the SIC and IFRIC.

The consolidated financial statements for 2007 contain comparative information for the financial year 2006 prepared on the same accounting standards.
The financial information for 2006 has been restated to reflect changes in presentation (see note 4 to the consolidated financial statements at December 31, 2007).

1.3.2 Changes in accounting methods at January 1, 2007

The accounting and valuation methods applied by the Group in the 2007 consolidated financial statements are identical to those used in the 2006 consolidated financial statements, except for the following standards, amendments and interpretations which became mandatory from January 1, 2007:

- Amendment to IAS 1, "Presentation of financial statements – capital disclosures",
- IFRIC 7, "Applying the restatement approach under IAS 29: financial reporting in hyperinflationary economies",
- IFRIC 8, "Scope of IFRS 2, Share-based payment",
- IFRIC 9, "Reassessment of embedded derivatives",
- IFRIC 10, "Interim financial reporting and Impairment": this interpretation stipulates that impairment affecting goodwill and certain financial assets (investments in available-for-sale equity instruments and financial assets carried at cost) recorded in the interim financial statements cannot subsequently be reversed,
- IFRS 7, "Financial instruments: disclosures": this standard requires additional disclosures on financial assets and liabilities, to enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and scope of the associated risks.

With the exception of the new disclosures required by IFRS 7, these standards, amendments and interpretations have no significant impact on the Group's financial statements.

The Group has made the following decisions regarding standards endorsed by the European Union in 2007 but not yet mandatory in 2007:

- to apply IFRIC 11, "IFRS 2: Group and Treasury Share Transactions" from 2007,

- not to apply IFRS 8, "Operating segments" before its mandatory application date.

The Group has not opted for early application of the following standards and amendments likely to be endorsed for application by the EU during 2008:

- Revised IAS 1, "Presentation of financial statements",
- Amendment to IAS 23, "Borrowing costs",
- IFRIC 13, "Customer loyalty programmes",
- IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction".

The potential impact of all of these standards, amendments and interpretations is currently being evaluated.

IFRIC 12, "Service concession arrangements", is discussed specifically in Note 3 to the consolidated financial statements at December 31, 2007.

1.3.3 Comparability

For purposes of comparison between 2006 and 2007, the consolidated financial statements published for 2006 have been restated to reflect the changes in presentation described below:

- Income statement reclassifications: The consolidated income statement published for 2006 has been restated to reflect the change in presentation applied for net increases in provisions for renewal of property, plant and equipment operated under concessions described in note 3.2.3 to the consolidated financial statements at December 31, 2007.

The impacts of these reclassifications on 2006 are described in note 4.1 to the consolidated financial statements at December 31, 2007.

- Change in presentation of property, plant and equipment:

To provide additional financial information reflecting the specificities of concessions, as of January 1, 2007, the Group's property, plant and equipment are reported under three balance sheet headings, according to the business and contractual circumstances of their use.

The impacts of this change of presentation on the 2006 figures are described in note 4.2 to the consolidated financial statements at December 31, 2007.

- Reclassifications in the nuclear provision accounts:

The implementing provisions for the French Law of June 28, 2006 on the sustainable management of radioactive materials and waste led to reclassifications in the nuclear provision accounts.

Details are provided in note 4.3 to the 2007 consolidated financial statements.

1.4 Results for 2007

1.4.1 Sales

2.5% organic growth in consolidated sales

The EDF Group's **consolidated sales** totaled €59,637 million in 2007, a rise of 1.2% from 2006 reflecting organic growth[27] of 2.5%.

This negative impact of changes in the scope of consolidation amounted to €657 million, i.e. –1.1% resulting mainly from the sale of Light in Brazil in the second half-year of 2006, acquisitions in the Rest of Europe and disposals in Italy.

Business growth was hindered in Europe by the mild weather, which particularly affected sales volumes.

The foreign exchange effect (principally the fall in the Pound Sterling, and in the rest of the world appreciation of local currencies in the central European countries) was small (-€99 million or –0.2%).

[27] *Organic growth is growth that does not incorporate the positive or negative effects of changes in the scope of consolidation (acquisitions or disposals of subsidiaries), or in exchange rates or accounting methods.*

In **France**, sales for 2007 rose by +1.0%.

The positive price effect on electricity sales on the wholesale market more than one year in advance (auctions for which prices were set by contract in 2006 and delivery took place in 2007) and tariff increases in 2006 and 2007 more than compensated for the weather-induced decrease in volumes sold.

The Group made 54.0% of its consolidated sales for 2007 in France (54.2% in 2006).

In **Europe excluding France** (the United Kingdom, Germany, Italy and Rest of Europe segments) sales grew by 5.0% (organic growth of 4.4%) in the same mild weather context, and accounted for 43.8% of total consolidated sales in 2007 compared to 42.2% in 2006.

1.4.2 EBITDA

6.1% organic growth in EBITDA

Consolidated EBITDA for 2007 was €15,210 million, an increase of 5.7% (+€817 million) from 2006. Changes in the scope of consolidation had an impact of -€43 million (-0.3%), largely due to the sale of the Light

Group in Brazil and acquisitions in the Rest of Europe.
Foreign exchange effects were negligible (-€20million or –0.1%).
EBITDA saw organic growth of 6.1%.

En **France**, EBITDA rose by 6.9%.
France contributed 65.7% of Group EBITDA in 2007, compared to 64.9% in 2006.

In **Europe excluding France**, EBITDA progressed by +7.0%, with organic growth at +4.8%. This organic growth mainly concerned the Rest of Europe (+10.4%) and Italy (+4.4%).
Europe excluding France contributed 32.1% of Group EBITDA in 2007, compared to 31.7% in 2006.

In the **Rest of the World,** EBITDA registered organic growth of +2.5%.

1.4.3 EBIT

6.8% growth in EBIT

EBIT totaled €9,991 million in 2007, an increase of 6.8% over 2006. This rise reflects the increase in EBITDA (+€817 million) and the change in other operating income and expenses (+€395 million), which more than offset changes in depreciation (-€265 million) and impairment (-€271 million).

1.4.4 The **Group net income** for 2007 amounts to €5,618 million compared to €5,605 million for 2006. The increase in income before taxes of consolidated companies (+€802 million) was almost totally counterbalanced by changes in income taxes (-€695 million) and the share of companies accounted for by the equity method (-€95 million).

1.4.5 The **net income[28] excluding non-recurring items** was €4,677 million in 2007, up by €450 million or 10.6% from 2006. Based on a constant scope of consolidation and exchange rates, it increased by 12.0%.

1.4.6 Net indebtedness[29] rose by €1,337 million to €16,269 million at December 31, 2007, from €14,932 million at December 31, 2006.

[28] *Group net income excluding non-recurring items.*

Non-recurring items, net of taxes, in 2007: +€941 million: Impact of the change in useful life of of substation buildings and electronic metering equipment, and effect of the reduction in renewal costs for this metering equipment: €338 million; capital gains on disposals of assets in Latin America: +€487 million (+€376 million on sales of activities in Mexico and +€111 million on sale of the 25% residual investment in Edenor); reduction in German income tax rates (+€304 million); impairment of -€124 million, mainly related to the lower transmission fees in Germany;-€64 million for recognition of risks on investments and other items.

Non-recurring items, net of taxes, in 2006: +€1,378 million: Light +€1,172 million (reversal of impairment losses on Light and the tax impact of the legal reorganization of the Light Group); impairment recorded by EDF on the goodwill of EnBW (-€318 million); other impairments (-€172 million); reversal in France of the provision for the exceptional additional pension system due to discontinuation of the system (+€215 million); capital gains on disposals and other items (+€481 million).

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

1.5 Principal sensitive accounting methods involving use of estimates and judgments

1.5.1 Valuation

The consolidated financial statements are based on historical cost valuation, with the exception of certain financial instruments and available-for-sale financial assets, which by convention are stated at fair value.
The methods used to determine the fair value of these instruments are presented in note 2.15 to the consolidated financial statements at December 31, 2007.

1.5.2 Management judgment and estimates

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

The principal sensitive accounting methods involving use of estimates and judgments are described below. Given their importance in the EDF Group's financial statements, the impact of any change in assumption in these areas could be significant.

1.5.2.1 Nuclear provisions

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

These provisions amount to €30,484 million at December 31, 2007 (€28,713 million at December 31, 2006).

A change in the discount rate would be considered as a change in estimate in the same way as a change in disbursement schedule or contractor's quote, and the impacts would be recognized as follows:
- in the corresponding assets when the provision was initially covered by balance sheet assets,
- in the income statement in all other cases.

Such a change could have a significant impact on the consolidated financial statements.

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

The value of pensions and other long-term and post-employment benefit obligations is based on actuarial valuations that are sensitive to assumptions concerning discount rates and wage increase rates, and all the actuarial assumptions used (see note 31.6 to the 2007 consolidated financial statements).
These provisions amount to €13,763 million at December 31, 2007 (€13,928 million at December 31, 2006).

1.5.2.3 Impairment of goodwill and long-term assets

Impairment tests on goodwill and long-term assets are sensitive to the macro-economic and segment assumptions used, and medium-term financial forecasts. The Group therefore revises the underlying estimates and assumptions based on regularly updated information.
The net value of goodwill on subsidiaries and joint ventures is €7,266 million at December 31, 2007 (€7,123 million at December 31, 2006).

1.5.2.4 Financial instruments

In measuring the fair value of unlisted financial instruments (essentially energy contracts), the Group uses valuation models involving a certain number of assumptions subject to uncertainty. Any change in those assumptions could have a significant impact on the financial statements.

1.5.2.5 Energy and delivery not yet metered

As explained in note 2.7 to the consolidated financial statements at December 31, 2007, the quantities of energy delivered but neither measured nor billed are calculated at the reporting date based on consumption statistics and selling price estimates. These statistics and estimates are sensitive to the assumptions used in determining the portion of sales not billed at the closing date.

1.5.2.6 Valuation of obligations concerning French public distribution concession assets to be replaced

In view of the specific nature of French public electricity distribution concessions, the Group has opted to present its obligation to renew property, plant and equipment in the balance sheet at a value consisting of the amount of contractual commitments as calculated and disclosed to the grantors in the annual business reports. An alternative approach would be to value the obligations based on the discounted value of future payments necessary for replacement of these assets at the end of their industrial useful life. The impacts this alternative approach would have had on the accounts are shown in note 3 to the consolidated financial statements. Whatever valuation method is used, measurement of the concession liability concerning assets to be replaced is notably subject to uncertainty in terms of cost and disbursement dates.

1.5.2.7 Transition tariff (*Tarif réglementé transitoire d'ajustement de marché* or TaRTAM)

To assess the contribution payable by the Group in application of the transition tariff defined in the French law of December 7, 2006, various assumptions have been used based on the best available information and forecasts, particularly regarding the numbers of customers applying to benefit from this tariff, developments in electricity market prices and the share of the compensation to be financed by the Contribution to the Public Electricity Service (*Contribution au Service Public de l'Electricité* or CSPE) at each reporting date.

1.5.2.8 Other management judgments

The use of estimates and assumptions is also particularly important in measuring the amounts of the Contribution to the Public Electricity Service (CSPE) receivable for the year, and in the recognition of deferred tax assets.

1.6 Segment reporting of financial information

Segment information for the EDF Group is reported in note 7 to the consolidated financial statements, at December 31, 2007.

The breakdown used by the EDF Group for geographical areas is as follows:

- "**France**", which refers to EDF and its subsidiaries RTE EDF Transport and ERDF, comprising their regulated activities (mainly Distribution and Transmission) and deregulated activities (mainly Generation and Supply);
- "**United Kingdom**", which refers to the entities of EDF Energy subgroup;
- "**Germany**", which refers to the entities of the EnBW subgroup;
- "**Italy**", which covers all the entities located in Italy, principally the Edison subgroup, TDE, and Fenice;
- "**Rest of Europe**", which groups together the other European entities, mostly located in continental Europe, and new investments and businesses including Electricité de Strasbourg, Dalkia, Tiru, EDF International, EDF Energies Nouvelles and EDF Trading;
- "**Rest of the World**", which covers entities in the US, Latin America and Asia.

1.7 Analysis of the consolidated income statements for 2007 and 2006

Years ended December 31 (in millions of euros)	2007	2006[30]
Sales	59,637	58,932
Fuel and energy purchases	(23,215)	(23,949)
Other external expenses	(9,797)	(8,721)
Personnel expenses	(9,938)	(9,709)
Taxes other than income taxes	(3,236)	(3,175)
Other operating income and expenses	1,759	1,015
Operating profit before depreciation and amortization (EBITDA)	**15,210**	**14,393**
Net depreciation and amortization	(5,628)	(5,363)
Net increases in provisions for renewal of property, plant and equipment operated under concessions	(504)	(463)
Impairments	(150)	121
Other income and expenses	1,063	668
Operating profit (EBIT)	**9,991**	**9,356**
Financial result	**(2,534)**	**(2,701)**
Income before taxes of consolidated companies	**7,457**	**6,655**
Income taxes	(1,841)	(1,146)
Share in income of companies accounted for under the equity method	168	263
Net income from discontinued operations	9	5
Group net income	**5,793**	**5,777**
Minority interests	175	(172)
EDF net income	**5,618**	**5,605**
Earnings per share in euros	**3.08**	**3.08**
Diluted earnings per share in euros	**3.08**	**3.07**

[30] *The consolidated income statement published for 2006 has been restated to reflect the change in presentation for net increases in provisions for renewal of property, plant and equipment operated under concession (described in notes 3.2.3 and 4 to the 2007 consolidated financial statements).*

1.7.1 Sales

+2.5% organic growth in consolidated sales

(€ million)	2007	2006	Variation	Variation (%)	Organic growth (%)
France	**32,232**	**31,927**	**305**	**1.0**	**1.0**
United Kingdom	8,353	8,319	34	0.4	1.2
Germany	6,900	6,016	884	14.7	12.5
Italy	4,658	5,615	(957)	(17.0)	(6.1)
Rest of Europe	6,225	4,930	(1,295)	26.3	11.7
Europe excluding France	**26,136**	**24,880**	**1,256**	**5.0**	**4.4**
Rest of the World	1,269	2,125	(856)	(40.3)	3.2
Group sales	**59,637**	**58,932**	**705**	**1.2**	**2.5**

The EDF Group's consolidated sales totaled €59,637 million in 2007, a rise of +1.2% from 2006. This increase includes negative effects of changes in the scope of consolidation (€657 million resulting mainly from the sale of Light in Brazil in the second half-year of 2006, acquisitions in the Rest of Europe, disposals in Italy and new or additional investments in Germany), and negative foreign exchange effects of €-99 million or –0.2%.
Without these effects, sales showed organic growth of +2.5%: +1.0% in France and 4.4% in Europe excluding France.

This organic growth mainly concerned Germany (+12.5%) and the Rest of Europe (+11.7%). In Italy, there was organic degrowth of –6.1%.

The period was marked by positive price effects, particularly in the United Kingdom, Germany and the central European countries. Growth in Group sales was curbed by the mild weather in Europe, which led to lower consumption of electricity and natural gas. Sales on the wholesale markets saw contrasting trends in 2007, including a decline in net sales in France and a rise in Germany.

In France, sales for 2007 amounted to €32,232 million, corresponding to organic growth[31] of +1.0%: 0.6 point for natural gas and service sales and 0.4 point for electricity sales. For electricity, the organic growth reflects the impact of price and tariff developments despite the effect of the transition tariff, the mild weather's influence on sales, particularly in the first half-year, and the notable decrease in net sales on the wholesale market related to the lower availability of nuclear installations.

The Group made 54.0% of its consolidated sales for 2007 in France (54.2% in 2006).

In **Europe excluding France**, sales rose 5.0% to €26,136 million, with organic growth of 4.4%.
The electricity activities progressed while gas activities receded overall due to the mild weather in the early part of the year, which particularly affected EnBW and Edison.

In the **United Kingdom**, EDF Energy registered sales of €8,353 million reflecting growth of 0.4% and organic growth of 1.2%.
In the networks, the tariff rises of 2006 and to a lesser extent those of 2007 contributed to 2.0% growth in sales. In the competitive activities, sales were slightly down from 2006 due to the lower volumes sold as a result of mild weather conditions at the beginning of 2007, and the 10.2% reduction in natural gas tariffs in June 2007.
EDF Energy reduced its natural gas prices from June 15, 2007 and increased network access fees on October 1, 2007.
The company's customer base increased slightly (42,000 additional customer accounts compared to 2006) against fierce competition on price.

[31] *For France, organic growth is equal to nominal growth.*

In **Germany**, consolidated sales rose by 14.7% to €6,900 million, with organic growth of 12.5%.
EnBW's sales include the 2.2% positive effect of changes in the scope of consolidation, principally resulting from full consolidation of its investment in Stadtwerke Düsseldorf (SWD) over the whole year 2007, compared to nine months in 2006, and the sale of U-plus.
The 21.0% progression in electricity sales reflects significant growth in volumes sold on the wholesale markets (+16 TWh), and, to a lesser degree, price increases. Gas activities saw a decline of 14.0% in sales, principally attributable to the mild weather at the start of the year.

In **Italy**, after the various effects of changes in the scope of consolidation, Group sales amounted to €4,658 million, a decrease of 17.0% (organic degrowth of 6.1%). This incorporates the lower sales by Edison, reflecting the decline in gas sales volumes (due to initially mild weather in 2007), which was not fully offset by the slight increase in electricity sales.

In the **Rest of Europe**, sales reached €6,225 million, showing growth of 26.3%. Sales for this area include the positive effect of changes in the scope of consolidation of €671 (+13.6%), principally the change in consolidation method for SSE in Slovakia (proportionally consolidated since January 1, 2007) and EDF Energies Nouvelles (fully consolidated since December 31, 2006). Organic growth was 11.7%. This trend is related to EDF Energies Nouvelles, which crossed the threshold of 1,000 MW of total installed wind farm capacity at the end of 2007, and price and tariff rises in central European countries. EDF Trading's sales (trading margin) receded slightly, in association with lower pressure on the energy markets for the first nine months of 2007.
The foreign exchange effect, which accounts for 0.9% of sales growth, mainly results from the rise in the value of the Hungarian and Polish currencies.

In the **Rest of the World,** where the Group now makes 2.1% of sales, the contribution to consolidated sales declined by 40.3% overall (with organic growth at 3.2%). This increase includes the negative effects of changes in the scope of consolidation (-39.8%) following deconsolidation of Light in Brazil at June 30, 2006. Organic growth mainly related to higher electricity generation levels in Asia and better availability in Mexico.

The Group made 46.0% of its consolidated sales outside France (45.8% in 2006).

1.7.2 EBITDA

6.1% organic growth in EBITDA

(in millions of euros)	2007	2006	Variation	Variation (%)	Organic growth (%)
Sales	59,637	58,932	705	1.2	2.5
EBITDA	15,210	14,393	817	5.7	6.1

Consolidated EBITDA for 2007 was €15,210 million, an increase of 5.7% from 2006. Organic growth stood at 6.1%.

(in millions of euros)	2007	2006	Variation	Variation (%)	Organic growth (%)
France	**9,996**	**9,348**	**648**	**6.9**	**6.9**
United Kingdom	1,285	1,268	17	1.3	2.1
Germany	1,031	996	35	3.5	0.9
Italy	910	928	(18)	(1.9)	4.4
Rest of Europe	1,655	1,371	284	20.7	10.4
Europe excluding France	**4,881**	**4,563**	318	7.0	4.8
Rest of the World	333	482	(149)	(30.9)	2.5
Group EBITDA	**15,210**	**14,393**	**817**	**5.7**	**6.1**

Growth in EBITDA mainly concerned France and the Rest of Europe.
Europe including France contributed 97.8% of Group EBITDA (96.7% in 2006).

In **France**, EBITDA rose by 6.9%.
France contributed 65.7% of Group EBITDA in 2007, compared to 64.9% in 2006.

In **Europe excluding France**, EBITDA progressed by 7.0%, with organic growth at 4.8%.
In the **Rest of the World,** EBITDA fell significantly (-30.9%, with organic growth of +2.5%).

The **EBITDA/sales** ratio for 2007 stood at +25.5% (24.4% in 2006), with contrasting trends in different segments: improvements in the Rest of the World (+3.6 points), Italy (+3.0 points), and France (+1.7 points), and declines in Germany (-1.6 points), the rest of Europe (-1.2 points), and to a lesser extent the United Kingdom (-0.1 points).

1.7.2.1 Fuel and energy purchases

Fuel and energy purchases amounted to €23,215 million, a decrease of €734 million (-3.1%) from 2006.
Excluding the effect of changes in the scope of consolidation and exchange rates, fuel and energy purchases are stable overall.
They showed a decrease in Italy (-€1,028 million), the Rest of the World (-€498 million), the United Kingdom (-€327 million) and to a lesser extent France (-€81 million), but increased in Germany (+€770 million) and the Rest of Europe (+€430 million).

In **Italy,** changes in the scope of consolidation (primarily the disposals of Rete and Serene) accounted for half of the 24.5% decrease in fuel and energy purchases, and the other half is attributable to trends in the business.
The organic decrease of 11.9% relates to lower sales volumes, optimization of gas supply costs, and to a lesser degree the reduction in electricity purchases caused by the increase in generation capacities (two new plants came on line in 2007, and for two plants 2007 was the first year of full-capacity operation).
The positive impact of hedging derivatives (IAS 39) was also a factor.

In the **Rest of the world**, the -38.1% decline in EBITDA reflects a positive effect of changes in the scope of consolidation (€498 million related to deconsolidation of Light) and a positive foreign exchange effect (+€59 million) which more than absorbed the organic rise in expenses (+€59 million) related to rising coal prices for Figlec (China) and higher spot prices in Brazil in 2007. However, this organic rise was checked by the better availability of the Mexican plants.

In the **United Kingdom**, the -6.2% decrease is mainly attributable to application of IAS 39 to state outstanding commodity purchase and sale contracts at fair value, and the lower sales volumes resulting from weather conditions.

In **France,** fuel and energy purchases were -1.0% lower than in 2006, partly due to the impact on nuclear provisions of the implementing provisions issued in 2007 for the law of June 28, 2006 on the sustainable management of radioactive materials and waste. This impact was an expense of -€373 million in 2006, and income of +€262 million in 2007. This more than offset the increase in gas purchases and volumes covered by purchase obligations, and the greater cost of energy purchases to compensate for network losses.

In **Germany**, the +22.6% rise in fuel and energy purchases mainly results from purchases on the wholesale markets, related to business growth.

In the **Rest of Europe**, the +25.0% rise includes the significant effect of changes in the scope of consolidation (+14.5%). The organic increase in fuel and energy purchases (+8.7%) in this segment mainly concerns the central European countries, particularly Hungary, where energy purchases by Demasz on the free market (with energy price rises) and the regulated market (with returns of eligible customers and tariff rises) increased markedly.

1.7.2.2 Other external expenses

Other external expenses amounted to €9,797 million, €1,076 million (+12.3%) higher than in 2006, with organic growth at +11.1%.

The increase was observed in all segments except the Rest of the World.

The **Rest of Europe** registered the greatest rise (+€464 million or +50.4%). This includes €204 million attributable to changes in the scope of consolidation. Organic growth in other external expenses (+€261 million) is mainly due to expansion by EDF Energies Nouvelles and Dalkia.

In **France,** other external expenses were €412 million (+8.1%) higher than in 2006, mainly reflecting maintenance costs, principally for clogged steam generators, and the costs involved in preparing for the residential markets' opening to competition.

In the **United Kingdom,** the €183 million (+19.0%) increase in other external expenses is associated with the much higher volumes of construction work (for Powerlink and in the regulated networks), and mainly reflects the rise in marketing expenses incurred for commercial development.

In **Italy**, other external expenses rose by €59 million (+10.8%), primarily due to the increase in purchases of green certificates[32].

1.7.2.3 Personnel expenses

Personnel expenses amounted to €9,938 million, up by €229 million (+2.4%) from 2006, with organic growth at 1.9%.
The increase concerns the Rest of Europe (+€126 million), the United Kingdom (+€116 million) and Germany (+€44 million). Personnel expenses were down in the Rest of the world due to deconsolidation of the Light group from June 30, 2006 (-€44 million) and in France (-€13 million), and stable in Italy.

Two thirds of the increase observed in the Rest of Europe is attributable to changes in the scope of consolidation. The rest is explained by expansion and higher salaries.

In the **United Kingdom,** the 19.0% rise primarily results from the growth in workforce

[32] *Certificates representing a quantity of electricity generated from low-pollution sources*

numbers as a result of commercial expansion, and salary rises.

In **France,** the decrease of 0.2% in personnel expenses reflects the fall in workforce numbers (-2.3%) which largely offset the impact of salary increases.

1.7.2.4 Taxes other than income taxes

Taxes other than income taxes totaled €3,236 million in 2007, an increase of €61 million (+1.9%) from 2006. Organic growth was +1.5%.
Most of this increase was caused by rises in business tax in France.

1.7.2.5 Other operating income and expenses

Other operating income and expenses totaled €1,759 million (net income) in 2007, €744 million (+73.3%) higher than in 2006, with organic growth of +61.8%.
This increase mainly reflects developments in France and the Rest of the world.
The rise observed in **France** (€717 million) was primarily due to the €407 million rise in the Contribution to the Public Electricity Service (CSPE) (net of hedging derivatives) received in compensation for the additional costs generated by electricity purchase obligations. These additional costs are assessed with reference to spot market prices, which on average were lower in 2007 than 2006. It also reflects the €222 million difference between the €470 million provision booked in 2006 to cover competitor compensation payable under the TaRTAM transition tariff system, and a further €248 million allocated to this provision in 2007 based on the most recent assumptions known to date to the French Energy Regulator (*Commission de Régulation de l'Energie* or CRE) regarding the expense EDF will bear under this system, and the impact of market price developments.

In the **Rest of the World**, other income and expenses resulted in a net expense that was €107 million lower as a result of deconsolidation of the Light group in 2006.

1.7.3 EBIT

6.8% growth in EBIT

(in millions of euros)	2007	2006	Variation	Variation (%)	Organic growth (%)
EBITDA	**15,210**	**14,393**	**817**	**5.7**	6.1
Net depreciation and amortization	(5,628)	(5,363)	(265)	4.9	4.6
Net increases in provisions for renewal of property, plant and equipment operated under concessions	(504)	(463)	(41)	8.9	8.9
Impairments/Reversals	(150)	121	(271)	NS	NS
Other income and expenses	1,063	668	395	59.1	59.0
Operating profit (EBIT)	**9,991**	**9,356**	**635**	**6.8**	**14.3**

EBIT reached €9,991 billion in 2007, an increase of 6.8% from 2006.
This increase reflects the growth in EBITDA and the net income resulting from other income and expenses, which was more than sufficient to offset the changes in depreciation and amortization and impairments.

1.7.3.1 Net depreciation and amortization

Net depreciation and amortization for the 2007 amounted to €5,628 million, a rise of €265 million (4.9%) from 2006.
This increase mainly concerned France (+€169 million or 4.6%), largely due to the faster pace of investments, and the Rest of Europe (+€84 million, principally at EDF Energies Nouvelles and Dalkia) where it mostly corresponds to business development. Net depreciation and amortization was also higher in the United Kingdom (+€28 million) and Germany (+€12 million), but lower in the rest of the World (-€17 million) and Italy (-€11 million).

1.7.3.2 Net increases in provisions for renewal of property, plant and equipment operated under concessions[33]

These provisions totaled €504 million in 2007, increasing by €41 million (+8.9%) over 2006. Most of the increase was recorded in the France segment (+€42 million or +9.2% compared to 2006).

1.7.3.3 Impairments/Reversals

Impairments totaled a net expense of €150 million in 2007. EDF recorded €143 million of impairment against EnBW's assets following the reduction in transmission network access fees by the regulator.
In 2006, impairments showed a net reversal of €121 million. In 2006, the main factors were €318 million of impairment on EDF's share of EnBW goodwill (following the reduction in distribution tariffs introduced by the German regulator in 2006) and a €624 million reversal in connection with the sale of Light.

1.7.3.4 Other income and expenses

Other income and expenses amounted to €1,063 million in 2007; they stood at €668 million in 2006.
Variations in this item mainly concern France, and the Rest of Europe to a lesser extent.

In France, other income and expenses resulted in net income of €620 million in 2007, compared to €262 million in 2006.
In 2007, this reflects the recognition of the positive €555 million impact on the provision for renewal of changes in the useful lives of substation buildings (extended from 30 to 45 years) and electronic metering equipment (reduced from 30 to 25 or 20 years, depending on the equipment type) and the effect of the reduction in the cost of renewal of electronic metering equipment.
In 2006, other income and expenses in France included an amount of €328 million reversed from provisions due to discontinuation of the exceptional additional pension system.

In the **Rest of Europe,** other income and expenses in 2007 show a net gain of €425 million, principally corresponding to the gain (+€111 million) recorded by EDF International on the disposal in May 2007 of its 25% residual investment in Edenor, and the gain of €345 million mainly on the sale of Mexican activities.
In 2006, a net gain of €407 million was recorded, mainly resulting from gains on the sale of ASA and two Egyptian power plants.

[33] *The consolidated income statement published for 2006 has been restated to reflect the change in presentation for net increases in provisions for renewal of property, plant and equipment operated under concession.*

1.7.4 Financial result

(in millions of euros)	2007	2006	Variation	Variation (%)
Cost of gross financial indebtedness	(1,492)	(1,606)	114	(7.1)
Discount expense	(2,632)	(2,530)	(102)	4.0
Other financial income and expenses	1,590	1,435	155	10.8
Group Total	**(2,534)**	**(2,701)**	**167**	**(6.2)**

The financial result for 2007 was €2,534 million, reflecting a €167 million (-6.2%) decrease in net financial expenses compared to 2006, mainly attributable to the following:
- A €114 million improvement in the cost of gross indebtedness essentially due to deconsolidation of Light,
- A €102 million decrease in discount expenses, particularly for nuclear and pension provisions in France,
- A €155 million improvement in other financial income and expenses, mainly resulting from sales of financial assets.

1.7.5 Income taxes

Income taxes for 2007 amounted to €1,841 million, compared to €1,146 million for 2006.
The €695 million increase between 2006 and 2007 (+60.6%) results from three major factors which partly counterbalanced each other:
- the automatic increase in taxes following the growth in income before taxes of consolidated companies in France,
- lower net tax savings resulting from non-recurring operations in 2007 (when the sale of the Mexican activities generated a tax saving of €31 million) than in 2006 (when the legal reorganization of the Light group prior to its sale generated a tax saving of €586 million),
- adjustment of deferred taxes in view of the corporate tax rate reductions enacted in Germany, Italy and the United Kingdom (€493 million).

The main factors explaining the difference between the Group's average effective tax rate for 2007 (24.47%) and the French tax rate applicable for 2007 (34.43%) are:
- adjustment of deferred taxes following the reduction of the income tax rate mentioned above (€493 million),
- tax-exemption of gains on the sale of Edenor and the Mexican activities.

1.7.6 Net income, Group share

The **Group share of net income** was €5,618 million at December 31, 2007, +0.2% higher than in 2006 (€5,605 million).
The rise in income before taxes of consolidated companies (+€802 million) was almost totally offset by the unfavourable variations in income taxes (-€695 million) and the share in income of companies accounted for under the equity method (-€95 million).

Share in income of companies accounted for under the equity method

The share in income of companies accounted for under the equity method was €168 million in 2007, down by €95 million or -36.1% from 2006.
The main explanations for this decrease are allocations to provisions in the United Kingdom, and lower income in the Rest of Europe (change of consolidation method for SSE) and the Rest of the World (sale of the residual investment in Edenor).

The **Group net income excluding non-recurring items** was €4,677 million in 2007, €450 million or 10.6% higher than 2006, and 12.0% higher based on a constant scope of consolidation and exchange rates.

1.8 Breakdown of EBIT by geographical area

The Group's segment reporting principles are presented in note 7 to the consolidated financial statements at December 31, 2007.
The breakdown of EBIT by geographical area is as follows:

(in millions of euros) **2007**	France	United Kingdom	Germany	Italy	Rest of Europe	Europe excluding France	Rest of the World	Total
SALES	**32,232**	**8,353**	**6,900**	**4,658**	**6,225**	**26,136**	**1,269**	**59,637**
Fuel and energy purchases	(7,944)	(4,975)	(4,176)	(3,161)	(2,149)	(14,461)	(810)	(23,215)
Other external expenses	(5,506)	(1,147)	(1,070)	(606)	(1,384)	(4,207)	(84)	(9,797)
Personnel expenses	(7,343)	(754)	(703)	(185)	(933)	(2,575)	(20)	(9,938)
Taxes other than income taxes	(2,894)	(111)	(11)	(1)	(200)	(323)	(19)	(3,236)
Other operating income and expenses	1,452	(80)	91	204	96	311	(4)	1,759
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**9,996**	**1,285**	**1,031**	**910**	**1,655**	**4,881**	**333**	**15,210**
Net depreciation and amortization	(3,836)	(475)	(363)	(440)	(411)	(1,689)	(103)	(5,628)
Net increases in provisions for renewal of property, plant and equipment operated under concessions	(497)	0	0	0	(7)	(7)	0	(504)
Impairments	5	(1)	(146)	(8)	0	(155)	0	(150)
Other income and expenses	620	0	18	0	425	443	0	1,063
OPERATING PROFIT (EBIT)	**6,288**	**808**	**541**	**462**	**1,662**	**3,473**	**230**	**9,991**

(in millions of euros) **2006**	France	United Kingdom	Germany	Italy	Rest of Europe	Europe excluding France	Rest of the World	Total
SALES	**31,927**	**8,319**	**6,016**	**5,615**	**4,930**	**24,880**	**2,125**	**58,932**
Fuel and energy purchases	(8,025)	(5,302)	(3,406)	(4,189)	(1,719)	(14,616)	(1,308)	(23,949)
Other external expenses	(5,094)	(964)	(1,054)	(547)	(920)	(3,485)	(142)	(8,721)
Personnel expenses	(7,356)	(638)	(659)	(185)	(807)	(2,289)	(64)	(9,709)
Taxes other than income taxes	(2,839)	(111)	(8)	(1)	(198)	(318)	(18)	(3,175)
Other operating income and expenses	735	(36)	107	235	85	391	(111)	1,015
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**9,348**	**1,268**	**996**	**928**	**1,371**	**4,563**	**482**	**14,393**
Net depreciation and amortization	(3,667)	(447)	(351)	(451)	(327)	(1,576)	(120)	(5,363)
Net increases in provisions for renewal of property, plant and equipment operated under concessions	(455)	0	0	0	(8)	(8)	0	(463)
Impairments	1	0	(359)	(47)	(64)	(470)	590	121
Other income and expenses	261	1	0	1	406	408	(1)	668
OPERATING PROFIT (EBIT)	**5,488**	**822**	**286**	**431**	**1,378**	**2,917**	**951**	**9,356**

1.8.1 France

(in millions of euros)	2007	2006	Variation	Variation (%)	Organic growth (%)
Sales	32,232	31,927	305	1.0	1.0
EBITDA	9,996	9,348	648	6.9	6.9
EBIT	6,288	5,488	800	14.6	14.6

1.8.1.1 Breakdown of financial information for the "France" segment

The following breakdown is applied to France's contribution to Group sales and EBITDA:
"Regulated activities", comprising:
- Transmission in mainland France;
- Distribution in mainland France;
- Generation and distribution by EDF in the island energy systems (IES).

The Transmission and Distribution activities are regulated by the Tariffs for Using the Public Transmission and Distribution Networks (TURP).
Sales for the regulated activities include the delivery cost included in integrated tariffs.
"Deregulated activities" cover:
- Generation, Supply and Optimization in mainland France;
- Sales of engineering and consulting services.

1.8.1.2 Market opening

The French electricity market has been totally open to competition since July 1, 2007.

At December 31, 2007, EDF's market share for electricity in France was 85.2% for all eligible final customers (compared to 85.3% at December 31, 2006 for final customers, including those who became eligible at July 1, 2007).

1.8.1.3 The supply-demand balance

Nuclear generation produced 418 TWh in 2007, 10 TWh or 2.3% less than in 2006; hydropower generation reached 36.6 TWh, an increase of 0.8 TWh (+2.4%); fossil-fired generation totaled 18.2 TWh, 7.7% (1.3 TWh) higher than in 2006.
This lower level of nuclear generation resulted from certain unplanned outages and an intensified maintenance program, including chemical treatments for steam generators at four nuclear power plants.
The lower temperatures recorded in the final quarter of 2007 led to greater use of the fossil-fired plants.
Sales to final customers decreased by 7.4 TWh due to weather conditions, particularly in the first half-year.
This weather-related fall in sales was more than offset by growth in demand, excluding the weather effect.
Lower output by the nuclear plants also resulted in a decrease in net sales on the wholesale markets.

1.8.1.4 Sales

France contributed €32,232 million to Group sales, 1.0% more than in 2006. Sales of natural gas and services contributed 0.6 point, and sales of electricity 0.4 point.
The variation in electricity sales includes a positive price effect (+1.3%) and a negative volume effect (-0.6%).
The positive price effect is principally due to wholesale electricity market forward sales for periods of more than one year in advance (auctions for which prices were set by contract in August 2006 and delivery took place in August 2007), despite the negative effect of the TaRTAM system.

Electricity sales volumes were negatively influenced by the weather in the first half-year of 2007, and affected in the second half-year by the effect of lower nuclear generation levels on net sales on the wholesale markets.

1.8.1.5 EBITDA

France's contribution to Group EBITDA was €9,996 million, an increase of 6.9% from 2006 (€9,348 million).
In addition to the favorable price effect on sales, and the practical stability of fuel and energy purchases and personnel expenses, this increase results from the favorable impact of the rise in the CSPE and the lower allocation to the TaRTAM provision in 2007. It also reflects the impact of higher external expenses, chiefly related to changes in the way maintenance is organized.

Fuel and energy purchases

Fuel and energy purchases in France amounted to €7,944 million in 2007, a decrease of €81 million (-1.0%) from 2006, partly due to the impact on nuclear provisions of the implementing provisions issued in 2007 for the law of June 28, 2006 on the sustainable management of radioactive materials and waste. This impact was an expense of -€373 million in 2006, and income of +€262 million in 2007 (the total impact for both years was an expense of €111 million).
The €262 million income in 2007 more than offset the increase in gas purchases and volumes covered by purchase obligations, and the greater cost of energy purchases to compensate for network losses.

Other external expenses and personnel expenses

Other external expenses amounted to €5,506 million, 8.1% higher than in 2006.
The rise was more notable in the second half-year, and mainly results from higher maintenance costs, particularly for nuclear facilities, the additional costs incurred in preparation for the opening of the residential market to competition (adaptation of customer platforms and adjustments to information systems), and to a smaller degree expenses associated with the development of service activities.

Personnel expenses totaled €7,343 million, practically stable compared to 2006 (-0.2%) largely due the fall in average workforce numbers (-2.3%), which offset much of the effect of salary increases.

Taxes other than income taxes

These taxes increased by 1.9% (€55 million), principally reflecting business tax rises.

Other operating income and expenses

Other operating income and expenses rose in France by €717 million (net income), primarily due to the rise in the CSPE (Contribution to the Public Electricity Service), essentially caused by changes in the compensation receivable in respect of additional costs generated by purchase obligations in mainland France. These additional costs are calculated based on the differential between spot market prices and the actual cost of EDF's purchases from generators benefiting from the CSPE arrangement, and rose significantly due to the decline in spot market prices which were on average lower in 2007 than 2006 (€45.1/MWh in 2007, €55.6/MWh in 2006).
The increase also reflects the €222 million difference between the €470 million provision booked in 2006 to cover competitor compensation payable under the TaRTAM transition tariff system, and a further €248 million allocated to this provision in 2007 based on the most recent assumptions known to date to the French Energy Regulator (*Commission de Régulation de l'Energie* or CRE) regarding the expense EDF will bear under this system, and the impact of market price developments.

1.8.1.6 Breakdown of financial information for the "France" segment between regulated and deregulated activities

The following table shows the variations in sales and EBITDA in France for the Regulated and Deregulated Activities respectively between 2006 and 2007:

(in millions of euros)	2007	2006	Variation	Variation (%)	Organic growth (%)
Sales	**32,232**	**31,927**	**305**	**1.0**	**1.0**
Deregulated activities	20,468	20,129	339	1.7	1.7
Regulated activities	12,378	12,419	(41)	(0.3)	(0.3)
Eliminations	(614)	(621)	7	(1.1)	(1.1)
EBITDA	**9,996**	**9,348**	**648**	**6.9**	**6.9**
Deregulated activities	6,141	5,374	766	14.3	14.3
Regulated activities	3,855	3,974	(119)	(3.0)	(3.0)

Sales for the **regulated activities** declined by €41 million, principally as a result of the impact of weather conditions on delivery sales.

The **deregulated activities'** sales rose by €339 million. Growth in gas sales and price rises (in regulated tariffs and forward prices) limited the negative impact of the TaRTAM transition tariff system on prices and the fall in net sales on the wholesale markets resulting from lower availability of nuclear plants.

The **regulated activities'** EBITDA declined by €119 million. The higher volumes delivered, excluding the impact of weather conditions, only partly compensated for the effects of the weather and the greater cost of energy purchases to compensate for network losses, which were covered by forward purchases in 2006.

The **deregulated activities'** EBITDA increased appreciably (+€766 million). due to favorable price effects both on sales and sourcing costs for purchase obligations, which benefited from lower spot prices in the first half of 2007 via the CSPE compensation mechanism. The contrasting effects in 2006 (-€373 million) and 2007 (+€262 million) of the law of June 28, 2006 and its implementing provisions also explain this rise in EBITDA for the deregulated activities.
Other factors were the fall in net sales on the wholesale markets resulting from lower availability of nuclear plants, and the rise in operating costs, essentially related to higher maintenance costs.

1.8.1.7 EBIT

France's contribution to Group EBIT was €6,288 million, 14.6% higher than for 2006. This increase primarily results from the increase in EBITDA, together with the improvement in other income and expenses which benefited from reversals from the provision for renewal in the first half-year of 2007 (€555 million), a higher amount than the reversal of €328 million from provisions in 2006 following discontinuation of the exceptional additional pension scheme.
Without these factors, EBIT would have increased by 11.1%.

1.8.2 United Kingdom

(in millions of euros)	2007	2006	Variation	Variation (%)	Organic growth (%)
Sales	8,353	8,319	34	0.4	1.2
EBITDA	1,285	1,268	17	1.3	2.1
EBIT	808	822	(14)	(1.7)	(1.0)

1.8.2.1 Sales

EDF Energy's contribution to consolidated sales for 2007 was €8,353 million, an increase of +1.2% with organic growth of +0.4% compared to 2006.
This growth includes a -0.8% foreign exchange effect associated with the fall in value of the pound sterling.
Organic growth reflects positive net price and tariff effects, particularly following increases introduced in 2006, despite the 10.2% reduction in gas prices from June 15, 2007.

Volumes were down slightly. The moderate growth in the customer base (+1.0%) could not fully absorb the effects of the exceptionally mild weather.

1.8.2.2 EBITDA

EDF Energy's contribution to Group EBITDA stood at €1,285 million for 2007, a slight improvement (+1.3%) from 2006 corresponding to organic growth of 2.1%.

Forward purchase and sale contracts, which are derivatives that do not qualify as hedges under IAS 39, had a strongly positive impact in 2007 (+€151 million) following settlement of 2006 contracts and appreciation in energy contracts entered into in late 2007 (unrealized positions), driven by rising prices for coal, fuel oil, electricity and gas.

This rise comprises contrasting developments in the regulated and deregulated activities. Network activities continued to benefit from a positive price effect over 2007 (rise in network access fees during 2006 and late 2007), and increasing volumes of work undertaken at the request of customers. The resulting favorable impact was tempered by a fall in volumes due to the mild weather.
In the deregulated activities, this mild weather led to below-forecast sales volumes and the resulting long positions in a declining market eroded margins, especially on natural gas. In a highly competitive environment, EDF Energy continued its commercial and marketing investments to maintain its customer base, and this is reflected in the increase in other external expenses and personnel expenses, although the rise was smaller in the second half-year of 2007.

1.8.2.3 EBIT

EDF Energy's contribution to Group EBIT was €808 million, 1.7% lower than 2006.
This decline reflects the practical stability in EBITDA, and the increase in net depreciation and amortization, which resulted mainly from investments in regulated activities, particularly following the regulator Ofgem's 2005 review for the period 2005-2010, as well as investments in generation plants.

1.8.3 Germany

(in millions of euros)	2007	2006	Variation	Variation (%)	Organic growth (%)
Sales	6,900	6,016	884	14.7	12.5
EBITDA	1,031	996	35	3.5	0.9
EBIT	541	286	255	89.2	83.6

1.8.3.1 Sales

EnBW's contribution to Group sales for 2007 was €6,900 million, an increase of 14.7% from 2006, with organic growth of +12.5%.

This incorporates the effect of changes in the scope of consolidation (2.2%) mainly relating to the full consolidation of Stadtwerke Düsseldorf (SWD) over a full year in 2007, compared to nine months in 2006.
The +12.5% organic growth primarily comprises a volume effect attributable to the electricity activities, which benefited from rising sales volumes on wholesale markets and, to a lesser extent, sales volumes to industrial customers, together with a positive price effect following 2006 price increases.
Sales for the gas activities registered an organic decline of 14.0% in an increasingly competitive environment, the main factor being the lower volumes sold due to the mild weather.

1.8.3.2 EBITDA

EnBW's contribution to Group EBITDA increased by 3.5% compared to 2006, with organic growth at +0.9%.

EBITDA growth was more limited than sales growth, largely as a result of the expansion of business on wholesale markets (including purchases of renewable energies), and a significant increase in fuel and energy purchases (+22.6%, organic growth +18.8%).
Other external expenses rose slightly (+€16 million or +1.5%). Personnel expenses registered an increase of €44 million (+5.3%) with the growth in workforce and salary rises.

Excluding variations in provisions (mainly nuclear provisions), EBITDA for electricity activities increased, whereas EBITDA for natural gas activities declined substantially.

The progression registered by the electricity activities results from efficient management of power plants, market optimization activities, and improvements in supply margins despite lower network access fees.
The lower EBITDA for natural gas activities related to the fall in volumes sold.
The energy and environmental services activity also progressed, benefiting from the extended scope of consolidation (SWD).

1.8.3.3 EBIT

EnBW's contribution to Group EBIT was €541 million, €255 million higher than for 2006. This increase is mainly explained by the lower levels of impairment (€146 million in 2007, principally in respect of transmission networks, compared to €359 million in 2006, principally in respect of distribution networks) booked in the consolidated financial statements following reduction of the network access fees.

1.8.4 Italy

(in millions of euros)	2007	2006	Variation	Variation (%)	Organic growth (%)
Sales	4,658	5,615	(957)	(17.0)	(6.1)
EBITDA	910	928	(18)	(1.9)	4.4
EBIT	462	431	31	7.2	13.7

1.8.4.1 Sales

Italy contributed €4,658 million to consolidated sales, a 17.0% decrease from 2006.

This decrease comprises the effect of changes in the scope of consolidation (-€613 million or -10.9%), principally relating to the sale by EDF of EDF Energia Italia to Edison, the dilutive effect of exercise of Edison warrants on EDF's investment (from 51.58% to 48.96%), and the sales of Edison's holdings in Rete and Serene.
Sales in Italy saw an organic decline of €344 million or 6.1%, mostly concerning Edison.

Edison contributed sales of €4,121 million, €313 million lower than in 2006.
This decrease comprises a negative effect from changes in the scope of consolidation[34] and an organic decline in sales, essentially in the natural gas activities.
Electricity activities registered a slight increase in sales, mainly deriving from a price effect and a smaller volume effect.
In the natural gas activities, stable prices could not offset the marked decrease in volumes due to lower sales on the residential market caused by the mild weather.
Fenice's contribution to Group sales was €537 million, up by 7.8% from 2006. Much of this sales growth results from business in Poland, where there was a favorable volume effect and regulated tariff increases.

1.8.4.2 EBITDA

Italy contributed €910 million to the Group's consolidated EBITDA, a decrease of 1.9% (organic growth of 4.4%) compared to 2006.

The 1.9% decrease in EBITDA includes a –6.4% effect of changes in the scope of consolidation.
EBITDA declined less markedly than sales (-17.0%), mainly due to the significant decrease in Fuel and energy purchases caused by the lower sales volumes leading to lower purchases, optimization of gas supply costs, and the decrease in electricity purchases due to the expansion in generation capacity.
This decrease in Fuel and energy purchases more than offset the fall in sales and the rise in other external purchases.

Edison contributed €791 million to consolidated EBITDA in 2007, compared to €815 million for 2006, a decrease of -3.0%. Excluding the effect of changes in the scope of consolidation (principally the disposals of Rete and Serene), EBITDA showed organic growth of 4.2%.
EBITDA for Edison's electricity activities progressed: the main factors were the price effect resulting from higher sales margins on the wholesale markets and with final customers (mostly industrial customers), and better returns on reserves for the network manager. The new Turbigo and Simeri plants came on line in 2007 and the Torviscosa and Altomonte plants were in operation over the whole year, making it possible to reduce electricity purchases.
EBITDA for Edison's gas activities registered slight organic degrowth. Volumes decreased sharply due to weather conditions, and this was only partly offset by a positive price effect primarily resulting from the reversal of a provision established in 2006 in connection with resolution 248/04 (capping gas prices), and optimization of procurement conditions.
The decline in margins on sales of installations subject to the CIP6[35] incentive system also continued.

[34] *Dilutive effect of EDF's investment, sale by Edison of Rete and Serene*

[35] *The CIP6/92 system provides incentives for construction of renewable energy and similar generation*

Fenice's contribution to Group EBITDA stood at €119 million for 2007 compared to €112 million in 2006, an increase of 6.3%. This was achieved, despite the tariff reductions introduced in January 2007, as a result of a productivity drive focusing particularly on purchases (maintenance, optimization of generation facilities).

1.8.4.3 EBIT

Italy's contribution to consolidated EBIT reached €462 million, an increase of €31 million or +7.2% from 2006.
This 7.2% in EBIT after the 1.9% decrease in EBITDA is chiefly explained by impairment of power plants recorded in 2006.

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facilities (cogeneration) in Italy. Under this system, several independent producers have signed long-term 8 or 15-year contracts with ENEL (and subsequently GRTN, the Italian national transmission network operator), containing favorable terms for the sale of electricity generated from renewable and similar resources

1.8.5 Rest of Europe

(in millions of euros)	2007	2006	Variation	Variation (%)	Organic growth (%)
Sales	6,225	4,930	1,295	26.3	11.7
EBITDA	1,655	1,371	284	20.7	10.4
EBIT	1,663	1,378	285	20.7	14.4

1.8.5.1 Sales

The **Rest of Europe's** contribution to Group sales rose by €6,225 million or 26.3% to €1,295 million. This comprises the effect of changes in the scope of consolidation (13.6%), principally the change in consolidation method applied to the Slovakian company SSE (previously accounted for under the equity method and now proportionally consolidated) and EDF Energies Nouvelles (from proportional to full consolidation), and the effect of acquisitions by Dalkia International. It also incorporates a foreign exchange effect of +0.9%.
Organic growth in sales by the Rest of Europe reached +11.7% (€579 million), chiefly generated by EDF Energies Nouvelles and business in the central Europe countries, whereas EDF Trading's sales were down by 10.3%.
In the **central European countries,** organic sales growth was mainly driven by business in Hungary.
In **Hungary,** Demasz (organic growth of €116 million) benefited from a positive price effect (new regulated tariff decision issued in February 2007) on distribution and regulated sales. Business was also boosted by the return of eligible customers in 2007, and a positive price effect on the open market. Sales by BERt progressed (organic growth of +€31 million) as the rise in natural gas prices was passed on to residential customers, with no impact on EBITDA.
In **Slovakia** (SSE), the organic growth of €24 million was mainly due to rising wholesale prices in the supply activities.
In **Poland,** the organic growth of €19 million primarily resulted from increases in Rybnik's sales prices to distributors. Sales of heat produced by cogeneration fell sharply due to the mild weather in the early part of 2007.

Sales by **EDF Energies Nouvelles** progressed (organic growth of +€198 million) thanks to the existing wind farms' generation activity, and the new wind farms that came into operation in Italy, Greece, the United Kingdom and the United States. There was also a substantial increase in sales of structured assets.
Sales by **EDF Trading**[36] amounted to €670 million, 10.3% lower than the particularly high sales registered in 2006 (€747 million). The lower pressure on energy markets in the first three quarters of the year limited the options for action.
Dalkia registered organic sales growth of €122 million.

1.8.5.2 EBITDA

The contribution to consolidated EBITDA by the **Rest of Europe** was €1,655 million, a rise of €284 million or 20.7% from 2006.

This incorporates the effect of changes in the scope of consolidation (9.8%) and a foreign exchange effect (0.4%).
Organic growth stood at 10.4% (€143 million).

Organic growth in EBITDA in the **central European countries** was +7.4% (€20 million). It resulted from both favorable price developments and productivity gains. It mainly concerned **Slovakia**, where SSE achieved higher margins on supply due to optimization of its procurement conditions.
In **Hungary**, EBITDA progressed at Demasz due to favorable price effects. In contrast, Bert registered lower volume output, largely as a result of weather conditions. In Poland, the rise in prices compensated for the unfavorable weather effects for cogeneration.

[36] *EDF Trading sales consist of trading margins.*

Organic EBITDA growth at EDF Energies Nouvelles (€24 million) essentially results from business expansion.
EDF Trading's contribution to Group EBITDA decreased in 2007 (€570 million) after the very high level in 2006 (€605 million).

1.8.5.3 EBIT

The **Rest of Europe** contributed €1,663 million to Group EBIT, an increase of €285 million (+20.7%) compared to 2006.
This rise mainly reflects the progression in EBITDA, plus gains on the sale of the residual 25% holding in Edenor and the Mexican activities (€456 million in total), compared to gains of €345 million on disposals in 2006. However, growth in EBIT was affected by higher depreciation and amortization (+€84 million) generated by business expansion.

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1.8.6 Rest of the World

(in millions of euros)	2007	2006	Variation	Variation (%)	Organic growth (%)
Sales	1,269	2,125	(856)	(40.3)	3.2
EBITDA	333	482	(149)	(30.9)	2.5
EBIT	229	951	(722)	(75.9)	4.8

1.8.6.1 Sales

The contribution by the **Rest of the World** to Group sales stood at €1,269 million, €856 million or 40.3% lower than in 2006.
This essentially resulted from the negative effect of changes in the scope of consolidation of €846million, following the sale of Light in August 2006, and a negative foreign exchange effect of €79 million (concerning Mexico and Vietnam).
Organic sales growth was +3.2%.
In Mexico, sales totaled €650 million corresponding to organic growth of 5.5%. This was achieved through better availability, particularly for the Altamira and Rio Bravo 2 plants, despite low use of certain plants in the first half-year of 2007.
In Asia, sales stood at €311 million, a decline of 4.3% from 2006. The Meco plant in Vietnam saw satisfactory operation, and the Figlec plant in China maintained sales levels despite difficulties in sourcing quality coal.

1.8.6.2 EBITDA

The **Rest of the World's** contribution to Group EBITDA declined by €149 million (-30.9%), and comprises the negative effect of changes in the scope of consolidation (-€145 million or -30.1%) relating to the sale of Light.
Organic growth stood at +2.5%.
The main factor was the improved availability at the Mexican plants (Altamira and Rio Bravo 2).
In **Asia**, where EBITDA declined by 9.8%, difficulties in sourcing quality coal caused a substantial erosion of Figlec's margin. Measures taken during the second half-year should lead to a recovery in 2008. The decrease in Asia's EBITDA was limited by good results from Meco.

1.8.6.3 EBIT

The contribution by the **Rest of the World** to Group EBIT declined by €722 million. This essentially reflects trends in EBITDA, and a reversal of impairment of €624 million (related to the sale of 79.4% of Light) in 2006 that had no equivalent in 2007.

1.9 Cash flows and indebtedness

The table below sets forth the Group's net indebtedness

Year ended December 31 (in millions of euros)	2007	2006 (1)	Variation	Variation (%)
Operating profit before depreciation and amortization (EBITDA)	**15,210**	**14,393**	**817**	**5.7**
Cancellation of non-monetary items included in EBITDA	(1,584)	(325)		
Net financial expenses disbursed	(921)	(931)		
Recurring income taxes paid	(2,081)	(1,989)		
Other items (2)	23	17		
Operating cash flow (FFO)	**10,647**	**11,165**	**(518)**	**(4.6)**
Non-recurring income taxes paid	(156)	527		
Change in net working capital	(269)	654		
Net operating investments (net CAPEX)	(7,261)	(5,663)		
Free cash flow	**2,961**	**6,683**	**(3,722)**	**(55.7)**
Dedicated assets	(2,397)	(2,700)		
Net financial investments	(237)	(4)		
Dividends paid	(3,260)	(1,532)		
Other changes (3)	621	(197)		
Changes in net indebtedness, excluding the impact of changes in scope of consolidation and exchange rates	**(2,312)**	**2,250**	**(4,562)**	**NS**
Effect of change in scope of consolidation	198	1,287		
Effect of change in exchange rates	622	79		
Effect of other non-monetary changes (4)	155	44		
(Increase)/Decrease in net indebtedness	**(1,337)**	**3,660**	**(4,997)**	**NS**
Net indebtedness at beginning of period	**14,932**	**18,592**		
Net indebtedness at end of period	**16,269**	**14,932**		

(1) Data published at December 31, 2006 has been restated to reflect the change in presentation for net increases in provisions for renewal of property, plant and equipment operated under concession in France.
(2) Mainly corresponds to dividends received from companies accounted for under the equity method.
(3) Principally payment related to Marcoule in 2006 and the Edison capital increase in 2007 (exercise of warrants).
(4) Mainly corresponds to changes in fair value and accounting reclassifications affecting components of net indebtedness.

The Group's net indebtedness stood at €16,269 million at December 31, 2007, €1,337 million higher than at December 31, 2006 (€14,392 million).

The change in net indebtedness results primarily from the free cash flow generated (€2,961 million in 2007, compared to €6,683 million in 2006), which reflects the acceleration in the Group's investment program (+€1,555 million between 2006 and 2007).

It also includes the disposals undertaken under the Group's program for 2005-2007, whose impact on indebtedness totaled €1,327 million in 2007, the positive effect on Edison's debt of warrants exercised, and the change in EDF's percentage investment in Edison.

Gross allocations to dedicated assets amounted to €2,397 million, consistent with commitments. Other net financial investments stood at €237 million. The total amount of dividends paid was €3,260 million (including €1,057 million in interim dividends).

1.9.1 Cash flows

1.9.1.1 Operating cash flow

Operating cash flow[37] totaled €10,647 million, €518 million or 4.6% lower than for 2006 (€11,165 million).

This variation is lower than the variation in EBITDA (+5.7%), primarily due to the increase since 2006 in non-monetary components of EBITDA (+€1,259 million), and the variation in recurring taxes (+€92 million).
The main factors in the increase in non-monetary components of EBITDA are as follows:

- in France:
  - the contrasting effects on nuclear provisions in 2006 and 2007 of the law of June 28, 2006 and its implementing provisions,
  - a lower allocation to provisions in respect of the transition tariff (*Tarif réglementé transitoire d'ajustement de marché* or TaRTAM) for 2007 than 2006.
- in the United Kingdom: the rise in purchases of CO_2 emission quotas, leading to a higher reversal from provisions in 2007 than 2006.

Free cash flow stood at €2,961 million. Almost half of the €3,722 million decrease from 2006 is explained by the growth in operating investments (capacity development, asset maintenance program, etc). Of the other half, €923 million relates to changes in working capital over two years (€654 million reduction in 2006 and a €269 million increase in 2007), and €683 million to non-recurring income taxes.

1.9.1.2 Change in net working capital

Increase of €269 million

Working capital increased by €269 million in 2007 (after a reduction of €654 million in 2006). This increase was concentrated in France.

In **France**, working capital increased by €547 million. For operating working capital, this incorporates significant volume effects (particularly on trade receivables, with cold weather at the end of the year leading to much larger quantities of unbilled energy). However, the increase in working capital is tempered by the ongoing optimization measures implemented under the Altitude performance improvement plan, which saved a further €547 million in 2007. Non-operating working capital also declined slightly, influenced among other factors by a significant rise in the receivable related to the Contribution to the Public Electricity Service (*Contribution au Service Public de l'Electricité* or CSPE).

Outside France, working capital decreased by €278 million, mainly due to favorable price, volume and other effects in Germany, Italy and the United Kingdom, where EDF Energy continued its customer cycle optimization program.

1.9.1.3 Gross operating investments[38]

Increase of over 26% from 2006

Gross operating investments (gross capital expenditure[39]) amounted to €7,490 million for 2007, €1,555 million or 26.2% higher than in 2006[40].

Changes over 2006 in the Group's gross capital expenditure were as follows:

[37] *EDF uses Operating cash flow, equivalent to Funds From Operations or FFO, as an indicator to assess the Group's capacity to generate free cash flow. Operating cash flow is equivalent to net cash flow from operating activities excluding changes in working capital, less net financial expenses disbursed and income taxes paid, adjusted for the impact of non-recurring tax effect items.*

[38] *Non-financial investments (capital expenditure)*

[39] *Capital expenditure comprises purchases of property, plant and equipment and intangible assets, and the change in associated debts to suppliers.*

[40] *Sales of property, plant and equipment and intangible assets totalled €229 million, including €87 million of real estate sales in France. Net investments amounted to €7,261 million at December 31, 2007, an increase of €1,598 million (28%) compared to 2006 (€5,663 million).*

Year ended December 31 (in millions of euros)	2007	2006	Variation	Variation en %
France : Regulated activities	2,569	2,398	171	7.1
France : Deregulated activities	1,970	1,430	540	37.8
Total France	**4,539**	**3,828**	**711**	**18.6**
United Kingdom	1,171	932	239	25.6
Germany	379	283	96	34.0
Italy	397	351	46	13.1
Rest of Europe	934	438	496	113.2
Europe excluding France	**2,881,**	**2,004**	**877**	**43.8**
Rest of the World	70	103	(33)	(32.0)
Gross Capex	**7,490**	**5,935**	**1,555**	**26.2**

Capital expenditure in France increased by €711 million or +18.6%. It mainly concerned the deregulated activities (+€540 million), particularly generation, where investments were up by some €500 million. These investments are for development of capacities in nuclear facilities (construction of the EPR in Flamanville) and fossil-fired facilities (reactivation of oil-fired plants, combustion turbines), but also for operating asset maintenance (notably the SuPerHydro program for hydropower, and maintenance programs for nuclear power).

Investments in the networks reached €2,384 million in 2007, an increase of €106 million or 4.6% from 2006. These investments principally concern major transmission channels and interconnections, and development and renewal of regional networks for the transmission networks, and development, reinforcement and replacement for the distribution networks, as well as preventive measures against weather risks.

Gross capital expenditure increased in all geographical areas, except for the Rest of the World where the decrease reflects the sale of Light.

In the **Rest of Europe**, capital expenditure reached €934 million in 2007, a €496 million increase from 2006. The major contributing factor was the development, supported by EDF Energies Nouvelles, of several wind farms in Europe (Portugal, Greece, Italy, the UK) and the United States.

In **Central Europe** and at **Dalkia**, capital expenditure also increased, to €269 million.

In the **United Kingdom**, gross capital expenditure progressed by 25.6% to €1,171 million. Investments were mainly for network extension, and to a lesser extent for development of generation and commercial activities.

In **Germany,** capital expenditure (EDFs share) totaled €379 million, up by 34% over 2006 levels. The principal investments related to maintenance of generation and distribution facilities, and development of gas business.

In **Italy**, capital expenditure totaled €397 million (EDF's share), 13.1% higher than in 2006. Edison's investments were slightly lower than the previous year at €243 million (11.3%). Investments by Fenice rose sharply to €154 million (an increase of €74 million or 92.8%), due to development of new installations in Italy, Poland and Spain.

1.9.1.4 Net financial investments

Ongoing increase in dedicated assets, refocusing on core activities

The French Law of June 28, 2006 on the sustainable management of radioactive materials and waste requires establishment of a portfolio of dedicated assets to cover long-term nuclear obligations within five years. EDF had taken action before promulgation of this law, by a decision of Board of Directors in September 2005. The 2007 allocation to dedicated assets amounted to €2,397 million, consistent with commitments made, after an allocation of €2,700 million in 2006 (which included an additional amount for permanently shut down plants).

Other net financial investments totaled €237 million. This comprises €1,057 million for development and external growth (investment in Constellation Energy in the United States, acquisitions by EnBW, particularly additional investments in ESW and GSW, acquisitions by Edison, particularly LNG Rovigo, and other acquisitions by Dalkia and EDF Energies Nouvelles). It also includes the sales of the Mexican subsidiaries, Finel and Serene in Italy, Edenor in Argentina and U-Plus in Germany, which had a combined positive impact of €1,327 million on net indebtedness at December 31, 2007.

1.9.2 Net indebtedness

The Group's net indebtedness increased by a total of €1,337 million as capital expenditure rose and an interim dividend was paid out for the first time.

Changes in the contribution to net indebtedness by each segment are shown below:

Years ended December 31 (in millions of euros)	2007	2006	Variation	Variation (%)
France	8,112	5,940	2,172	36.6
United Kingdom	5,890	6,413	(523)	(8.2)
Germany	1,476	1,766	(290)	(16.4)
Italy	1,061	(99)	1,160	NS
Rest of Europe	(730)	(501)	(229)	45.7
Rest of the World	426	1,398	(972)	(69.5)
Total	**16,235**	**14,917**	**1,318**	**8.8**
Net financial liabilities from companies disclosed in non-current liabilities related to assets classified as held for sale	34	15	19	126.7
Group Total	**16,269**	**14,932**	**1,337**	**9.0**

The rise in indebtedness concerns France and Italy.

In **France**, the significant increase in capital expenditure and the higher dividend payments (€1,728 million, including €1,057 million for EDF's first interim dividend) explain the higher level of indebtedness.

In **Italy**, partial liquidation of Italenergia Bis contributed to the increase in indebtedness, despite the favorable effect of warrants exercised.

The substantial reduction in net indebtedness in the **Rest of the world** (-€972 million) chiefly reflects deconsolidation of the debts of the Group's Mexican subsidiaries after their sale (they contributed indebtedness of €706 million at December 31, 2007). Another secondary factor was the lower indebtedness of Group subsidiaries in the Asia-Pacific area.

The reductions in indebtedness in the **United Kingdom** (-€523 million) and **Germany** (-€290 million) are mainly due to the improvement in these segments in working capital, which covered financing for a large portion of operating investments. In the United Kingdom, the reduction was also due to favorable exchange rate variations.
In the **Rest of Europe,** the decrease of €229 million results from the cash contribution to the new subsidiary EDF Investissement Groupe, partly offset by the effect of sustained growth in investments in renewable energies.

1.9.3 Solvency ratios

Against the considerably accelerated pace of investments in 2007, the Group retained considerable financial flexibility and maintained its solvency ratios at a level that position it among the best in its industry sector.

	2007	2006
Financial debt to cash flow (1)	65 %	75 %
Interest expenses to cash flow (2)	11.9	11.2
Financial debt / financial debt + equity (3)	36 %	38 %

(1) Operating cash flow less working capital (or FFO) / Net financial debt
(2) (FFO + Net financial expenses) / Net financial expenses
(3) Net financial debt / (Net financial debt + Equity + Minority interests)

1.10 Management and control of financial risks and energy market risks

This chapter sets forth the Group's policies and principles for management of financial risks (interest rate, foreign exchange rate, liquidity, equity and counterparty risks), and energy market risks. These principles apply only to operationally controlled subsidiaries (i.e. entities other than Edison, EnBW and Dalkia) or subsidiaries that do not benefit by law from specific guarantees of independent management (RTE-EDF Transport and EDF Réseau Distribution France (ERDF)). In compliance with IFRS 7, the following paragraphs include information on the nature of risks resulting from financial instruments, based on accounting or management sensitivities and credit (counterparty) risks.

1.10.1 Liquidity position and management of liquidity risks

1.10.1.1 Liquidity position

At December 31, 2007, taking into account the cash and liquid assets totaling €11,718 million and unused credit lines totaling €10,066 million, the Group's liquidity position was approximately €21.8 billion. The Group also has access to financial resources through short-term issues and bond issue programs, and bank credit lines.

In 2008, the Group's scheduled debt repayments will total €10,513 million, including €1,362 million of bonds.

In December 2007, none of EDF, EDF Energy, EnBW, EDF Trading, or Edison were in default on any borrowing.

1.10.1.2 Management of liquidity risks

The measures taken by the Group for its liquidity risk management are designed to smooth the maturities of debt lines. The average maturity of long-term debt is approximately five and a half years, lower than in 2006. The average maturity of EDF SA's debt was approximately four and a half years, lower than in 2006 as there were no debt issues in 2007.

At December 31, 2007, the maturities of gross long-term and short-term debt, before hedging as defined by IAS 39 and based on current interest and exchange rates, were as follows:

(in millions of euros)	Bonds	Loans from financial institutions	Other financial liabilities	Loans related to finance-leased assets	Accrued interest	Total
Less than one year	1,362	1,176	7,511	30	434	**10,513**
From one to five years	5,881	1,856	277	142	5	**8,161**
More than five years	7,700	1,136	350	65	5	**9,256**
Total	**14,943**	**4,168**	**8,138**	**237**	**444**	**27,930**

Against the major liquidity tensions on the financial markets in the second half-year of 2007, EDF was able to meet its financing needs by conservative liquidity management, using its liquid assets and accessing short-term markets through its European and American commercial paper programs.
Four specific levers are used to manage the Group's liquidity risk:

• the Group's cash pooling system, which centralizes cash management for operationally controlled subsidiaries (entities other than Edison, EnBW and Dalkia, principally) with the exception of RTE-EDF Transport. The subsidiaries' cash balances are made available to EDF in return for interest, so as to optimize the Group's cash management and provide subsidiaries with a system that guarantees them market-equivalent financial terms;

• centralization of financing for controlled subsidiaries at the level of the Group's cash management department. EDF Energy and EDF Trading now have credit lines with EDF. In partnership with the bank Natixis Belgique Investissements, EDF has also set up an investment subsidiary, EDF Investissements Groupe (EDF IG), for the long-term financing of subsidiaries and investment in top-quality financial assets. EDF IG is proportionally consolidated by the group on a 67% basis.

• active management and diversification of financing sources used by the Group: the Group has access to short-term resources on various markets through programs for French commercial paper *(billets de trésorerie),* US commercial paper and Euro market commercial paper. For EDF SA, the ceilings for these programs are €3.8 billion for its French commercial paper, US$3 billion for its US commercial paper and US$1.5 billion for its Euro market commercial paper. EnBW, RTE and EDF Energy also have short-term programs for maximum amounts of €2 billion, €1 billion and £1 billion respectively.

EDF also has regular access to the bond market through an annually updated EMTN (Euro Medium Term Note) program, registered with the market authorities in Luxembourg, France and Japan. The current ceiling for this program is €11 billion. EnBW and EDF Energy also have their own EMTN programs, with ceilings of €5 billion and €4 billion respectively.

RTE intends to renew its EMTN program, with a ceiling of €6 billion, which matured at August 31, 2007, for the first half of 2008.

The table below sets forth the Group's borrowings in amounts of over €750 million at December 31, 2007:

Type of borrowing in millions of currency units	Entity	Issue date	Maturity	Amount	Currency	Rate
Bonds	EDF SA	1993	2008	987	EUR	6.3
Bonds	EDF SA	1998	2009	1 996	EUR	5.0
EuroMTN	EDF SA	2000	2010	1 000	EUR	5.8
EuroMTN	EDF SA	2001	2016	1 100	EUR	5.5
Bonds	EDF SA	2001	2031	650	GBP	5.9
EuroMTN	EDF SA	2003	2033	850	EUR	5.6
Bonds	RTE	2006	2016	1 000	EUR	4.1
EuroMTN	Edison	2007	2011	900	EUR	Euribor 3M
Bonds	EnBW	2002	2012	1 000	EUR	5.9

The entities with syndicated loan facilities are EDF, EDF Energy, EnBW, Edison and RTE-EDF Transport:

- EDF has a syndicated loan facility for €6 billion, valid until 2012. This amount comprises a €2 billion swingline available for same-day drawing. This facility is not conditional on maintenance of ratios or a given credit rating, and no drawings had been made on this facility at December 31, 2007;

- EDF Energy's syndicated loan facility amounts to £250 million, valid until 2008. This facility is conditional on respect of certain covenants (the company must continue to be controlled by EDF), and no drawings had been made on it at December 31, 2007;

- EnBW's syndicated loan facility comprises two tranches: one (tranche A) of €1 billion with a one-year term, with an option for renewal and drawing facility upon expiry at the lender's initiative, and another (tranche B) of €58 million valid until 2010 and €1,442 million valid until 2012. No drawings had been made on this credit facility at December 31, 2007:

- Edison's syndicated loan for €1.5 billion is valid until 2013. This credit facility was available at December 31, 2007 and no drawings had been made on it at that date;

- RTE-EDF Transport's syndicated loan consists of one tranche of €1 billion valid until 2013, comprising a €300 billion swingline. No drawings had been made on this credit facility at December 31, 2007.

1.10.2 Credit ratings

The financial ratings agencies Standard & Poor's, Moody's and Fitch IBCA have attributed the following long-term and short-term ratings to the EDF Group[41]:

Company	Agency	Long-term rating	Short-term rating
EDF SA	***Standard & Poor's***	**AA— stable outlook**	**A-1+**
	Moody's	**Aa1, stable outlook**	**P-1**
	Fitch IBCA	**AA— stable outlook**	**F1+**
RTE EDF Transport SA	***Standard & Poor's***	**AA— stable outlook**	**A-1+**
EDF Trading	***Moody's***	**A3, stable outlook**	**N/A**
EDF Energy	***Standard & Poor's***	**A, stable outlook**	**A-1**
	Moody's	**A3, stable outlook**	**P-2**
	Fitch IBCA	**A—, stable outlook**	**F2**
Edison SpA	***Standard & Poor's***	**BBB+, positive outlook**	**A-2**
	Moody's	**Baa2, stable outlook**	**N/A**
	Fitch	**BBB+, stable outlook**	**F2**
EnBW	***Standard & Poor's***	**A—, stable outlook**	**A-2**
	Moody's	**A2, stable outlook**	**P-1**

[41] *January 2008*

1.10.3 Management of foreign exchange rate risk

Due to the diversification of its activities and geographical locations, the Group is exposed to the risk of exchange rate fluctuations, which may have an impact on the translation differences affecting balance sheet items, Group financial expenses, equity and net income.

In general, the operating cash flows of EDF and its subsidiaries are in the relevant local currencies, with the exception of flows related to fuel purchases which are primarily in US dollars, and certain flows related to purchases of equipment, although these concern lower amounts. EDF Energy hedges all positions exposed to foreign exchange risk on cash flows.

To limit exposure to foreign exchange risks, the Group has introduced the following management principles.

To the extent possible given the local financial markets' capacities, each entity finances its activities in its own accounting currency. When financing is contracted in other currencies, derivatives may be used to limit foreign exchange risks.
The foreign exchange risk on international assets in the consolidated balance sheet is managed either by matching with liabilities for acquisitions in the same currency, or by market hedging. The Group thus uses derivative financial instruments to manage its foreign exchange exposure on these assets. These financial instruments are intended to hedge only firm or highly probable commitments and do not correspond to speculative objectives. If no hedging instruments are available, or if hedging costs are prohibitive, the risk on open foreign exchange positions is monitored by sensitivity calculations.

After taking into account the financing and foreign exchange risk hedging policy, the Group's gross debt at December 31, 2007 breaks down as follows by currency after hedging as defined by IFRS: 57% in euros, 33% in pounds sterling and 4% in US dollars. The balance of 7% includes the Swiss franc, the Hungarian forint, the Polish zloty and the Brazilian real.

(in millions of euros) 31/12/2007	Initial debt structure	Impact of hedging instruments (1)	Debt structure after hedges	% of debt
EUR	19,774	(3,953)	15,821	57
USD	2,748	(1,766)	982	4
GBP	3,987	5,102	9,089	33
Other currencies	1,421	617	2,038	7
Total debt	**27,930**	**-**	**27,930**	**100**

2007 gross debt structure, by currency, before and after hedging

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

The table below presents the impact of an unfavorable variation in exchange rates on the group's gross debt at December 31, 2007. Sensitivity to foreign exchange risks remains stable compared to 2006.

(in millions of euros) *Dec 31, 2007*	Debt after hedging instruments converted into euros	Impact of a 10% unfavorable variation in exchange rates	Debt after a 10% unfavorable variation in exchange rates	Impact on equity
EUR	**15,821**	-	15,821	
USD	**982**	98	1,080	
GBP	**9,089**	909	9,998	89
Other currencies	**2,038**	204	2,242	24
Total	**27,930**	1,211	29,141	113

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

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 December 31, 2007.

(in millions of currency units) *31/12/2007*	Assets	Bonds	Derivatives	Net position after hedging (assets)
USD	635	0	230	405
CHF (Switzerland)	1,182	400	507	275
HUF (Hungary)	74,861	0	57,787	17,075
PLN (Poland)	1,581	0	1,213	368
GBP (United Kingdom)	3,351	654	1,986	711
BRL (Brazil)	609	0	0	609
SKK (Slovakia)	7,948	0	0	7,948
CNY (China)	676	0	0	676

Net asset position

The assets in the above table are the net assets of the Group's foreign subsidiaries in currency units, 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.

The table below sets forth the risk of foreign exchange loss in equity on the overall net position relating to the net non-operating investments in foreign currencies of the Group's principal subsidiaries at December 31, 2007, assuming unfavorable, uniform exchange rate variations of 10% against the euro. Net positions are converted at the closing rate and impacts are reported in absolute value. At December 31, 2007, net positions in USD are higher than in 2006 due to EDF's expansion in nuclear activities in the United States. This increase is partially offset by the sale of activities in Mexico. The peso risk became irrelevant in 2007 following the total sale of Edenor in Argentina.

(in millions of euros) ***31/12/2007***	Net position in currency	Net position after management, converted into euros	**Impact of a 10% variation in exchange rates**
USD	405	275	28
CHF (Switzerland)	275	166	17
HUF (Hungary)	17,075	67	7
PLN (Poland)	368	102	10
GBP (United Kingdom)	711	970	97
BRL (Brazil)	609	235	23
SKK (Slovakia)	7,948	237	24
CNY (China)	676	64	6

(in millions of euros) ***31/12/2006***	Net position in currency	Net position after management, converted into euros	**Impact of a 10% variation in exchange rates**
USD	113	86	9
CHF (Switzerland)	253	158	16
HUF (Hungary)	18,396	73	7
PLN (Poland)	142	37	4
GBP (United Kingdom)	620	923	92
BRL (Brazil)	448	160	16
ARS (Argentina)	6	1	0,1
SKK (Slovakia)	7,489	217	22
CNY (China)	671	65	7

Sensitivity of net assets to exchange rate risks

The table below shows a breakdown of available-for-sale securities (equities and bonds) and loans/receivables in foreign currencies. At December 31, 2007, loans in USD were significantly lower than in 2006. These exposures concern EDF SA only.

(in millions of euros) *31/12/2007*	**Foreign currency value**	**Euro value**	**Impact of a 10% variation in exchange rates**	**Value after a 10% variation in exchange rates**
Available-for-sale securities in foreign currencies: (impact on equity)				
USD	505	343	34	309
Total		**343**	**34**	**309**
Loans/receivables in foreign currencies: (impact on income statement)				
USD	39	26	3	23
GBP	306	417	42	375
Total		**443**	**45**	**398**

Sensitivity to exchange rates of available-for-sale securities and loans/receivables in foreign currencies

Cash investments consist of daily investments and break down as follows:

(in millions of euros) 31/12/2007	Foreign currency value	**Euro value**	**Impact of a 10% variation in exchange rates**	**Value after a 10% variation in exchange rates**
Cash securities in foreign currencies: (impact on income statement)				
USD	135	92	9	83
HUF	914	4	NS	4
CHF	27	16	2	14
GBP	42	58	6	52
Total		**170**	**17**	**153**

Sensitivity to exchange rates of cash investments in foreign currencies

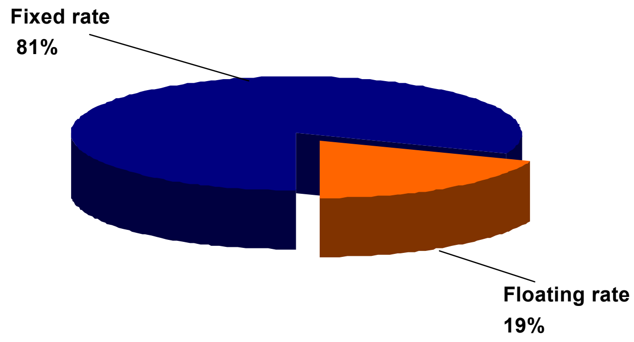
1.10.4 Management of interest rate risk

The Group's exposure to interest rate fluctuations covers two types of risk: a risk of change in the value of fixed-rate financial assets and liabilities, and a risk of change in the cash flows related to floating-rate financial assets and liabilities.

To limit exposure to interest rate risk, the Group (apart from entities it does not control operationally, notably Edison and EnBW) fixes principles as part of its general risk management policy, designed to limit the risk of change in the value of assets invested or possible increases in financial expenses.

EDF therefore uses dynamic allocation between fixed and floating rates according to expected market fluctuations in interest rates. This allocation may involve the use of interest rate derivatives for hedging purposes.

The Group's debt after hedging instruments at December 31, 2007 was structured as follows: 81% of debt bore interest at fixed rates and 19% at floating rates.



A 1% uniform rise in interest rates would generate a €50 million increase in financial expenses at December 31, 2007, based on gross floating-rate debt after hedging under IFRS.

The average coupon on Group debt (weighted interest rate on outstanding amounts) was 5.2% in 2007.

The table below sets forth the structure of Group debt and the impact of a 1% variation in interest rates at December 31, 2007 and 2006. The impact of interest rate fluctuations remains stable.

(in millions of euros) 31/12/2007	Initial debt structure	Impact of hedging instruments	Debt structure after hedges	Impact of a 1% variation in interest rates	Impact on net income
Fixed rate	21,511	1,042	22,553	225	
Floating rate	6,419	(1,042)	5,377	54 (*)	54
Total borrowings	**27,930**	**-**	**27,930**	**279**	

Debt structure and sensitivity to interest rates

(*) Impact on net income

Interest rate variations on fixed-rate debt have no accounting impact.

The table below presents the interest rate risk on floating-rate bonds and negotiable debt securities at EDF SA, and their sensitivity in net income. As fixed-rate negotiable debt securities and bonds are mainly held as part of the dedicated asset portfolio, a detailed sensitivity analysis is provided in section 1.10.7.

in millions 31/12/2007	Foreign currency value	Euro value	Impact of a 1% variation in interest rates	Value after a 1% variation in interest rates
Floating-rate bonds and negotiable debt securities				
EUR	1,562	1,562	15.6	1,546.4
Total		**1,562**	**15.6**	**1,546.4**

Sensitivity of floating-rate securities to exchange rate risks

1.10.5 Management and control of energy market risks

In conjunction with the opening of the final customer market, development of the wholesale markets and on the international scene, the EDF Group is exposed to price variations on the energy market which can have a significant impact on its financial statements.
Consequently, the Group has an "energy markets" risk policy (for electricity, gas, coal, oil products and CO_2 emission quotas) applicable to EDF (including the distributor until 2007) and controlled subsidiaries. This policy aims to:

- define the general framework in which the various Group entities carry out their operational activities (energy generation, optimization and distribution), and their interaction with EDF Trading;

- consolidating the exposure of the various entities and subsidiaries controlled by the Group on the various structured energy-related markets;

- implementing a coordinated hedging policy at Group level.

The principles of operational management of the energy market risks are based on clarifying the responsibilities for managing those risks, distinguishing between management of generation assets and trading.
Managers of generation and supply assets are responsible for implementing a risk management strategy that minimizes the impact of energy market risks on their financial statements. However, they retain a residual risk that cannot be hedged on the market (due to insufficient liquidity or market depth, uncertainty over volumes, etc).
Within the Group, decisions relating to energy markets are mainly taken by EDF Trading, the Group's trading entity. As such, EDF Trading is subject to a strict governance and control framework in line with current practises in trading companies.
EDF Trading trades on organized or OTC markets in derivatives such as futures, forwards, swaps and options (which may differ from accounting classifications applied at Group level). In 2007, its commitment on the markets was subject to a VaR[42] (value at risk) limit (with a daily confidence interval of 97.5%) of €26 million, with a stop-loss limit of €35 million. VaR fluctuated between €4.9 million and €27.6 million over the year.

VaR and stop-loss limits for 2007 and 2006:

(in millions of euros)	2007	2006
VaR limit (97.5% 1-day)	26	22
Stop-loss limit	35	30
Min VaR	4,9	4,3
Max VaR	27,6	18,5

The stop-loss has never been triggered since its introduction. EDF Trading's exposure is strictly managed by daily limit monitoring, by management of the subsidiary and control of the Group's energy market risks. Automatic escalation procedures also exist to inform members of EDF Trading's Board of Directors if loss or risk limits are breached (stop-loss limit).
At EnBW, sensitivity analyses were carried out on derivatives in the portfolio at December 31, 2007.
Sensitivity to electricity prices: at December 31, 2007, a 15% decrease (increase) in market prices would lead to an increase (decrease) in net income amounting to €65.8 million (€49.3 million at December 31, 2006).
A 15% decrease (increase) in market prices at December 31, 2007 (2006) would lead to an increase (decrease) in equity amounting to €131.4 million (€167.3 million at December 31, 2006).

Sensitivity to coal prices: at December 31, 2007 , a 15% decrease (increase) in market prices would lead to a decrease (increase) in net income amounting to €7.9 million (€13.9 million at December 31, 2006).
A 15% decrease (increase) in market prices at December 31, 2007 would lead to a decrease (increase) in equity amounting to €62.3 million (€31.4 million at December 31, 2006).

Sensitivity to oil prices: at December 31, 2007, a 20% decrease (increase) in market prices would lead to an increase (decrease) in net income amounting to €2.6 million. In 2006, a 20% decrease in market prices would have led to a €5 million decrease in net income.

Sensitivity to gas prices: at December 31, 2007, a 25% decrease (increase) in market prices would lead to a decrease (increase) in net income amounting to €6 million. In 2006, a 25% decrease in market prices would have led to a €1.1 million improvement in net income.

Sensitivity to emission quota prices: at December 31, 2007, a 50% decrease (increase) in market prices would lead to a decrease (increase) in net income amounting to €52 million (€13.9 million at December 31, 2006).

At Edison, the profit at risk (with a confidence interval of 97.5%) related to financial instruments used to hedge the industrial portfolio amounts to €50.9 million at December 31, 2007 (compared to €107.1 million at December 31, 2006).
These figures do not include trading transactions, which concern clearly separate portfolios. The trading activity is subject to a

[42] *Value At Risk: a statistical measure of the company's potential maximum loss in economic value (market value or mark-to-market) on a portfolio of transactions in the event of unfavorable changes on the market, with a given time horizon and confidence interval.*

VaR limit (with a daily confidence interval of 95%) of €2.1 million.
For an analysis of the fair value of the Group's commodity hedging derivatives, see notes 35.4.3 and 35.5 to the consolidated financial statements for the year ended December 31, 2007. For details of commodity contracts not classified as hedges by the Group, see note 36.1.4 to the same consolidated financial statements.

The process for controlling energy market risks for entities operationally controlled by the Group is based on:

- a governance and market risk exposure measurement system, clearly separating management and risk control responsibilities;

- an express delegation to each entity, formalized by risk management mandates, establishing risk limits and other information. These mandates enable the TOP4 to set an annual Group risk profile consistent with the financial objectives, and thus direct operational management of energy market risks within the Group, generally over 3-year market horizons; and

- a specific control process, given its close interaction with the decisions made within the generation and supply businesses. This process involves Group management and is based on a risk indicator and measurement system incorporating escalation procedures in the event risk limits are exceeded.

At Edison and EnBW, the energy market risk policy and control process are reviewed by the companies' governance bodies.
The Group's exposure to energy market risks is reported to the COMEX on a monthly basis. The control processes are regularly reappraised and audited.

1.10.6 Management of equity risks

The equity risk lies in the portfolio to cover nuclear obligations (see section 1.10.7 on the "Management of financial risk on EDF's dedicated asset portfolio") and to a smaller degree in long-term investments for EDF SA's cash management.

At December 31, 2007, equity-linked investments included in long-term cash management investments by EDF SA totaled €793 million (6.8% of total liquidities), with estimated volatility of 3.99% (annualized volatility of monthly returns observed over three years or over the longest period available). Applying this volatility to the value of equity assets at the same date, EDF estimates the annual volatility of the equities portion of cash investments at €32 million.

The liquidity of assets was unaffected by the financial crisis.

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

The dedicated assets have been built up progressively by EDF SA since 1999 to cover future dismantling expenses for the nuclear plants currently in operation, and the long-term storage of medium-level and high-level waste. Using a long-term management strategy, they are invested in equities and bonds in accordance with the allocation defined in 1999 and revised at the end of 2002 and 2005, pursuant to the governance principles for dedicated assets.

These dedicated asset portfolio is managed under the supervision of the Board of Directors and its Committees (Nuclear Commitments Monitoring Committee, Audit Committee).

The **Nuclear Commitments Monitoring Committee (CSEN)** is a specialized committee set up by EDF's Board of Directors when it updated its internal rules on January 25, 2007, in anticipation of the provisions of article 9 of decree 2007-243 of February 23, 2007. This committee is described in section 1.20.7, "Corporate Governance and organization").

A Nuclear Commitment Financial Expertise Committee (CEFEN) exists to assist the company and its governance bodies on questions of association of assets and liabilities and asset management. The members of this committee are independent of EDF. They are selected for their skills and diversity of experience, particularly in the fields of asset/liability management, economic and financial research, and asset management.

The **pace of portfolio development** for dedicated assets was defined in September 2005 by EDF's Board of Directors and validated in April 2006 by the relevant ministry. The aim is to reach the level of the provisions concerned by the end of 2010.

Cash allocations to dedicated assets in application of the Board of Directors' decision of September 5, 2005, were as follows:

Year	2007	2006
Allocations made and planned, in millions of euros	**2,397**	**2,700 (*)**

(*) The 2006 allocation included a higher amount corresponding to inclusion of decommissioning expenses for permanently shut-down power plants in the scope of dedicated assets.

Withdrawals totaling €249 million were made in 2007 (€157.7 million in 2006) to cover EDF's cash needs to the extent of reversals of provisions for disbursements in connection with the related obligations.

The governance principles set forth the decision-making and control structure for management of dedicated assets. The principles governing the asset portfolio's structure, selection of financial managers, and the legal, accounting and tax structure of the funds are also defined.

Strategic asset allocation is based on an asset/liability review carried out to define the most appropriate portfolio model for the question of financing nuclear expenses. A benchmark index is also set for performance monitoring and control of the overall portfolio risk. Strategic allocation is regularly reviewed, in principle every three years unless circumstances require otherwise. Currently, assets are allocated 50% to international equities and 50% to bonds.

The portfolio contains two subportfolios, "equities" and "bonds", themselves divided into "secondary asset classes" or "pockets" that correspond to specific markets. A third subportfolio, "cash", is used to prepare and supply the disbursements related to reversals of provisions for plants currently being dismantled.

Tactical asset management is organized around four main themes:

- Supervision of exposure between the two classes, "equities" and "bonds";
- Choice of tactual exposure by geographical area;
- Marginal investment in alternative vehicles to those used in the strategic allocation;
- Selection of investment funds, aiming for diversification:
  - By style (growth securities, unlisted securities, high-return securities),
  - By capitalization (major stocks, medium and small stocks)
  - By investment process (macroeconomic and sector-based approach, selection of securities on a "quantitative" basis, etc)
  - By investment vehicle (compliance with maximum investment ratios)

The allocation policy established by the Operational Management Committee was developed on the basis of macro-economic prospects for each market and geographical area, and review of market appreciation in different markets and market segments.

Portfolio content and performance

At December 31, 2007, the fair value of the dedicated asset portfolio was €8,604 million (€6,257 million at December 31, 2006).

Portfolio content under the classification from Article 4 of decree 2007-243 of February 23, 2007

Categories	Dec 31, 2007 Book value in EDF SA's corporate financial statements in millions of euros	Dec 31, 2007 Realizable value in the EDF consolidated financial statements in millions of euros	Dec 31, 2006 Book value in EDF SA's corporate financial statements in millions of euros	Dec 31, 2006 Realizable value in the EDF consolidated financial statements in millions of euros
1 Bonds, receivables and other securities issued or guaranteed by an EU member state or OECD country, etc.	2,666	2,794	1,707	1,829
2 Bonds, negotiable bills, etc issued by private sector entities	769	760	122	113
3 Equities, shares and other securities traded on a recognized market, giving access to the capital of companies whose head office is located in the territory of a EU member state or OECD country	233	470	233	282
4 Shares or units in funds investing in assets referred to in 1 to 3	4,034	4,264	3,524	3,856
5 Shares or units in funds investing principally in assets other than those referred to in 1 to 3	208	314	132	176
6 Real estate shares (shares in unlisted real estate companies)	nil	nil	nil	nil
7 Deposits with BNP Paribas Securities Services	0.057	0.057	0.076	0.076
Other payables and receivables (dividends receivable, management fees, etc)	2	2	1	1
Total dedicated assets	**7,912**	**8,604**	**5,719**	**6,257**

Breakdown by sub-portfolio and performance in 2007

At December 31, 2007, EDF's dedicated asset portfolio consisted of three sub-portfolios: the equities sub-portfolio represented 48.5% of the total, the bonds sub-portfolio represented 51.4% and the cash sub-portfolio represented 0.05%.

In 2006, the portfolio consisted of 52.4% of equities, 46.9% of bonds, and 0.7% monetary and equivalent investments.

	Dec 31, 2007 Book value in EDF SA's corporate financial statements in millions of euros	**Dec 31, 2007 Realizable value in the EDF consolidated financial statements in millions of euro**	**Performance at June 30, 2007**		**Performance At Dec 31, 2007**	
			Portfolio	**Benchmark index**	**Portfolio**	**Benchmark index**
Equities sub-portfolio	3,647	4,176	+9.65%	+6.59%	+3.15%	-1.66%
Bonds sub-portfolio	4,260	4,424	-1.30%	-1.72%	+2.19%	+1.79%
Cash sub-portfolio	5	5	+1.78%	+1.90%	+3.83%	+4.02%
Total dedicated portfolio	**7,912**	**8,604**	**+4.42%**	**+2.42%**	**+3.00%**	**+0.21%**

The portfolio stood up well to the effects of the financial crisis of the second half of 2007, including the turbulence on the international equities markets. Over the same period, the decrease in long-term rates was beneficial for government and index-linked bonds, and partly offset the effects of the crisis.

The distribution of the portfolio between reserved funds and other financial instruments is also presented in note 22.3.2.1 to the consolidated financial statements at December 31, 2007.

EDF is exposed to equity risks and interest rate risks through its dedicated asset portfolio.

The market value of the "equities" sub-portfolio in EDF's dedicated asset portfolio was €4,176 million at December 31, 2007. The volatility of the equities sub-portfolio can be estimated on the basis of the volatility of the benchmark index, the MSCI World index, which at December 31, 2007 was 13.27% based on 52 weekly performances. It was 9.44% at December 31, 2006. 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 €554 million. At December 31, 2007, the sensitivity of the bond sub-portfolio (€4,423 million) was 4.41%, i.e. a uniform 100 base point rise in interest rates would result in a 4.41% decline in market value. This sensitivity was 3.88% in 2006.

1.10.8 Management of counterparty 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 consequently failed to perform its contractual obligations.

The EDF Group has a group counterparty risk management policy, which applies to all operationally controlled subsidiaries. This policy defines the organization of counterparty risk management and monitoring, and reporting procedures and circuits.
Information is consolidated twice yearly at June 30 and December 31.

Consolidation of the EDF Group's counterparty risk at June 30, 2007 shows that the main counterparties for the Group's business overwhelmingly qualify as "investment grade". The exposure amounts to 85% of total exposure, stable compared to the consolidated risk at June 30, 2006.

1.11 Provisions

The following table sets forth provisions (current and non-current) at December 31, 2007 and December 31, 2006:

in millions of euros	December 31, 2007	December 31, 2006
Provisions		
Provisions for burnt fuel management	11,011	10,512
Provisions for long-term radioactive waste management	6,444	4,869
Provisions for downstream nuclear cycle	**17,455**	**15,381**
Provisions for decommissioning	11,933	12,139
Provisions for last cores	1,721	1,685
Provisions for decommissioning and last cores	**13,654**	**13,824**
Provisions for post-employment benefits	12,675	12,799
Provisions for other long-term employee benefits	1,088	1,129
Provisions for employee benefits	**13,763**	**13,928**
Other provisions	**3,862**	**4,009**
Total provisions	**48,734**	**47,142**

For details of the components of provisions, and changes in these provisions, see note 31 to the 2007 consolidated financial statements.

1.12 Off balance sheet commitments (commitments given)

1.12. 1 Operating, financing and investment commitments given

Operating, financing and investment commitments given by the Group were as follows at December 31, 2007:

(in millions of euros)	2007			
	Total	Maturity within one year	Maturity between one and five years	Maturity after five years
Operating commitments given	**13,949**	**6,879**	**6,472**	**598**
Satisfactory performance, completion and bid guarantees	616	286	297	33
Commitments related to commercial contracts*	3,217	1,359	1,546	312
Commitments related to orders for operating items and fixed assets	6,434	2,944	3,409	81
Other operating commitments	3,682	2,290	1,220	172
Firm irrevocable purchase commitments	**44,363**	**6,827**	**18,361**	**19,175**
Operating lease commitments as lessor	**2,709**	**595**	**1,447**	**667**
Financing commitments	**2,711**	**245**	**1,446**	**1,020**
Security interest on assets	2,102	105	1,308	689
Guarantees related to borrowings	419	89	93	237
Other financing commitments	190	51	45	94
Investment commitments	**2,969**	**486**	**2,482**	**1**
Equity investment commitments	2,752	374	2,378	-
Other investment commitments	217	112	104	1

* excluding commodities and energy

Operating commitments, totaling €13,949 million, comprise satisfactory performance, completion and bid guarantees, commitments related to commercial contracts, commitments related to orders for operating items and fixed assets, and other operating commitments.
Operating contract performance commitments are described in note 11.3.1 of the notes to the consolidated financial statements at December 31, 2007.

Firm irrevocable purchase commitments (electricity, natural gas, other energies and commodities, nuclear fuels) amounted to €44,363 million at December 31, 2007. For further details on these commitments, see note 11.1 of the notes to the consolidated financial statements at December 31, 2007.
Operating lease commitments as lessor amounted to €2,709 million (see note 11.4 of the notes to the 2007 consolidated financial statements).

Financing commitments, totaling €2,711 million, comprised security interests on assets, guarantees related to borrowings and other financing commitments.
For details, see note 33.5 of the notes to the consolidated financial statements at December 31, 2007.

Investment commitments include commitments for acquisition of equity investments and other investment commitments amounting to €2,969 million. For details, see note 24.5 of the notes to the consolidated financial statements at December 31, 2007.

1.12.2 Contractual obligations

The following table presents the Group's contractual obligations at December 31, 2006.

	2007			
(in millions of euros)	**Total**	**Maturity within one year**	**Maturity between one and five years**	**Maturity after five year**
Long-term debt [(1)]	27,930	10,513	8,161	9,256
Financial lease commitments as lessee [(2)]	246	20	138	88
Contractual obligations recognized in the balance sheet	**28,176**	**10,533**	**8,299**	**9,344**
Satisfactory performance, completion and bid guarantees	616	286	297	33
Commitments related to commercial contracts	3,217	1,359	1,546	312
Commitments related to orders for operating items and fixed assets	6,434	2,944	3,409	81
Other operating commitments	3,682	2,290	1,220	172
Contractual obligations related to operations [(3)]	**13,949**	**6,879**	**6,472**	**598**
Firm irrevocable purchase commitments	**44,363**	**6,827**	**18,361**	**19,175**
Operating lease commitments as lessee [(4)]	**2,709**	**595**	**1,447**	**667**
Security interest on assets	2,102	105	1,308	689
Guarantees related to borrowings	419	89	93	237
Other financing commitments	190	51	45	94
Contractual obligations related to financing [(5)]	**2,711**	**245**	**1,446**	**1,020**
Equity investment commitments	2,752	374	2,378	-
Other investment commitments	217	112	104	1
Contractual obligations related to investments [(6)]	**2,969**	**486**	**2,482**	**1**
Off-balance sheet contractual obligations	**66,701**	**15,032**	**30,208**	**21,461**
Total contractual obligations	**94,877**	**25,565**	**38,507**	**30,805**

(1) See note 33.2.2 to the 2007 consolidated financial statements
(2) See note 22.3 to the 2007 consolidated financial statements
(3) See note 11.3.1 to the 2007 consolidated financial statements
(4) See note 11.4 to the 2007 consolidated financial statements
(5) See note 33.5 to the 2007 consolidated financial statements
(6) See note 24.5 to the 2007 consolidated financial statements

The company is not aware of any significant off-balance sheet commitments at December 31, 2007 other than those reported in chapter 1.12.

1.13 Transactions with related parties

Details of transactions with related parties are described in notes 2.6 and 39 of the consolidated financial statements at December 31, 2007.
These transactions are with companies in the scope of consolidation, the French State and companies in which the State holds investments (Gaz de France and public-sector enterprises). Details of the remuneration paid to the group's directors and chief officers are provided in chapter 1.20 below, "General information on EDF's capital and governance bodies".

1.14 Subsequent events

1.14.1 Reform of the special electricity and gas sector (IEG) pension system

On January 22, 2008, a decree on the special pension system for electricity and gas sector (IEG) employees was issued in accordance with the French Pension Guideline Document *(Document d'Orientation sur les Retraites)* of October 10, 2007, setting forth the first modifications to the system.
The main provisions of this decree concern:
- prolongation of the employee contribution period to qualify for a full-rate pension, raised to 40 years in 2012; subsequent changes will be identical to those applied in the standard public-sector pension system;
- reductions and increases in pension rates. The reduction takes the form of a financial penalty applied for employees who have not paid contributions over a sufficient period to qualify for a full-rate pension. Conversely, the increase is a pension supplement applicable subject to certain conditions for employees who continue to work after the age of 60 and have paid contributions for 160 quarters.

The decree comes into force at July 1, 2008 and is due to be supplemented by further measures resulting from the existing regulations, covering matters such as introduction of a minimum pension, family and conjugal benefits, pension bonuses, and the possibility of exemption in certain circumstances from the "15-year clause" (currently, 15 years' employment in the sector is the minimum duration to qualify for an IEG pension).

An agreement was signed for the IEG sector on January 29, 2008 as part of this reform, following the principles set forth in the French Pension Guideline Document. This agreement introduces the following main support measures for the changes:
- concerning employees' salaries: a 4.31% increase in the national minimum wage applicable to active and inactive employees, combined in the case of active employees with elimination of the 2.85% pension contribution compensation bonus, and revision of pay scales including rises in workers' starting salaries.
- initial measures related to longer working lives, such as the definition of additional seniority scales and changes in the calculation methods for retirement gratuities.

Like the decree, this agreement will be supplemented by sector-specific or company-specific agreements on points still under negotiation, for example the question of how the system will take into consideration the specificities of different businesses.

As not all factors are known at the year-end, the impact of the reform and the above support measures on the Group's 2008 net income and obligations cannot be accurately determined.

1.14.2 EDF bond issue on January 18, 2008

EDF has successfully issued a €1.5 billion bond, placed with French and international institutional investors on January 18, 2008.

The issue is part of the growing centralization of the Group's subsidiary financing. It marks a return to the bond markets for EDF, which last issued bonds in 2004. The issue has a ten-year maturity and forms part of the Group's policy to increase the average duration of its debt, which currently stands at six years.

1.15 Principal risks and uncertainties

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

The principal risks and uncertainties to which the Group considers itself exposed are also described in section 4.2 of the Document de Référence.
This presentation describes the major risks and uncertainties affecting the Group. The Group remains subject to the usual risks specific to its business.

1.16 Significant events related to litigation in process

The litigations in which the EDF Group is involved are described in section 20.6 of the Document de Référence. This chapter only reports on new litigations or those which have seen significant developments.

1.16.1 Discharge by the Saint Chamas power plant into the Etang de Berre

In 1999, a professional association initiated legal action before the French courts and the European Commission relating to operation of the hydropower plant at Saint-Chamas.
EDF won the case in the French courts. On March 29, 2007 the same professional association lodged an appeal against the Lyon Appeal Court's ruling of January 22, 2007 in favor of EDF, but this appeal was subsequently withdrawn.
In the proceedings before the European Commission, negotiations between the French State and the Commission resulted in the freshwater emission limits being set at 1.2 billion m^3, with the obligation to maintain a minimum salinity level for the Etang de Berre.

The decree modifying the terms of the concession and incorporating the maximum freshwater emission level and the salinity requirement negotiated with the Commission was published on December 9, 2006.
EDF considers that the new constraints on freshwater emissions resulting from this decree have a non-negligible impact on generation levels at the Saint Chamas plant.

1.16.2 EPR

Several actions were initiated by associations before the Caen administrative court in relation with the preparatory work for the EPR:
- two actions for cancellation of the planning permission issued by the Prefect, filed on August 23 and October 11, 2006, and two actions filed on September 11, 2006 for cancellation of the authorization for work in the public maritime domain and the permission for other installations and work issued by the Prefect. These actions were dismissed by the Caen Administrative Court on March 15, 2007.
- On June 5, 2007, actions for cancellation of the decree authorizing creation of the new plant were brought before the Conseil d'Etat by three associations.

1.16.3 Labor litigation

EDF is party to a number of labor lawsuits with employees, primarily regarding the calculation and implementation of rest periods. EDF estimates that none of these lawsuits, individually, is likely to have a significant impact on its profits and financial position. However, because they concern situations likely to involve a large number of EDF's employees in France, these litigations could present a systemic risk which could have a material, negative impact on the Group's financial results.

1.16.4 Alcan Saint Jean de Maurienne

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

Following various written requests received from Alcan France to prolong the contract, Alcan France and Aluminium Pechiney served a summons on EDF on August 2, 2007 to appear before the Paris Commercial Court on September 21, 2007 for an initial procedural hearing.

Alcan France and Aluminium Pechiney asked the court to rule that:

- EDF was bound under the contract to take into consideration changes in the foreseeable life of nuclear power plants and their availability levels,
- the duration of the contract should be brought into line with the lifetime of the plants,
- the non-alignment of the contract with the lifetime of the plants entails default on deliveries of 11.2 TWh of electricity under the terms of the 1985 supply contract.

Several hearings were successively adjourned in January 2008.

1.16.5 Red Electrica de Espana (REE)

In the early 1990s, EDF and Red Electrica de Espana (REE) entered into a baseload contract for supply by EDF to REE of energy output at the interconnection point between the French and Spanish electricity networks, and a peakload contract providing for temporary suspension of deliveries. From their inception until the end of 2005, these contracts benefited from priory access to the interconnection.
In a decision of June 7, 2005, the European Court of Justice declared this priority access contrary to European law.
The Commission ordered the national regulators to cancel the priority rights of access to the interconnection and introduce an auction system for acquisition of those rights, and the French regulator CRE complied with this injunction through a decision of December 1, 2005.
EDF and REE, then had to agree terms for drawing energy and acquiring the rights of access to the interconnection so that REE could import electricity into Spain, but were unable to reach an agreement in the early months of 2006.
REE initiated international arbitration proceedings against EDF and EDF Trading, notified by the Chamber of Commerce and Industry on June 13, 2007, claiming compensation for the alleged prejudice. EDF also reported the prejudice caused to EDF by REE during the period. The litigation is restricted to deliveries of the period January-May 2006.
The Arbitration Court's mission statement was signed on January 19, 2008, and its decision must be issued by the end of 2008.

1.16.7 Legal proceedings concerning EDF's subsidiaries

1.16.7.1 RTE – EDF Transport

A - Transfer of high voltage lines to the SNCF

Law 2004-803 of August 9, 2004 stipulated that the high-voltage lines transferred to the SNCF on January 1, 1983 under the Law of December 30, 1982 on inland transport must, as facilities belonging to the public electricity transmission network, be transferred for consideration to RTE-EDF Transport within one year of the company's formation.

The SNCF and RTE (at the time a department of EDF) had considered a sale of the lines as early as 2002, and worked together on determining the value of this equipment based on objective criteria. However, the valuation process was disrupted due to a difference of opinion which persists to this day.

Consequently, in July 2007 RTE-EDF Transport applied to the French Ministry of Economy and the Ministry for Ecology and Sustainable Development and Planning to set up an ad hoc commission under article 10 of Law 2004-803 of August 9, 2004, to settle the dispute between the parties.

This commission had not yet been formed at the date of this document.

B – Agreement for annual rent with the SNCF

RTE-EDF Transport pays the SNCF an annual fixed rent of €3.1 million in return for use of the high-voltage electricity transmission network facilities transferred to the SNCF under the law of December 30, 1982. The level of this rent was fixed by RTE in line with the principles for returns on its own assets, based on their net book value, in relation to the Tariffs for Using the Public Transmission and Distribution Networks (TURP). The €3.1 million rent has been paid since 2001 when RTE terminated the agreement entered into with the SNCF on December 22, 1999.
The SNCF began litigation proceedings before the Paris administrative court through an application filed on February 22, 2002, challenging the new annual rent paid by RTE-EDF Transport and claiming the amount of the differential with the previous rent.
Following this claim, the investigations, which had been closed once, were reopened until December 31, 2007. No date has yet been set for the court hearing.

1.16.7.2 Edison

A – Action brought by ACEA SpA concerning Edison's investment in Edipower

In May 2006, Rome's municipal energy supplier ACEA Spa (ACEA) filed a complaint with the Italian government, the regulator (AEEG) and the national competition authorities (AGCM) that the joint takeover of Edison by EDF and AEM would bring their holdings in the company's capital above the 30% limit applicable to public companies (fixed by the Chairman of the Italian Council of Ministers in the decree of November 8, 2000 setting out the rules applicable to privatization of companies (called Gencos) held at the time by Enel SpA).

On July 7, 2006 the AGCM issued an opinion ("segnalazione") supporting ACEA's position, and officially requested the Italian government and parliament to take steps to ensure compliance with the decree of November 8, 2000.
In August 2006, ACEA brought proceedings before the Rome civil courts against EDF, IEB and WGRMH Holding 4 (and also Edison, AEM Milan, Delmi, Edipower, AEM Turin, ATEL and TdE), arguing that exceeding the 30% limit is a breach of the applicable legislation and could have a negative impact on the energy market, to the detriment of fair competition and the final interests of consumers.

ACEA is therefore requesting the court to:

- rule that the behaviour of EDF and AEM is unfair;
- oblige EDF and AEM to sell investments so as to come below the 30% limit, and prohibit them from drawing and using energy in excess of 30%;
- indemnify AEM for the prejudice caused, which is to be valued in a separate procedure.

ACEA also stated that it would ask the court to order interim measures to preserve its interests while awaiting the ruling on the substance of the case. In January 2007, Endesa Italia also joined ACEA in its action. The judge rejected new information presented at the same time by ACEA in the form of a memorandum estimating the alleged prejudice at €800 million.

The next hearing on the substance of the case and the evidence justifying ACEA's estimation of the prejudice is scheduled for June 26, 2008. As EDF and its subsidiaries were not willing to take part in a debate over ACEA's request for estimation of the prejudice, they should not be legally bound by any decision by the Italian judge in favor of the proposed value.

B – Action brought by Carlo Tassara concerning the Italenergia Bis warrants

Italenergia Bis (IEBIS) is an Italian holding company which in 2002 held 63% of the capital of the Italian company Edison. At the time, IEBIS' shareholders were Electricité de France (EDF), Carlo Tassara, Fiat and three Italian banks.

To acquire control of IEBIS and then Edison, EDF entered into a put and call option agreement with each of its fellow shareholders, under which it had the right (and potentially the obligation) to acquire all their respective shareholdings in IEBIS in 2005. The put and call options entered into with IEBIS shareholders other than Carlo Tassara covered IEBIS shares and IEBIS warrants held by each shareholder. The agreement with Carlo Tassara was restricted at his express request to his shares in IEBIS (20% of the company's capital).

Discussions and exchanges of correspondence followed between EDF and Carlo Tassara (in November and December 2002) over a possible amendment to the put and call option agreement, namely the inclusion of Carlo Tassara's IEBIS warrants, in return for granting EDF a pre-emptive right in respect of his shares in Edison. As the parties were unable to reach an agreement on these amendments, the put and call option agreement of September 16, 2002 continued to apply to IEBIS shares only.

On April 20, 2005, Carlo Tassara, like the other IEBIS shareholders, exercised his put option over his IEBIS shares, and the transfer took place on July 26, 2005.
On April 14, 2006, Carlo Tassara initiated proceedings before the Milan civil courts against EDF, IEBIS, the directors of IEBIS and Transalpina di Energia (TdE) to obtain execution of EDF's alleged commitment to purchase his IEB warrants at a price of €20.4 million.
In addition to his principal claim, Carlo Tassara submitted subsidiary claims concerning the sale by IEBIS to TdE of its controlling stake in Edison, an operation he considered contrary to the interests of IEBIS. He consequently applied for cancellation of the sale and compensation of some €122 million.

All the defendants filed their submissions in December 2006. In its defense, EDF challenged the Milan court's competence since the put and call option agreement signed with Carlo Tassara in September 2002 stipulates that the competent court is an arbitration court in Geneva. EDF also filed a request for arbitration with the Geneva Chamber of Court and Industry on November 7, 2006.

On October 31, 2007, the Geneva arbitration court issued its ruling on the case, finding in favor of EDF. It declared itself competent to judge the issue of the warrants, and concluded that no agreement had been entered into between the parties for the purchase by EDF of the IEB warrants held by Carlo Tassara.
EDF filed a request for acknowledgement and execution of the arbitration court ruling (*exequatur*) in Italy on November 7, 2007 before the Brescia appeal court. In a court hearing in Milan the same day, EDF presented this ruling and asked the court to suspend proceedings until the Brescia appeal court issues its decision on the application for an *exequatur* enforcement order.

On November 19, the president of Brescia appeal court issued an *exequatur* for the sentence, which is now binding and enforceable in Italy.

On December 27, 2007, Carlo Tassara filed an appeal before the Swiss federal court against the October 31 ruling by the arbitration court. EDF had until February 1, 2008 to file its statement of the case. Carlo Tassara has also filed an appeal with the Brescia appeal court for cancellation of the *exequatur.* A hearing is scheduled for March 12, 2008, and EDF has until February 29 to file its submissions in defense.

Appeals filed by Carlo Tassara were dismissed by the Milan Court on February 13, 2007. However, those decisions may be challenged.

C – Arbitration proceedings concerning the sale of Ausimont

The investigation phase of arbitration proceedings against Edison initiated on May 19, 2005 by Solvay Sa and Solvay Solexis Spa following several disputes between the parties with respect to the representations and warranties in the contract for Edison's sale of its interest in Agora Spa (parent company of Ausimont Spa) was closed during the hearing that took place in March 2007. At the same hearing, the arbitration court set a deadline for the parties to file their submissions. The parties have done so and are now awaiting the decision by the court.

1.16.7.3 BERt and EC ZIELONA GORA S.A.

Appeal against the European Commission's ruling with regard to State aids

On March 3, 2006, BERt, an EDF subsidiary, and on May 12, 2006 EC Zielona Gora S.A., a generation subsidiary of ZEW Kogeneracja S.A., which is controlled by the EDF group (EDF I, ECK and EnBW), filed an appeal with the Luxembourg court of first instance against the decision to start a formal investigation into long-term electricity purchase agreements (PPA). This decision was made in November 2005 by the European Commission under article 88, paragraph 2 of the EC Treaty.

Following its formal inquiry against Poland and Hungary due to doubts over the compatibility of PPAs with EC law, the Commission considers that PPAs are in principle new forms of State aid, which are illegal because they were not previously notified by the States before execution, and incompatible with EC law because they do not meet the requirements set by the Commission.
EC Zielona Gora S.A. and BERt are challenging the Commission's competence to control validity of the PPAs they have signed, and consequently asking the Luxembourg court of first instance to overturn the Commission's decisions.

<u>Developments for EC ZIELONA GORA S.A.:</u>

On September 25, 2007, the European Commission issued a ruling declaring that the new Polish law of June 29, 2007 on termination of PPAs and the associated compensation arrangements are compatible with EC law. It also considered the existing PPAs as illicit State aid, but did not call for repayment of any aid received since May, 2004, when Poland joined the EU, considering that they were covered by the new law.

EDF considered the compensation levels acceptable in a context of rising electricity prices, and in late December 2007 EC Zielona Gora S.A. signed an agreement to terminate its long-term contract(s). The appeal lodged by EC Zielona Gora will consequently be withdrawn.

<u>Developments for BERt:</u>

In view of the position taken by the European Commission, the Hungarian authorities initiated a negotiation process in June 2007 between BERt and MVM (Magyar Villamos Muvek Zrt., the only Hungarian buyer) to replace PPAs by commercial contracts compatible with European law.
The negotiations are still ongoing, and on January 1, 2008, a decree came into force in Hungary allowing BERt to partly benefit from the more favorable cogeneration regime.

1.17 Financial outlook

The Group confirms its multi-annual growth objectives announced at the time of the Initial Public Offering (IPO) for 2006-2008:
- average multi-annual EBITDA growth of between 3% and 6%, the top of this range assuming close-to-inflation tariff increases in France,
- double-digit average multi-annual growth in net income excluding non-recurring items.

2008 is set to be a year for stepping up investments and preparing for the future, with continued pursuit of the target of €10 billion in operating investments, in an environment marked by the increased cost of commodities, energy and equipment, and the impact over the coming years of support measures for the pension scheme reform.

The Group also plans to launch a second performance program named "Operational Excellence", targeting a €1 billion rise in EBITDA by 2010 (compared to 2007).

After 2008, the aim is to continue the trend for 3% to 6% average annual improvement of operational performance (EBITDA).

1.18 General risk management and control framework

1.18.1 Management and monitoring of financial market risks

1.18.1.1 General financial risk management framework

The Group has a financial management framework (see chapter 1.10 "Management and control of financial risks") defining the policy and principles applicable to subsidiaries controlled operationally (which do not include RTE-EDF Transport, EnBW, Edison and Dalkia) for the management of the Group's financial risks (liquidity risks, foreign exchange risk, interest rate risk and counterparty risk). The Group is also exposed to equity risks through securities held for cash management and the dedicated assets set aside to cover long-term nuclear obligations as defined by law (an ad-hoc management framework applies for these from 2007). Management indicators and limits are used to monitor application of these principles and control the risks, the primary objective being to limit the volatility of the Group's financial expenses.
Each year, EDF's Audit Committee and Board of Directors review compliance with the financial risk management framework and make any necessary adjustments, particularly regarding the limits and the associated target financial ratios.
EDF also uses scenarios to analyse the sensitivity of positions in extreme conditions. This allows EDF to monitor its exposure to "atypical" market swing risks. EDF also uses stop-loss markers, which determine the loss threshold at which a position must be closed

1.18.1.2 Financial risk control organization

Its international development led the Group to set up a dedicated body in early 2002: the Financial Risks Control Division (*Département Contrôle des Risques Financiers* or DCRF), responsible for controlling financial risks at Group level by supervising correct application of the principles of the financial management framework. The DCRF is also responsible for carrying out a second level check (methodology and organization) of operationally controlled Group entities and subsidiaries, and an operational check of the financing activities at parent company level. It reports to the Finance Department's Corporate Finance and Treasury Division (*Direction Corporate Finance Trésorerie* or DCFT), and has strong functional links with the Corporate Risk Management Division (*Direction du Contrôle des Risques Groupe* or DCRG), in order to guarantee independence between the risk control body and the risk management activities subject to its control.
With respect to the activities of EDF's front office, daily risk indicator monitoring reports are sent by the DCRF to the Group's Treasury manager, the head of the front office and the manager of the DCRF. The same people are

immediately informed when risk limits are exceeded so that appropriate action can be taken. The DCRF gives a weekly report to the DCFT's Operational Coordination Committee. The DCFT's Strategic Committee regularly monitors compliance with limits and decides on any changes to specific limits that may be necessary.
Regular internal audits are also carried out to ensure that controls are properly applied.

1.18.1.3 Liquidity risk

The EDF Group aims to have sufficient financial resources at all times to finance its day-to-day business activities, the investments required for future development and allocations to the dedicated asset portfolio covering long-term nuclear obligations, as well as cope with any exceptional events. The objective of liquidity management is to identify optimum-cost resources and their constant availability, as described in section 1.10.1 ("Liquidity position and management of liquidity risks").
Regular monitoring of the Group's liquidity risks is incorporated into the business management cycle, and includes stress scenarios. The Operational Co-ordination Committee also reviews liquidity needs in order to identify any cash requirements on a weekly basis.

1.18.1.4 Exchange rate risks

Due to the diversification of its activities and geographical locations, the EDF Group is exposed to the risk of exchange rate fluctuations, which may have an impact on the translation differences affecting balance sheet items, Group financial expenses, equity and net income.
In general, the operating cash flows of EDF and its subsidiaries are in the relevant local currencies, with the exception of flows related to fuel purchases which are primarily in US dollars, and certain flows related to purchases of equipment, although these concern lower amounts.
Further details can be found in section 1.10.3 ("Management of foreign exchange rate risk").

1.18.1.5 Equity risk

EDF is exposed to equity risk on securities held for cash management purposes and as dedicated assets to cover the cost of long-term commitments associated with nuclear activities.
This risk is described in sections 1.10.5 ("Management of equity risk") and 1.10.6 ("Management of financial risk on EDF's dedicated asset portfolio").

1.18.1.6 Interest rate risk

The Group's exposure to interest rate fluctuations covers two types of risk: a risk of change in the value of fixed-rate financial assets and liabilities, and a risk of change in the cash flows related to floating-rate financial assets and liabilities.
To limit exposure to interest rate risk, the Group fixes principles as part of its general risk management policy, designed to limit the risk of change in the value of assets invested or possible increases in interest charges, through the use of sensitivity indicators.
Further details can be found in section 1.10.4 ("Management of interest rate risk").

1.18.1.7 Counterparty 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 consequently failed to perform its contractual obligations. Various types of potential loss are concerned: for the Group, a counterparty's bankruptcy may result in write-offs of receivables (settlement risk), loss of profitable contracts (opportunity costs), excess costs incurred to replace dishonored contracts (replacement cost), payment of penalties to third parties if default by one counterparty leaves the Group unable to honor its own commitments, etc.
Group entities with significant levels of business on the energy or financial markets (EDF, EDF Energy, EDF Trading and EnBW) have introduced a methodology for attributing specific limits for each counterparty, based on several criteria (agency ratings, indebtedness, cash flow, assets, equity) and taking the nature and maturity of transactions into consideration. The individual counterparty limits are regularly monitored at entity level, and the Group organizes active supervision of major counterparties, to report and regularly update

its consolidated exposure to counterparty risks, and set up rules and procedures to manage the Group's consolidated exposure to counterparty risk.

In June 2004, the Board of Directors approved the Group's new counterparty risk management framework applicable to operationally controlled subsidiaries. This new framework defines the organization of counterparty risk management and monitoring, and reporting procedures and circuits. There are three major principles at the core of this framework: (i) the organization's responsiveness, (ii) separation of the risk control functions from the activities that generate risks and (iii) the responsibility of the entities for management of their exposures. It also sets a limit for the Group which will apply to each counterparty.

1.18.2 Management of insurable risks

The EDF Group has an extensive insurance program that is gradually being rolled out to controlled subsidiaries. The exclusions, excesses and limits are specific to each contract.

The main insurance programs are:

• Conventional damage policy (Group): EDF is a member of OIL[43]. Additional insurance coverage is provided by Wagram Insurance Company (a 100%-owned EDF subsidiary), other insurers and reinsurers;
• Damage insurance for EDF's distribution network in France: EDF is covered by a contract with CDC IXIS Capital Market;
• Damage insurance for the EDF Group's nuclear facilities: in addition to coverage through membership of OIL, property damage related to EDF's nuclear installations in France (including following a nuclear accident) and nuclear decontamination costs are covered as of April 1, 2006 by an insurance policy involving the French nuclear pool and the European Mutual Association for Nuclear Insurance (EMANI); EnBW benefits from similar coverage;
• Civil liability insurance specific to nuclear facility operators: EDF's insurance policies meet French legal requirements, and EnBW has introduced the necessary coverage for compliance with German law;
• General civil liability insurance: this program covers the Group against the possible financial consequences that could arise due to damage or injury (other than nuclear) caused to third parties;
• Civil liability insurance for directors and senior executives: EDF's insurance programme covers the Group's directors and chief executive officers.

The total value of premiums for all these insurance programs was €115 million in 2007, of which €97 million concerned EDF (see chapter 4.1.3 of the Document de Référence).

[43] *Oil Insurance Limited*

1.19 Research and Development

The primary objective of the EDF Group's Research and Development (R&D) Division is to contribute to performance improvement in the operational units, and identify and prepare for medium and long-term growth engines.

Key figures

The Group's total R&D expenses reported in the 2007 income statement amounted to €375 million, more than €100 million of which were directed into environmental protection: energy efficiency in uses of energy, research into renewable energies, local impact of climate change, other studies of benefit to environmental issues (biodiversity, water quality, reduction of noise pollution, etc).
EDF's R&D Division totaled some 1,950 members at December 31, 2007.

Contributing to performance improvement in the operational units

In 2007, approximately three quarters of EDF's R&D activities concerned projects instigated by the operational divisions and Group subsidiaries, and therefore respond directly to specific issues.
In the nuclear, hydropower and fossil-fired generation, EDF R&D develops tools and methods to improve operating performance and safely optimize the lifetime of production facilities, and prepares for new environmental demands.
The goals of the research program for renewable energies are to identify technological breakthroughs that could alter the balance of competition between energies, and to help bring the most promising technologies into industrial existence to benefit the Group, in fields such as solar and marine energy.

For transmission and distribution, EDF R&D provides support for integration of new technologies to enhance performance in the various businesses, and develop technical solutions designed to extend the lifetime of machinery and equipment, and maximize transit capacities.
EDF R&D also assists the Commercial Division in developing support tools and methods for commercial relations, developing techniques for controlling demand for energy and energy-efficient uses for customers (residential, service sector and industrial customers), and designing offers for electricity in the home: incorporation of renewable energies, "comfort" solutions, etc.
Finally, R&D projects for upstream/ downstream optimization aim to create tools and models to enhance the Group's generation assets, advance knowledge of how they operate and prepare for changes in the markets (electricity, gas, emission quotas, etc).

Lighting up the future and preparing growth engines

With the growing importance of global energy issues – the finite nature of fossil resources and the impact on climate change on industrial activities – EDF's R&D commitment to preparing for the future and developing growth engines, which is central to the Group's industrial plan, continued in 2007 along the path the Group has been carving out for several years.
These medium and long-term activities for the period 2007-2009 take the form of twelve "EDF R&D Challenges" focusing on the following themes: our planet, our optimization, customers, production, networks and digital simulations, expressing the most important research areas in terms of the stakes for the EDF group, and covering all businesses exercised by the company.
Several hundred researchers, a large number of actors in the operational divisions, and French and foreign partners of EDF R&D all contributed to work on these twelve challenges in 2007.

EDF R&D is an integrated actor in French, European and international research

To carry out its research and development programs, EDF R&D concludes partnerships in France, Europe (particularly countries where the Group has establishments) and worldwide. The aims of these partnerships are to maintain expertise at the highest international levels in certain fields that are central to EDF's concerns, to supplement fields of internal competences, and to create joint laboratories with research bodies in order to gather a critical mass of skills around common programs, while sharing upstream research costs and risks.

These partnerships contribute to high-standard execution of research work led by EDF R&D, and also support development of collaborative projects in response to national and European calls for contributions. EDF is also involved in partnerships created under the French National Research Agency ("*Agence Nationale de la Recherche*") and the seventh European Commission Framework Program, and actively participates in certain competitive clusters (*poles de competitivité*).

EDF has close links with the CEA and Areva in the nuclear field, in the form of a tripartite agreement. EDF R&D is also the first non-US partner in the American research institute EPRI (Electric Power Research Institute) with shared research programs, particularly looking at the advancing age of equipment, and intelligent networks. Through this partnership, the Group can also cooperate with most of the world's nuclear operators.

Patents

At December 31, 2007, EDF had 375 patented inventions protected by over 1,020 intellectual property titles in France and other countries.

1.20 General information on EDF's capital and governance bodies

1.20.1 Changes in the capital

At the date of this document, EDF's share capital totals €911,085,545 divided into 1,822,171,090 fully subscribed and paid-up shares with nominal value of €0.50 each.

The following table summarizes the authorizations in force at December 31, 2007 granted to the Board of Directors by EDF's shareholders at their meeting of May 24, 2007, principally for the capital increase.

	Authorizations granted to the Board of Directors by EDF's shareholders at their extraordinary meeting	Maximum total nominal value of the capital increase (in millions of euros)	Duration of the authorization(1)
1.	Delegation of authority to the Board to increase the capital, maintaining the shareholders' preferential subscription right	45	26 months
2.	Delegation of authority to the Board to increase the capital, with no preferential subscription rights for shareholders	45 (2)	26 months
3.	Delegation of authority to the Board to increase the number of shares to be issued in the event of a capital increase resulting from issues under points 1 and 2 above	15% of the initial issue(2)	26 months
4.	Delegation of authority to the Board to increase the capital by capitalization of reserves, profits, premiums or other amounts eligible for capitalization	1,000	26 months
5.	Delegation of authority to the Board to increase the capital as a result of an exchange offer instigated by EDF	45 (2)	26 months
6.	Delegation of authority to the Board to increase the capital in return for contributions in kind (art. L. 225-147 of the commercial code)	10% of capital(2) (3)	26 months
7.	Delegation of authority to the Board to increase the capital to the benefit of members of a savings plan	10	26 months
8.	Delegation of authority to the Board to proceed to free allocation of ordinary shares in the Company	0.2% of the capital (3)	12 months

(1) From the date of the extraordinary shareholders' meeting of May 24, 2007.
(2) Up to the nominal overall limit defined in point 1, i.e. €45 million.
(3) At the date of the extraordinary shareholders' meeting of May 24, 2007

The shareholders also authorized the Board of Directors to reduce the share capital in one or several operations, by canceling some or all of the shares previously repurchased under a Company share repurchase program, up to a maximum of 10% of the capital per 24-month period. This authorization is valid for a period of 18 months after the Shareholders' Meeting of May 24, 2007.

On December 3, 2007, the State sold €45 million of the capital of EDF through an accelerated placement with institutional investors. Following this operation, prior to the offer that will be reserved for EDF employees, the State holds 84.8% of the capital of EDF directly, in compliance with the law setting the State's minimum holding in EDF at 70%.

The employee offering reserved for current and retired employees will take place in the coming months, and will concern a number of existing shares representing 15% of the total number of shares put on the market, i.e. 0.4% of the capital. The offer will be implemented in 2008.

At December 31, 2007, the shareholding structure was as follows:

French State: 84.8%
Public: 13.3 %
Employees: 1.9 % (employee investment fund[44]: 1.6%)
Total number of shares: 1, 822,171,090

It was also decided in 2007 to allocate free shares (see section 1.2.2.9).

1.20.2 Other capital transactions

No EDF share is to be attributed to employees under the employee profit-share plan.

Information on transactions by the company on its own shares (share repurchase program):

- Number of shares purchased and sold during the year: During 2007, EDF purchased 557,339 shares and sold 462,579 shares in EDF.

- Average price of share purchases and sales: During 2007, the average purchase price for shares was €67.14 and the average sale price was €68.14.

- Brokers' fees: the standard commission defined in the liquidity contract was €195,418 for 2007.

- Number of shares registered in the company's name at the year-end, and their value based on purchase price and nominal value: 129,503 shares were registered in the name of the company at December 31, 2007.

The value of these shares was €9,907,500.94 based on the purchase price and €64,751.50 based on nominal value.
These shares were acquired for the following reasons: repurchase plan under a liquidity contract, acquisition of shares in the MULTI fund and advance acquisition of shares in preparation for deaths of beneficiaries of the ACT 2007 plan.

They represented 0.0071% of the total share capital at December 31, 2007.

1.20.3 Allocation of net income

The dividend distribution policy is defined by the Board of Directors, with reference to the company's results and financial position and the dividend policies of major French and international companies in the same business sector.
EDF's current objective is to distribute 50% of net income excluding non-recurring items.
However, this objective in no way constitutes a corporate commitment, and future dividends will depend on the Group's net income, financial position and any other factor the Board of Directors deems relevant.

[44] *"Actions EDF" employee investment fund ("fonds commun de placement d'entreprise" (FCPE)).*

The following dividends were paid in the previous three years:

Year	Number of shares	Dividend per share	Total dividends paid (after deduction of treasury shares)	Tax credit
2004	1,625,800,000	0.23 €	373,934,000 €	(1)
2005	1,822,171,090	0.79 €	1,439,170,388.51 €	(2)
2006	1,822,171,090	1.16 €	2,113,624,504.40 €	(2)

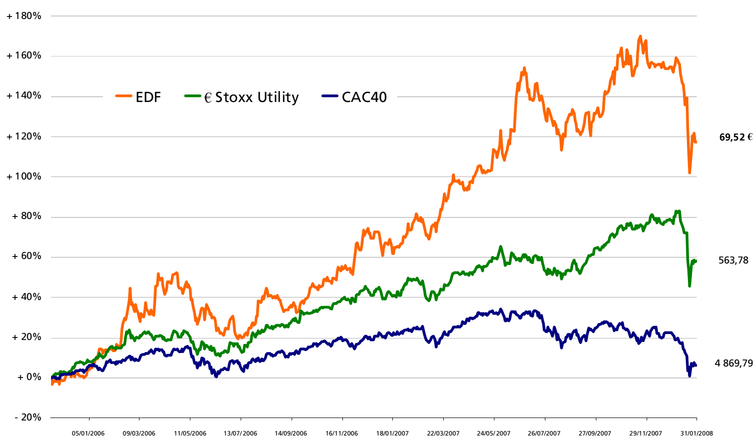
(1) 100 % of the dividend is eligible for the special 50 % tax allowance under paragraph 3-2° of article 158 of the French tax code
(2) 100 % of the dividend is eligible for the special 40 % tax allowance under paragraph 3-2° of article 158 of the French tax code

At the meeting of November 7, 2007 chaired by Pierre Gadonneix, EDF's Board of Directors' set the objective of paying an interim dividend at the end of each year out of current year income, provided the legal, accounting, economic and financial circumstances are appropriate. The Board decided that interim dividends of €0.58 per share would be paid from 2007 net income on November 30, 2007.

1.20.4 Share price

Movements in the EDF share price, now part of the CAC 40 index, were as follows from its initial listing on November 21, 2005 up to January 31, 2008:

EDF share price since the IPO



2007:

During 2007, the EDF share price increased by 48%, while over the same period the CAC40 rose 1% and the Euro Stoxx Utility 24%.
At December 31, 2007, the EDF share price at close of business was €81.48 (€55.20 at December 31, 2006). Its lowest closing price was €51.50 on January 5, 2007, and the highest closing price was €86.45 on November 22, 2007.
EDF's market capitalization at December 31, 2007 was €148.5 billion.

2008:

At January 31, 2008, the EDF share price had decreased by 15% from its January 1 level. In the same period, the CAC40 decreased by 13% and the Euro Stoxx Utility by 11%.

1.20.5 Scope of consolidation and shareholding thresholds

A list of all consolidated companies is attached to the financial statements.

Following the sale by the State of 45 million EDF shares on December 3, 2007 in an accelerated placement with institutional investors, the State's shareholding crossed a threshold, decreasing by more than 2.5%.

1.20.6 Capital structure and voting rights

At the date of this document, EDF's share capital consisted of registered or bearer shares which must at all times be held at least 70% by the French State, pursuant to article 24 of the Law of August 9, 2004.
The shares are freely negotiable subject to the laws and regulations in force and the statements below, and their sale or transfer is restricted by no statutory provision.

To the best of the company's knowledge, there is no restriction approved by a member of the Board of Directors concerning transfer of his shares within a certain time period, except for restrictions resulting from the Company's code of trading ethics.
Shares held through investment funds under the EDF Group's corporate savings plan, or shares acquired from the State in application of privatization laws, are subject to the unavailability or non-transfer rules resulting from the provisions applicable to such operations.
Each share entitles the holder to one vote, and at the date of this document, there is no statutory restriction on the exercise of voting rights by shareholders.
At the date of this document, to the company's knowledge no shareholder agreement concerning EDF shares had been concluded.

1.20.7 Corporate governance and organization

1.20.7.1 Board of Directors

EDF's Board of Directors determines the orientation of the company's activities and oversees their implementation. It defines all the major strategic, economic, financial and technological orientations concerning the company, and also examines any other matters related to the company's operation, governing such affairs through its deliberations.

In compliance with the Law of July 26, 1983 on the democratization of the public sector, as the French State holds less than 90% of the capital of EDF, the Board of Directors has eighteen members: one third representing the French government, one third representing and elected by employees, and one third appointed by the shareholders after nomination by the Board of Directors, as required by the law.

Board meetings are also attended by the members of the French State's Economic and Financial Verification Mission and the Works Council secretary, who have no voting rights.

A director's term of office lasts five years. If a seat on the Board becomes vacant for any reason, the replacement director is only appointed for the residual period until the entire Board is renewed.

To carry out its duties, the Board of Directors has set up various committees of selected members:

• the Audit Committee (five Directors), which issues an opinion on the financial position, the medium-term plan and budget, the draft financial statements prepared by the Finance Division (EDF's corporate and consolidated financial statements), risk monitoring, internal audit and control, and the appointment of Statutory Auditors;

• the Nuclear Commitment Monitoring Committee: this committee was formed by the Board of Directors when it updated its regulations on January 23, 2007. It is made up of six members appointed by the Board: five Audit Committee members and another director with acknowledged expertise in the nuclear field. Its first meeting took place in February 2007.

This committee's tasks are to monitor changes in nuclear provisions, issue an opinion on questions of governance of dedicated assets and the ratio between assets and liabilities and strategic allocation, and examine the compliance of EDF's dedicated asset management. It expresses the opinions and recommendations deemed necessary to the Board of Directors.

• the Strategy Committee (seven Directors), which issues an opinion on EDF's major strategic orientations (alliances and partnerships, strategic development plan, industrial and commercial policy, strategic agreements, the public service contract, research and development policy);

• the Ethics Committee (six Directors), which ensures that ethical considerations are taken into account in the work of the Board of Directors and the management of EDF. It also reviews the ethics processes introduced in the Group.

It examines:
- the draft annual report, excluding the financial statements (management report and report on sustainable development);
- the management report by the ethics advisor;
- the annual report of the mediator;
- the General Inspector's report on nuclear safety and radiation protection.

The Ethics Committee draws up an annual report on the organization of the Board of Directors and application of its internal regulations.

• the Appointments and Remuneration Committee: on January 23, 2007, the Board of Directors adopted regulations extending the remit of the Remuneration Committee, now renamed the Appointments and Remuneration Committee. This three-member committee submits proposals to the Board for appointment of directors by the shareholders, sends the Minister of Finance an opinion on the remuneration of the Chairman and CEO, and examines the remuneration of the Chief Officers.

It provides the Board of Directors with its opinion on the ways the remuneration of the principal management executives is set (fixed and variable portions, calculation method and index-linking), and on the amount and allocation of directors' fees. It ensures that succession tables exist for posts on the Executive Committee.

The Board of Directors met eleven times in 2007, and the Committees held a total of 20 meetings over the year.
The attendance rate at meetings of the Board of Directors was 81.8% on average in 2007.

Details of each Director's and Chief Officer's roles and the functions occupied in 2007 in all companies are given below (at January 31 2008):

• Chairman of the Board of Directors

Pierre Gadonneix
Date of birth: January 10, 1943
Chairman of EDF's Board of Directors since September 8, 2004
Chairman and CEO of EDF since November 20, 2004
Chairman of the Board of Directors of the association Electra and Transalpina di Energia
Director of Edison
Member of the Board of Directors of *Fondation Nationale des Sciences Politiques*, the Atomic Energy Committee, Banque de France's Consultative Committee, the Economic and Social Council and the National committee for vitally important business sectors (CSNAIV)
Chairman of the association Group'action CO_2
Chairman of the World Energy Council

• Directors representing the French government

Pierre-Marie Abadie
Date of birth: July 13, 1969
Director of EDF since August 2007, replacing François Jacq
Director of the department of demand and energy markets (*DIDEME*) at the General division for energy and raw materials of the French Ministry of Ecology and Sustainable Development and Planning since July 2007

André Aurengo
Date of birth: April 4, 1949
Director of EDF since July 1999
University professor and Hospital doctor, Head of the nuclear medicine department at Pitié-Salpêtrière hospital, Paris and professor of biophysics at the Pierre and Marie Curie faculty of medicine
Member of the *Académie de Médecine*
Appointed in 1998 to the Curien mission on transparency of nuclear operations
Chairman of the French Society for Radiation Protection from 2005 to 2007
Member of the High Council for Safety and Nuclear Information, and of the High Council of Public Health

Bruno Bézard

Date of birth: May 19, 1963
Director of EDF since August 2002
Chief Executive Officer of the French State Holdings Agency (APE) at the French Finance Ministry
Member of the Supervisory Board of Areva, director of Air France-KLM, France Télécom, La Poste and Thalès

Gérard Errera
Date of birth: October 30, 1943
Director of EDF since December 2007, replacing Philippe Faure
General Secretary of the Ministry of Foreign and European Affairs
Member of the Supervisory Board of Areva and the Atomic Energy Committee

Yannick d'Escatha
Date of birth: March 18, 1948
Director of EDF since November 2004
Chairman of the government space policy agency *Centre National d'Etudes Spatiales* (CNES)
Chairman of the Board of Directors of the *Ecole Polytechnique* and the University of Technology of Troyes
Permanent representative of the CNES at Arianespace SA and Arianespace Participation
Director of RATP
Member of the Academy of Technologies

Philippe Josse
Date of birth: September 23, 1960
Director of EDF since April 2006
Director of the National Budget for the Ministry of the Budget, Public Accounts and Civil Service
Director of Air France-KLM and SNCF

• Independent directors appointed by the Shareholders

Frank E. Dangeard
Date of birth: February 25, 1958
Director of EDF since November 2004
Chairman and CEO of Thomson
Director of Calyon and Symantec

Daniel Foundoulis
Date of birth: April 13, 1939
Director of EDF since July 1999
Member of the French National Consumer Council (*CNC*) and the Advisory Group for the European Consumer Council in Brussels, representing France
Vice-Chairman of the *Conseil National des Associations Familiales Laïques*

Claude Moreau
Date of birth: January 22, 1931
Director of EDF since November 2004
Chairman of the Interministerial Commission on Clean, Energy-saving vehicles (CIVEPE) from 2004 to 2007
Director of the Mobility and Advances Transport (*MTA*) competition cluster since 2006, and Manager of SCI Maison de l'Industrie

Henri Proglio
Date of birth: June 29, 1949
Director of EDF since September 2004
Chairman and CEO of Veolia Environnement
In the Veolia Environnement Group:
Chairman of the Supervisory Board of Dalkia France
Chairman of the Board of Directors of Veolia Transport, Veolia Propreté and Veolia Water
Director of Dalkia International, Eaux de Marseille, Sarp Industries, Veolia Environmental Services Australia, Veolia Transport Australasia, Veolia Environmental Services, Siram, Veolia Environmental Services North America, Veolia Transport Northern Europe,
Member of the A & B Supervisory Boards of Dalkia
Manager of Veolia Eau
Outside the Veolia Environnement Group:
Member of the Supervisory Boards of Lagardère and Natixis
Director of Casino Guichard Perrachon and CNP Assurances
Observer on the Supervisory Board of *Caisse Nationale des Caisses d'Epargne*

Louis Schweitzer
Date of birth: July 8, 1942
Director of EDF since July 1999
Chairman of the Board of Directors of Renault SA and Astra Zeneca
Vice-chairman of the Supervisory Board of Philips
Chairman of the Anti-Discrimination and Equality Authority (HALDE)
Director of BNP-Paribas, L'Oréal, Veolia Environnement, AB Volvo

Member of the Consultative Committee of Allianz and Banque de France

• Directors representing employees

Jacky Chorin
Date of birth: April 22, 1959
Director of EDF since September 2004
Legal expert
Representative to the HR Manager and the Generation and Engineering Division

Marie-Catherine Daguerre
Date of birth: November 15, 1960
Director of EDF since July 1999
Customer advisor

Alexandre Grillat
Date of birth: December 8, 1971
Director of EDF since September 2004
Engineer
Assistant to the Sales Manager for Electricité de Strasbourg

Philippe Pesteil
Date of birth: September 1, 1957
Director of EDF since September 2004
Engineer
Member of the team of internal auditors at the General Technical Division

Jean Paul Rignac
Date of birth: May 13, 1962
Director of EDF since November 2007, replacing Laurence Hoeffling
Research engineer at the Research and Development division

Maxime Villota
Date of birth: November 25, 1959
Director of EDF since December 2006
Purchase policy coordinator at the Finance Industrial Relations mission
Deputy mayor of Bollène (Vaucluse)

• Directors whose mandate expired during 2007

Philippe Faure (until November 2007)
Date of birth: June 13, 1950
Director of EDF from April 2006 to November 2007, replaced by Gérard Errera

Laurence Hoeffling (until October 2007)
Date of birth: March 8, 1969
Director of EDF from January 2002 to October 2007, replaced by Jean-Paul Rignac

François Jacq (until August 2007)
Date of birth: October 28, 1965
Director of EDF from September 2005 to August 2007, replaced by Pierre-Marie Abadie

• Chief Officers (in addition to the CEO)

Daniel Camus
Date of birth: April 14, 1952
Chief Financial Officer since November 2004
Chairman of the Board of Directors of EDF Energy and EDF International
Director of Edison, Transalpina di Energia and Valeo
Member of the Supervisory Boards of EnBW, Dalkia and Morphosys

Yann Laroche
Date of birth: March 30, 1945
Chief Human Resources and Communications Officer since November 2004
Chairman of the Supervisory Board of Electricité Réseau Distribution France (ERDF)
Director of EDF Energy

Jean-Louis Mathias
Date of birth: August 21, 1947
Chief Operating Officer, Integration and Deregulated Operations in France, since November 2004
Chairman of the Board of Directors of EDF Trading
Director of EDF Développement Environnement (EDEV) and EDF Energies Nouvelles
Member of the Supervisory Board of Dalkia

1.20.7.2 Management compensation

The list below shows the compensation and various benefits paid to the Group's key management personnel during 2007 by EDF and its controlled companies.
The variable portions shown below were paid in addition to the fixed gross salary.

• Pierre Gadonneix:
Gross salary for 2007: €725,000
Variable portion: €325,000
Benefits in kind and other: €5,731

None

• Daniel Camus:
Gross salary paid in 2007: €584,350
Variable portion: €445,167
(including a three-year bonus of €180,000 paid in 2007, pursuant to his contract)
Daniel Camus's contract also provides for a contractual severance indemnity equivalent to 24 months' pay after a six-month notice period.

• Yann Laroche:
Gross salary paid in 2007: €428,431
Variable portion: €188,477
Benefits in kind and other statutory bonuses: €45,975

• Jean-Louis Mathias :
Gross salary paid in 2007: €508,431
Variable portion: €202,526
Benefits in kind and other statutory bonuses: €44,760

The fixed salaries of the Chief Officers were raised to the following levels with retroactive effect to January 1, 2007 by a decision made in June 2007 following the opinion of the Appointment and Remuneration Committee:

Yann Laroche: €400,000
Jean-Louis Mathias: €450,000
Daniel Camus: €559,000

Other than the above, Pierre Gadonneix, Jean-Louis Mathias, Daniel Camus and Yann Laroche benefit from no special pension scheme, have received no starting bonus and will receive no termination benefit.

Directors' fees were paid as follows during 2007:

• Frank E. Dangeard: €30,250
• Daniel Foundoulis: €23,500
• Claude Moreau: €23,500
• Henri Proglio: €28,000
• Louis Schweitzer: €20,000

Under Law 83-675 of July 26, 1983 on the democratization of the public sector, directors representing the government and employee representative directors receive no directors' fees.

Stock options

1.20.7.3 EDF share ownership by directors and chief officers

The following table shows the number of EDF shares held by directors and senior executives at January 31, 2008.

	Number of shares
GADONNEIX Pierre (shares held directly)	1,277
CAMUS Daniel (140 shares held directly and 786 shares held through an employee investment fund (FCPE))	926
DAGUERRE Marie-Catherine (shares held through an employee investment fund (FCPE))	247
DANGEARD Frank E (shares held directly)	50
FOUNDOULIS Daniel (shares held directly)	250
GRILLAT Alexandre (shares held through an employee investment fund (FCPE))	564
LAROCHE Yann (shares held through an employee investment fund (FCPE))	1,785
MATHIAS Jean-Louis (shares held through an employee investment fund (FCPE); Jean-Louis Mathias' wife also holds 628 shares through an employee investment fund)	847
MOREAU Claude (shares held directly)	200
PESTEIL Philippe (shares held through an employee investment fund (FCPE))	233
PROGLIO Henri (shares held directly)	51
SCHWEITZER Louis (shares held directly)	100

Under the ACT 2007 plan (see section 1.2.2.9), the members of the TOP4 were attributed 50 free shares each, which will vest on August 31, 2009 subject to the beneficiary staying with the company for the entire vesting period, and achievement of a collective performance condition.

1.20.7.4 General Management

Management of the parent company is the responsibility of the Chairman of the Board of Directors, whose full title is Chairman and Chief Executive Officer. Upon the proposal of the Board of Directors, Pierre Gadonneix was appointed Chairman of EDF's Board of Directors by the decree of November 24, 2004. He was reappointed to this function following the shareholders' meeting of February 14, 2006.

Since April 1, 2006, the decision-making body for the Head of the Group is the TOP4, i.e. the Chairman and CEO and the three Chief Officers.

The Executive Committee is a body for strategic exchange and concertation on all cross-functional subjects concerning the Group. Its members are the TOP4, the Operational and Functional Senior Executive Vice-Presidents and the Chairmen of the principal subsidiaries, i.e. EDF Energy, EnBW and Edison.

The Executive Committee thus has three Chief Officers in addition to Pierre Gadonneix:

- Daniel Camus, Chief Financial Officer;
- Yann Laroche, Chief Human Resources and Communications Officer;

• Jean-Louis Mathias, Chief Operating Officer, Integration and Deregulated Operations in France;

six Senior Executive Vice-Presidents and the CEOs of European subsidiaries:

•Jean-Pierre Benqué, Senior Executive Vice-President Customers;
•Bernard Dupraz, Senior Executive Vice-President Generation;
•Dominique Lagarde, Senior Executive Vice-President Strategy and Coordination;
•Bruno Lescoeur, Senior Executive Vice-President International Businesses;
•Marianne Laigneau, General Secretary and Head of the Legal Affairs department, member of the COMEX since June 2007;
•Gérard Wolf, Senior Executive Vice-President Subsidiaries and International Development;
•Hans Peter Villis, Chairman of the Executive Board of EnBW since October 2007;
•Umberto Quadrino, CEO of Edison
•Vincent de Rivaz, Chief Executive Officer of EDF Energy.

1.20.7.5 Rules applicable to changes of bylaws

Under the French commercial code and article 20-4 of the bylaws, only an extraordinary general shareholders' meeting has the power to change the bylaws.
However, it is not entitled to increase shareholder commitments, except for operations resulting from reverse share splits carried out under the proper procedures.
Subject to the laws applicable to capital increases by capitalization of reserves, profits or issue premiums, the meeting can only validly take decisions if the shareholders present, represented or voting by correspondence own at least one quarter on the first call, and at least one fifth on the second call, of shares with voting rights. If this quorum is not met, the second meeting may be postponed to a date no later than two months after the date the meeting was called for.
Subject to the same requirement, decisions at the extraordinary meeting require a two thirds majority of shareholders present, represented or voting by correspondence.

Internal control

The Chairman's 2007 report on internal control, and the Statutory Auditors' report, are attached to the management report.

1.20.8 EDF SA's summary corporate financial statements[45] at December 31, 2007

In millions of euros	2007	2006
Sales excluding taxes	33,638	32,891
Operating profit	4,451	4,465
Profit before exceptional items and tax	4,694	4,986
Net exceptional profit (loss)	1,075	2,246
Net income	4,934	6,055

In application of the French Law of December 7, 2006, EDF proceeded to the legal separation of its Distribution activity covering mainland France. To this end, it signed a partial business transfer agreement on June 25, 2007 with C6, now renamed Electricité Réseau Distribution France (ERDF). The transfer took place on December 31, 2007, with retroactive effect to January 1, 2007 for accounting purposes.

This operation led to a decrease in income and expenses related to the distribution activity:
- delivery and connection fees invoiced by the distribution activity,
- energy purchases,
- transmission network access fees,
- personnel expenses, following the decrease in workforce numbers,
- operating provisions following the transfer of assets owned by EDF and operated under concessions, and an increase in EDF's sales and purchases:
- sales of services, related to invoicing by EDF of various services to the distribution activities,
- and purchases of services, corresponding to the distribution network access fees, now invoiced by ERDF to EDF.

Changes in the operating profit mainly result from the following:
- Sales (€33,638 million) progressed by 3.8% from 2006 after adjustment for transfer of business to the new subsidiary (€32,407 million). This includes the increase in

[45] *Reported under French GAAP, excluding the distribution activity transferred to a subsidiary*

regulated electricity sales tariffs in France on August 16, 2007.

- The subsidy received by EDF in respect of the Contribution to the Public Electricity Service (CSPE), resulting in recognition of income of €1,993 million in 2007, compared to €1,457 million in 2006.
- In 2007, the €1,023 million increase in energy purchases mainly concerns electricity purchases from EDF Trading, gas purchases and purchase obligations.

The net exceptional profit declined by €1,171 million in 2007 compared to 2006.

In 2007, after formation of the subsidiary ERDF, liabilities corresponding to the 1976 revaluation reserves, subsidies and exceptional depreciation on the assets transferred were no longer relevant and were reversed as exceptional income, totaling €699 million.

In 2006, the sale of EDF Trading to the subsidiary EDF Holding SAS (C11) generated a gain of €1,729 million, and the sale of Arcelor shares generated a gain of €231 million.

1.20.8.2 Five-year summary of EDF results

(EDF SA summary corporate financial statements)

	2007	2006	2005	2004	2003
Capital at year-end					
Capital (M€)	911	911	911	8,129	395
Capital contributions (M€)	-	-	-	-	7,734
Number of ordinary shares in existence	1,822,171,090	1,822,171,090	1,822,171,090	1,625,800,000	-
Number of priority dividend shares (with no voting rights) in existence				-	-
Maximum number of future shares to be created				-	-
By conversion of bonds				-	-
By exercise of subscription rights				-	-
Operations and results of the year (M€)					
Sales excluding taxes	33,638	32,891	30,849	30,210	29,034
Earnings before taxes, employee profit sharing, depreciation and provisions	5,838	10,269	5,160	7,397	7,086
Income taxes	835	1,176	381	706	1,394
Employee profit share for the year					
Earnings after taxes, employee profit sharing, depreciation and provisions	4,934	6,055	3,532	902	469
Earnings distributed		2,113	1,439	374	321
Interim dividend distributed	1,057				
Earnings per share (€/share)					
Earnings after taxes and employee profit sharing, but before depreciation and provisions	2.75	4.99	2.62	4.12	-
Earnings after taxes, employee profit sharing, depreciation and provisions	2.71	3.32	1.94	0.55	-
Dividend per share		1.16	0.79	0.23	-
Interim dividend per share	0.58				
Personnel					
Average number of employees over the year	58,778	96,856	98,580	106,718	107,761
Total payroll expense for the year (M€)	2,940	4,278	4,125	4,291	4,135
Amounts paid for employee benefits and similar (social security, company benefit schemes, etc) (M€)	1,737	2,420	2,827	3,342	3,224

2 Social and environmental information

2.1 Social and environmental policy

2.1.1 Framework for EDF's sustainable development policy

The EDF Group's environmental and social policy draws on the principles stated in its "Agenda 21" and the United Nations Global Compact, which the Group joined in 2001.

The Group's sustainable development commitments are framed by specific commitments:

- In France, the Public Service agreement signed with the French government in 2005.
- The 3-year EDF Group Corporate Social Responsibility (CSR) agreement, signed with employee representatives worldwide on January 24, 2005 and renewed for one year at the end of 2007.
- The EDF Group Environmental Policy signed in June 2005 and the biodiversity policy signed in June 2006.
- In the field of labor relations, in June 2006 EDF's CEO signed a commitment to promote diversity and equal opportunities in the company, leading EDF to sign France's National Diversity Charter in September 2006. In October 2006, a 3-year agreement for socially responsible subcontracting was signed in connection with the CSR agreement, incorporating criteria of ethics and social responsibility into purchasing.
- The corporate social policy defined in November 2007.

2.1.2 Implementation of social and environmental commitments

The Group has a Sustainable Development Department whose task is to stimulate, coordinate and support action by the operational divisions for sustainable development commitments and to report on such matters. A Sustainable Development Agency, chaired by the Group's Head of Sustainable Development , meets monthly to share best practices, undertake analyses and exchange information.

The arrangements for implementation and monitoring of the CSR agreement mainly include an annual review and a Group-level Dialogue Committee.

Before being examined by the Commitments and Projects committee, major Group projects are reviewed to assess their exposure to the risk that sustainable development commitments may not be honored. It is planned to move this appraisal system upstream of the project development process in the operational divisions.
The Group uses various methods to foster exchange and genuine dialogue with all stakeholders in its business. This is reflected in the concertation bodies established in the industrial entities through Liaison and Information committees, and in partnerships with non-governmental organizations.

At central level, the Group has a panel of experts made up of independent advisors with relevant experience, the Sustainable Development Panel. This panel is chaired by a non-Group member. It plays a consultative role for the Group's orientations, providing critical appraisal of the implementation of its sustainable development commitments.

The Group is also making a transparency commitment to stakeholders. The most prominent example of this commitment is the presentation of the annual report and sustainable development report to the Board of Directors. The indicators used are based on the criteria defined in the Global Reporting Initiative[46].

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[46] *An association for the development of reporting standards*

2.2 Environmental information

2.2.1 Changes in regulations

One of the main events of 2007 was the adoption of the French national allocation plan for greenhouse gas emission quotas for the second phase of trading (2008-2012), PNAQ II. After the European Commission had issued its opinion on the draft allocation plan in a decision of March 26, 2007, the plan was approved by decree of May 15, 2007. It sets the total quantities of CO_2 emission quotas for the period, allocating an annual quota of 16.58 $MtCO_2$ to EDF, significantly lower than the previous period: EDF will have to make more use of emission credits and other existing mechanisms to cover its CO_2 emissions.

Regarding future EU regulations, the European Commission presented its Energy and Climate Change Package on January 10, 2007. This contains all strategic orientations concerning the energy sector proposed to the European Council and European Parliament, with a view to establishing the foundations for a truly European energy policy to combat climate change and reinforce energy safety and competitiveness in the European Union.

Following conclusions presented in January 10, 2007 by the European Commission, the College of Commissioners adopted a third set of legislative proposals on September 19, 2007 intended to improve operation of the electricity and gas market.

On January 23, 2008, in what is generally known as the “Climate Package”, the European Commission presented proposals for laws to combat climate change.

2.2.2 Environmental management system

The EDF Group’s ISO 14001 certification was initially awarded in 2002 and renewed for a three-year period in 2005. It is one of the largest-scale ISO 14001 certifications held by an international industrial group.
In 2006, after a three-year cycle of operation, the environmental management system’s structure and documentation were simplified. The Environmental Management Program was thoroughly redesigned, organizing the initiatives, their objectives and the corresponding indicators according to the commitments in the Group’s environmental policy. Half of the Group’s contribution to profit sharing granted to EDF employees depends on reaching Environmental Management System targets.

2.2.3 Partnerships

The Group’s main partnerships relating to the environment and solidarity include:
- **Partnerships with associations:** work with the Fondation Nicolas Hulot, the convention with France’s Nature Reserves, work within the WBCSD[47] as a member of a working party on electricity (“powering a sustainable future”), and continuing links with the NGO CARE, principally in Africa.
- **Sponsorship:** participation in France’s Telethon with a €900,000 donation in 2007, and support for French water sports champions in the Paralympic Games.

EDF has also been party since 2004 to a three-year cooperation agreement with the environment and energy management agency ADEME, involving a commitment to joint financing of €72 million over 3 years, shared equally. The main areas covered by this agreement are promotion of energy savings, development of new renewable energies, and improving energy efficiency for residential customers.

2.2.4 Environmental research

To help develop a better response to the major worldwide energy problems posed by the finite nature of fossil resources, the anticipated growth in demand for energy worldwide, and greenhouse gas emissions and their effect on climate, EDF’s Research and Development was restructured in 2006 into “twelve challenges” for the period 2007-2009. These

[47] *World Business Council for Sustainable Development*

challenges, six of which have a direct link with environmental protection, focus on five themes: our planet, our optimization, customers, production, networks and digital simulations.
For example, a research program has been set up for renewable energies, with the aim of identifying technological breakthroughs that could alter the balance of competition between energies, and to help bring the most promising technologies into industrial existence to benefit the Group.

2.2.5 Managing impact on the environment

2.2.5.1 Controlling impacts on air and water quality

More than 95% of EDF's electricity generation in France produces no CO_2 emissions, keeping the specific emission rate to less than 50g CO_2/kWh compared to the average of around 400g CO_2/kWh for neighboring European countries. However, EDF is the second largest French industrial emission producer, with an annual average of 23 Mt.

Controlling impacts of fossil-fired generation

An independent body certifies the quantity of CO_2 emissions by fossil-fired plants each year.

To reduce atmospheric emissions from the fossil-fired plants, EDF uses three methods in its facilities, depending on the type of emission concerned:

- **denitrification** reduces nitrogen oxide (NOx) levels in flue gases before they are discharged from the chimney.
- **desulfurization** in recently built high-power plants is carried out by cleaning flue gases with limestone slurry before they reach the chimney. This process produces gypsum which is reused in plaster manufacturing, and as an additive in concrete and road surface products. EDF has thus reduced sulfur emission by over 90% for plants equipped with the DeSOX process.
- **dust capture** processes are also undergoing constant improvement.

EDF continued the renovation and consolidation of its fossil-fired plants in 2007 under this approach.

In 2003, EDF had decided to progressively shut down its 250 MW oil and coal-fired units, which had become obsolete due to environmental constraints and the development of the electricity market. The relevant installed power concerned amounted to over 1,700 MW, and the process ended in 2006 with the shutdown of the Albi power plant.
Meanwhile, the most recent coal-fired generation facilities were under renovation to meet semi-baseload requirements, and the existing fleet of plants was being consolidated. EDF thus began a renovation and reliability-enhancement program in recent years for the most recent 250 MW and 600 MW coal-fired plants, scheduled to run until 2009.
The most recent 600 MW coal-fired units are already equipped with a gas flow desulfurization system (90% reduction in sulfur dioxide emissions) and are currently adding an advanced denitritifcation facility, which will bring them into compliance in 2008, almost ten years in advance, with environmental constraints expected to apply after 2015.
Finally, in order to meet peakload requirements for the coming years, EDF decided in 2005 to reactivate four 600-700 MW oil-fired units that were on standby (Porcheville 1-2 for the winters of 2006-2007 and 2008-2009, Cordemais 3 for the winter of 2007-2008, and Aramon 1 for the winter of 2008-2009), representing a capacity of nearly 2,600 MW. Unit 2 at Porcheville and unit 3 at Cordemais have been back in operation since December 2006 and October 2007 respectively, following 18 months of extensive modernization work. They now use oil with a very low sulfur content ("TTBTS" oil containing 0.55% of sulfur), which strengthens their environmental performances.

Controlling impacts of nuclear generation

Management of gas and liquid radioactive discharges is governed by strict regulations and the Company's ambition to limit the environmental and health impacts of its installations, reaffirmed in the Group's environmental policy. In terms of emissions, performance depends not only on the efficiency of systems for processing effluents, but also on operating practices.

From 1990 to 2002, while already well below the regulatory limits, EDF reduced its liquid emissions (excluding tritium and carbon-14) by a factor of 30. Reduction of liquid emissions has since continued, achieving a cut of more than 50% between 2002 and 2007. Thanks to action taken in design and operation, radioactive emissions have now reached a very low limit.

Chemical waste campaigns are designed to improve control of effluents, similar to the efforts deployed for radioactive effluents. Special attention is paid to water cooling circuits due to the volumes of discharge involved. Biocides are used to control the spread of micro-organisms in the water contained in these circuits.

The Group is working with independent laboratories to ensure that the operation of its plants in these periods of extreme temperatures has no measurable or long-term impact on river biodiversity.

These controls are supplemented by environmental surveillance measures designed to assess the impact of the installations' operation, through radioecological and hydrobiological campaigns carried out by external laboratories and universities.

2.2.5.2 Nuclear waste

In France, radioactive waste is managed by the French national agency ANDRA *(Agence Nationale pour la Gestion des Déchets Radioactifs)*. The storage method for radioactive waste in France depends on the level of radioactivity and the duration of nuclear activity.

In addition to research into the three focus areas (separation and transmutation of long-life radioactive matter, reversible deep-level geological storage, intermediate storage) the Law of June 28, 2006 requires establishment of a national plan for management of radioactive materials and waste, to be updated every three years. This plan will review existing management methods and identify forecast requirements for long-term and intermediate storage.

The law also increases economic support for regions suitable for waste storage facilities, confirming the approach taken at the Bure laboratory by the development program for the Haute-Marne and Meuse area of France.

2.2.5.3 Non-nuclear waste

EDF prepares an annual review of management of its non-nuclear waste, currently covering only the generation activities and the research and development centers, published one year in arrears. The new computerized management and reporting system OGIDE, which is currently being rolled out, will establish a full review for all of EDF and meet the requirements of the new regulations in a straightforward manner.

EDF's generation and research activities generated 99,002 tonnes of non-nuclear waste in 2006, 14% more than in 2005. This rise is explained by the occasional removals of very large quantities of waste at some sites, confirming the sensitivity of the overall review to the existence of decommissioning/renovation or maintenance work (dredging, cleaning of air coolers).

The recycling rate for all types of waste increased by 8% between 2005 and 2006, with lower volumes taken to disposal centers. Recycling concerns 64.5% of waste removed.

The national waste recycling indicator (used internally by the Generation and Engineering Division and R&D), which is based on 45 types of recyclable waste, rose again in 2007 by 0.5 point to 84.3% (remaining above the 80% target set in 2006 as part of the ISO 14001 certification process).

2.2.5.4 Ground contamination

Since 2006, this issue has been managed by a single entity in the Group, the Real Estate Division. The Division coordinates action plans for nuclear sites, fossil-fired plant sites and tertiary sites including former gasworks. A census is currently being taken to identify and categorize all real estate property belonging to EDF. Of the 1,620 sites analyzed in 2007, 72 are contaminated (to varying degrees) and 375 are potentially contaminated (the results of further investigations are not yet available). The full inventory should be completed in 2008.

However, all sites that are home to industrial activities involving a risk of ground contamination have an ISO 14001 certified environmental management system to both prevent and respond to any accidents and emergencies.

2.2.5.5 Visual and noise pollution

Noise evaluations were carried out at all nuclear plants currently in operation, involving compliance assessment and progressive modeling to identify the most sensitive sites. By the end of 2007, all nuclear electricity generation centers[48] had been modeled. Soundproofing work is to take place on certain noise sources at the Civaux, Chinon, Bugey and Penly sites (until 2015). The estimated cost is between €10 million and €15 million.
An acoustic review was carried out in 2005 for all fossil-fired plants in mainland France, leading to an action plan that was implemented in 2006, and continued in 2007.
Over the last ten years, EDF has conducted a proactive policy to integrate new power lines into the environment. In 2007, 94% of high-voltage lines[49] that came into operation under EDF were underground. This line burial rate is higher than the 90% objective set in the Public Service Contract.

2.2.5.6 Industrial security and safety

Security and nuclear safety

Mobilization of the whole Nuclear Generation Division continued in 2007 for the STEP 2010 project designed to consolidate progress achieved and bring about further performance improvement. The first of the project's 6 priority strategies concerns nuclear safety. In addition to human performance driven improvements, an extensive "good housekeeping" program was begun in late 2006, to bring facility management at all nuclear electricity generation centers up to the best international standards, and maintain them at that level in future (involving paintwork, lighting, signage, roof reinforcements, and anti-corrosion measures, particularly at coastal plants). This investment and maintenance program requires investments of some €600 million over 5 years.

For the Flamanville 3 EPR project, which has now begun its construction phase, following closure of the public debate in February 2006 an agreement to facilitate public access to information was signed in November 2006 between CLI-Flamanville and ANCLI-EDF.

Hydropower safety

Hydropower safety includes all the measures taken at the time of the design and management of hydroelectric facilities, and its purpose is to control risks that the presence or operation of hydropower facilities may create for people, property and the environment. It involves three main activities:

- control of variations in levels or flows downstream of sites,

- management of equipment during high-water periods, in order to ensure safety of both facilities and inhabitants,

- prevention of the major risk of a dam bursting, by monitoring and maintaining existing structures under the control of the public authorities, principally the Regional Divisions for Industry, Research and the Environment (*Directions Régionales de l'Industrie, de la Recherche et de l'Environnement* or DRIRE). EDF carries out regular surveillance and maintenance of its dams, mainly by constant monitoring. Using real-time analysis and multi-indicator reports for each site, EDF has a permanent diagnosis of the condition of its dams.

Finally, a full check-up of each of the 150 large dams is carried out every ten years, together with a drain-down or a structural inspection using underwater equipment. These operations are carried out under strict control by State departments. In 2007, EDF carried out 11 of these ten-year dam inspections.

Continuing the approach initiated in 2005 to identify risks for each family of facilities, given the instances of damage leading to medium-term unavailability of installations, in 2006 EDF set up a technical intensive renovation and maintenance project for hydropower equipment, with a budget of some €500 million for the period 2007-2011. The objective is to renovate certain plants, maintain high long-term hydropower safety levels and

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[48] *CNPE : Centre nucléaire de production électrique*
[49] *HTA: Distribution activity*

preserve technical performance levels for the future. This project's name is SuPerHydro (from *SUreté et PERformance de l'HYDRaulique* – Hydropower Safety and Performance). Launched in 2007 for a 5-year period, it is progressing on schedule. The priority is to enable currently inactive plants (Tuilières and Pragnères) to restart operation, and consolidate technical performances.

2.2.5.7 Health and the environment

The Group's Environment Policy includes a commitment to limit the environmental and health impacts of EDF's businesses and facilities. EDF has made the following commitments:
- to develop knowledge of the risks of exposure and the health impact of its businesses and facilities (exposure to chemical pollutants, biological agents, magnetic fields, ionizing rays, noise, etc);
- to integrate health concerns into investment choices and the related technical specifications;
- to contribute to disclosure of information to the public and health professionals regarding the impact and risks of its facilities (e.g. risks of electrocution, drowning, or other), its businesses and electricity usage (safety in the home, use of energy systems).

Askarel transformers

ERDF manages a large fleet of high and low-voltage "closed oil" transformers, some of which are askarel transformers dating from before 1987. Based on the inventory of 2005, transformers located in sensitive areas were given priority treatment in 2006 and 2007. Meanwhile, thanks to the various measures initiated in 2005 (testing of removal methods while maintaining electricity flow, ongoing statistical analysis of the types of transformers used, decontamination action for priority transformers), a plan for complete elimination of askarel transformers by 2010 as required by law was remitted to the French Ministry for Ecology and Sustainable Development in 2006.

Legionella

EDF operates air cooling towers, particularly for the requirements of its electricity generation business, which are now subject to regulations applicable to facilities listed for the protection of the environment (*Installations Classées pour la Protection de l'Environnement,* or ICPE). Among other obligations, EDF must carry out a methodical analysis of the risks of proliferation of legionella in its air cooling towers, and implement a preventive maintenance plan for cleaning and disinfection. EDF is also obliged to carry out monthly or bimonthly analyses, depending on the type of facility involved.

Electromagnetic fields

Questions over the human health risks of exposure to electromagnetic fields (EMF), particularly from power lines operated by the Group, are being raised both in and outside France. Based on a large number of studies completed over the past 20 years, many international health organizations (the World Health Organization, including its International Agency for Research on Cancer, the American Academy of Sciences, the US National Institute of Environmental Health Sciences, the British National Radiation Protection Board) consider that in the light of current scientific knowledge, the existence of health risks as a result of exposure to EMF is unproven. As a precautionary measure, the European Commission has established guidelines relating to exposure of the general public and workers to EMF, and the Group complies with these recommendations. In a report published in June 2007, the WHO considered that such health risks, if they exist, are low, and recommended that the EU guidelines should be followed.

2.2.5.8 Protecting biodiversity

Under a specific biodiversity policy signed in May 2006 and implemented through the environmental management system, the Group focuses its action on three areas:
- advancing knowledge of environments in evaluating impacts and reporting,
- preserving, protecting and restoring the environments the Group interacts with,
- informing, training and raising awareness.

One particularly important site in this respect is the Nam Theun dam in Laos, where EDF runs a major biodiversity protection program with in-depth analysis of impacts, reduction measures and exemplary compensation payments.

- Rehabilitation of the Etang de Berre
In an effort to establish a satisfactory balance for the ecosystem of the Etang de Berre, since 1994 EDF has been reducing freshwater runoff channeled from the river Durance where the Salon and Saint-Chamas hydro facilities operate. Under a decree published in December 2006, EDF will have to limit emissions by the Saint Chamas plant to 1.2 billion m^3 a year, compared to the 2.1 billion m^3 issued to date. This new protocol will be reviewed by a panel of experts at August 31, 2009, after an interim report to be issued in spring 2008. The hydropower facilities on the Durance (2,000 MW) produce two thirds of the electricity generated in the Provence-Alpes-Côte d'Azur region of France, and play a key role in security of supply.

2.2.6 Contributing to combating greenhouse gases

2.2.6.1 Nuclear and hydropower generation

The EDF Group's generation fleet is the largest in Europe. It also has one of the best records in terms of CO_2 emissions, due to the large proportion of nuclear and hydro generation plants (more than 70% at Group level and over 95% for EDF). To continue on this path in the medium term will mean adding to the fleet, then replacing plants at the end of their lifespan with "carbon-free" systems delivering at least equivalent performance. Longer term, it will involve targets for reducing greenhouse gas emissions, while contributing to the emergence of clean technologies using lower quantities of natural resources.
Construction of the new EPR, which began in 2006, illustrates EDF's proactive approach to environmental protection. With its concern for ongoing progress benefiting from past experience, EDF is considerably improving performance compared to existing plants.

Outside Europe, the Group intends to enhance its engineering skills by participating internationally in new nuclear generation projects.

Four priority countries have so far been identified:

- United Kingdom: as part of the current nuclear revival, the Group's ambition is to develop up to 4 EPRs identical in type to Flamanville 3;

- United States: EDF and Constellation Energy signed a strategic partnership agreement in July 2007 for the joint development, construction, ownership and operation of at least 4 EPR-type nuclear power plants in the United States;

- China: EDF and China Guangdong Nuclear Power Corp. (CGNPC) signed an agreement in November 2007 enabling EDF to become an investor and operator in China;

- South African Republic, if the EPR model is chosen there.

In 2007, with 40.7 TWh in mainland France, hydropower was EDF's foremost renewable energy source. In addition to the launch of the Nam Theun dam (1,070 MW) in Laos scheduled for 2009, development of EDF's hydropower activities is supported by the following projects: replacement of the six hydropower plants reaching the end of their lifespan on the river Romanche by the Gavet facility (power of approximately 90 MW to generate approximately 540 GWh), and development of small-scale hydropower facilities (a dozen projects below 12 MW).
In Germany, EnBW is increasing the portion of run-of-river hydropower generation: the Rheinfelden facility increased output from 26 MW to 100 MW, and will generate 600 GWh a year from 2011.

2.2.6.2 New renewable energies

For the EDF Group, renewable energies in general are a major line for development. These energies contribute to a low-emission energy mix that is complementary to nuclear power. The Group intends to pursue its hydropower development, and expand into solar and wind energy through its subsidiary EDF Energies Nouvelles. Therefore, EDF Group is planning to triple its installed capacities in renewable energies (not included hydropower), independently or with partners, by 2012.

More specifically, development of renewable energies concerns generation facilities that are centralized (such as construction of a 1,070 MW hydroelectric plant at Nam Theun 2 in Laos), semi-centralized (wind power program), or decentralized by combining energy-saving initiatives (involving solar power or photovoltaic power, heat pumps, and wood heating). In particular, the EDF Group is developing its positions in photovoltaic energy all along the value chain: investments in silicon technology, manufacturing panels with the subsidiary Tenesol, development of ground-mounted solar power plants, launching photovoltaic offers, etc.

International investments in renewable energies:

EDF Energy is planning to increase its investments in renewable generation plants to 1,000 MW (onshore wind equivalent) in the coming decade.

To achieve these objectives, EDF Energies Nouvelles and EDF Energy formed the jointly-controlled company EDF Energy Renewables Ltd in 2007. This joint venture will be operational from January 1, 2008. EDF Energies Nouvelles contributes its capacity to purchase turbines under the terms of its framework agreements for turbine procurement, its development capacities and its current projects in the United Kingdom. EDF Energy will contribute its capacities in developing PPAs (Power Purchase Agreements) in the United Kingdom, its knowledge of the British market, its development capacities and its current projects in the United Kingdom.
EDF Energy Renewables will own, develop, purchase, construct and run the renewable energy generation assets in the United Kingdom. The technologies available are onshore and offshore windpower, solar power, biomass, micro hydropower and wave power.
Wind farm development projects for approximate capacity of 30 MW are currently in process. In 2007, authorization was granted to build an offshore wind farm off the coast of Teesside in North-east England, with generation capacity of 108 MW.

Edison also intends to expand its generation fleet by 2014, through development of some 350 MW in wind farm projects and 175 MW in hydropower, which will also earn the company the corresponding green certificates. Edison plans to invest close to €1 billion in renewable energies in Italy and internationally by 2014.

2.2.6.3 Electric transport

EDF was the first electricity operator to sign the Sustainable Development Charter drawn up by the International Union of Public Transport. Together with its institutional and industrial partners, EDF takes part in development of individual and collective electric transport. More than 75 electric buses are now on the road in France, and EDF is also continuing active promotion of trolleybuses, which are often highly suitable for high-debit urban transport with high service quality.
The 1,500 electric vehicles used by EDF form the world's largest electric fleet, and EDF is determined to play an important role in development of the new generation of vehicles.

In 2002, EDF entered into a partnership with ICADE to promote clean transport, and in 2007 it helped finance electric river buses in Paris. EDF and its subsidiary Sodeterel also provided technical support in the definition of the drivetrain and the choice of batteries for these river buses, which can run autonomously for up to 4 hours at 12km/h.

2.2.6.4 Energy savings

EDF is strongly committed to encouraging energy-saving by its various customer categories, by making appropriate commercial offers. It intends to intensify this action by incorporating a component dedicated to reduction of CO_2 emissions, thus enabling its customers to take part in the fight against climate change.

The Group's commercial offers are clearly oriented towards energy saving and energy efficiency. The range is increasingly incorporating energy ecoefficiency and reduction of CO_2 emissions. For example, in the construction industry, EDF sells energy-saving services (insulation and renovation) and renewable energies are integrated into buildings (geothermal energy through heat pumps, photovoltaic energy, solar thermal energy, and biomass). EDF also gives customers the choice of a low-emission energy through its offerings:

- basic electricity offer (low CO_2 content),
- the "green" offer based on renewable energies (Equilibre and Equilibre +),
- the Optimia Carbone offer (for large industrial companies).

For residential customers, this shift in focus from energy efficiency to carbon efficiency is reflected in a new range of services marketed under the name Bleu Ciel.

EDF also applies this approach internally, working to reduce its own emissions in office buildings, company vehicles, and energy-reduction campaigns for EDF employees.

2.3 Corporate social responsibilty information

2.3.1 Policy of social responsibility towards employees

2.3.1.1 Objectives

The Group's human resources policy has three main objectives:
- constant adaptation of the jobs and required skills for the success of the Group's Industrial Plan and changes in the activities, while continuing an active resource optimization policy;
- motivation of employees across the Group, primarily by offering attractive working conditions and career development prospects;
- promoting social dialogue throughout the Group.

2.3.1.2 Implementation of the Corporate Social Responsibility Agreement

The rollout of the EDF Group's Corporate Social Responsibility Agreement signed in January 2005 continued in 2007.
In application of this agreement, an annual review is carried out and the results reported to a specially-created body, the Committee for Dialogue on Corporate Social Responsibility. The review of the first two years of the Agreement's implementation show that despite widely differing economic, social and cultural contexts, Group companies have already reached a good level of achievement of commitments. In April 2007, the signatories marked the progress made under the agreement by concluding an amendment for one year's extension. Social dialogue has also been engaged in all companies, for concerted identification of local application methods and priority initiatives. The Committee worked with management during the year on further development of seven cross-functional themes: social protection, anti-discrimination, employee profit sharing, action for low-income customers, subcontractor relations, inclusive action for the disabled, and environmental leadership by the Group. Further action was taken in 2007 to raise employee awareness and interest in feedback on Group entities' CSR-related practices, particularly via the intranet and through sustainable development awards.

2.3.1.3 Social dialogue

Social affairs were defined as a priority in 2006, and EDF's ambitions were formally defined in the social policy agenda for 2006-2008 signed by the Company's CEO and three unions. This agenda aims to develop collective negotiations, and in practice forms the basis for some fifteen negotiations over the two years. It focuses particularly on employees' situations with regard to career paths, salaries, health and safety in the workplace, working hours and diversity within the company. Most of the negotiations under the social policy agenda were undertaken in the company, and an agreement on individual support measures in the event of reorganization was signed on February 13, 2007.

In late 2001, the Group introduced a European Works Council which is consulted on all major Group policies. The European Works Council currently has 33 members and one German observer, and has access to information on the Group's economic, financial and social strategy.
Through its subcommittees, the European Works Council has initiated a number of strategic reflection programs to develop human resources policies at international level. Notable examples are the consideration of the health and safety issue in the Group's various European entities, and the preparatory work prior to the start of negotiation of the EDF Group's social responsibility agreement.

The COMEX endorsed the principle of creating a Group Committee for France. Negotiations on this point will take place in February 2008 after the new employee representative bodies have been formed.

2.3.1.4 Social dialogue on the special pension system

The pension system for the electricity and gas industries (*industries électriques et gazières* – IEG) is a special social security system. Defined in the IEG personnel statutes, this special system applies to all employees in the professional branch of the IEG. The Law of August 9, 2004 brought in a reform of the system affecting both its management and its financing. Following this reform, the special pension system has been managed by the *Caisse Nationale des IEG* (CNIEG) since January 1, 2005. In addition to old age pensions, this pension and benefit management body now manages the risks of industrial accidents, work-related illness, invalidity and death as well as the family benefit paid to for inactive employees.

On September 18, 2007, a reform was issued concerning pension entitlements in the principal special pension systems, including the IEG system. This reform will entail prolongation of the employee contribution period to qualify for a full-rate pension, an adjustment system for reductions and increases in pension rates, and revaluation of pensions in line with inflation. Several regulations will be issued by the lawmakers for this reform, and the first was published on January 23, 2008.
The reform takes effect on July 1, 2008. Negotiations over its practical application and the support measures began in the professional branch of the IEG in November 2007, and are expected to reach completion in February 2008 as far as the regulatory aspects are concerned. Collective bargaining will concern various themes during 2008 (social protection, complementary pension, consideration of business specificities, etc). An initial employee agreement was signed in connection with this reform on January 29, 2008.

2.3.1.5 Equal opportunities

Diversity

On June 1, 2006, EDF's CEO signed a commitment to promote diversity and equal opportunities and prevent discrimination. This commitment is put into action and monitored in EDF's operational divisions. Under EDF's diversity policy, programs were devised to raise employee awareness of representations and stereotypes associated with diversity.

EDF has also responded positively to government initiatives to remove age and nationality-based restrictions in hiring policies which were set forth in the company's statutes. Amendment of the regulatory laws is currently under examination, in liaison with the public authorities.

Under the three-year agreement renewed for the period 2006-2008 for inclusion of disabled employees, 52 employees have been hired, with particular emphasis on disabled people entering apprenticeships (35 apprentices were recruited in 2007).

Solidarity with Seniors

The EDF Group takes an innovative approach to recruitment of seniors, applying a special program offering assisted contracts to candidates aged 50 or over, with priority for the long-term unemployed. In 2007, 119 such contracts were signed.

2.3.1.6 Social support for industrial change

Under EDF's industrial plan, skills renewal will be accompanied by a decrease in employee numbers. In keeping with the announced objectives, the replacement rate (recruitments/retirements) was below one in three during 2007. For the period 2008-2010 which for demographic reasons will see large increases in retirements, the Group will have to reconcile control of payroll costs with skills renewal and the Group's development projects. Since recruitments will only partly cover skills renewal in the core activities, EDF has introduced a redeployment program from degrowth activities (the central departments and tertiary services) to the core activities, backed up by a large-scale retraining program. For the rare cases when this approach is considered too complex or costly, EDF has a career-end leave system set up in 2006, which it decided to renew for 2007 in January.

2.3.1.7 Training

As in 2006, the investment in training in 2007 focused on three major objectives:
- organizing the renewal and transfer of skills between generations in anticipation of future retirements;
- adapting training schemes to make training more accessible to all employee categories, particularly women;
- developing more individually-focused career paths to foster greater adaptability to changes in the work itself and the business environment. EDF also intensified its efforts to take on more young trainees, with more than 2,600 persons hired on apprenticeship or training contracts. EDF aims to have 3,000 apprentices by the end of 2008.

2.3.1.8 Health and safety in the workplace

EDF's health and safety policy underwent its annual review by the National Committee for Orientation and Monitoring.
The action and progress plans for 2007 concerned the following themes: psycho-social risks, electric risks, height work, care and verification of working clothes, first aid and smoking.
EDF has undertaken wide-scale prevention and training efforts over the last ten years regarding industrial accidents, achieving a very significant reduction in the rate of industrial accidents causing sick leave.
EDF's 2007 rate is below 5 (3.8) for the sixth consecutive year, placing it among Europe's safest electricity operators.

Occupational dosimetry

EDF is continuing its efforts to reduce individual doses from exposure to radioactivity beyond the regulatory maximum. In 2007, the maximum number of EDF employees and external persons registering a 12-month individual annual cumulative dose of over 16 mSv (but below the legal limit of 20mSv) was 20, in January 2007, and none of those concerned registered a dose higher than 18 mSv.
Through mobilization of all actors, continuous performance improvement has been achieved in protecting personnel from the effects of ionizing radiation. The average annual collective dose of all workers, both EDF employees and outside companies working in the power plants, has been halved in less than 10 years. In 2007, the average collective dose was 0.63 man-sieverts (mSv) per reactor per year.

Asbestos

Replacement of materials containing asbestos in EDF's establishments and facilities began at the end of the 1980s, and all materials containing asbestos were treated in accordance with the applicable regulations. Also under the regulations, EDF has set up information measures and arrangements for the protection of employees and subcontractors working in the company.
On July 15, 1998, EDF signed an agreement (revised in June 2002) with all the trade union federations for the prevention of and compensation for exposure to asbestos. Following this agreement, EDF implemented an early retirement plan for workers who are recognized to be suffering from a work-related illness associated with asbestos. It established voluntary financial assistance and a pension supplement, both financed by EDF, and provided assistance to sick employees and their families in the form of information and support during the compensation process.

2.3.1.9 Environmental profit sharing

The level of the EDF employees' share of Group profit depends on two criteria: the economic performance (EBITDA/Sales), and the environmental performance. Environmental performance is calculated based on the degree of achievement of annual environmental objectives defined in the environmental management program. Since 2006, each of these criteria has carried equal weight in the profit share calculation.

2.3.2 EDF Group's social policy

In 2007, the EDF Group defined a new corporate social policy to revitalize internal bonds, optimize and strengthen bonds with vulnerable customers and create and develop bonds with all external stakeholders. This policy supplements and consolidates existing action by fostering coherence within the Group. Its principles respect the aims of the United Nations Global Compact, and have been incorporated into the CSR agreement and the Public Service contract.

The three main strategies of the EDF Group's social policy are:

- to facilitate access to essential services for vulnerable individuals,
- to forge closer links with communities by supporting local projects related to the EDF Group's business and improve quality of life,
- to contribute to educational efforts in the field of energy.

2.3.2.1 Access to essential services for vulnerable individuals

The Group's aims through its new social responsibility policy are:
- to provide simple, suitable responses to needy customers, along with advice on energy demand management ;
- to help its young employees in the transition from school to work ;
- to offer emergency assistance to individuals during technical and environmental crises.

In France, in addition to the arrangements for customers in difficulty provided for by the law (basic necessity tariff, preservation of connection, housing fund), the Group has many measures in place to further these aims. EDF has undertaken to promote mediation bodies established in local neighborhoods. They provide information and assistance for prevention and resolution of difficulties encountered by inhabitants of the area. This brings EDF closer to a section of its customer base and facilitates recovery of electricity debts. It also provides opportunities to advise customers on energy usage. At December 31, 2007, EDF was involved in more than 60 mediation points, such as multiservice information points run with Union des PIMMS, and Personal service points run with the charity Fondation Agir Contre l'Exclusion (FACE). In one multiservice information point in Lower Normandy, a social rural mediation mechanism was set up to provide vulnerable people with assistance in their own homes. A solution was found for 60% of customers contacted, and all but one of the 59 customers seen who were at risk of having their electricity cut off were able to keep their connection.

In the United Kingdom, EDF Energy has set up *Energy Assist* to provide tariff reductions for vulnerable customers, advice on saving energy, and held in identifying benefits and assistance available. The Energy Trust supports customers in difficulties with debt.

Access to energy for developing countries

Since 2001, the Group has developed an energy access program for developing countries. In rural areas that are remote from electricity networks, this program creates small energy-related service companies that cater to families and small businesses (Morocco, Mali, South Africa). Since July 2007, the initial program carried out jointly with KES in South Africa has been extended to the Eastern Cape province, serving 26,000 households (150,000 people) and 400 schools and health centers. Another project is in progress in Madagascar. The Group is also managing the Nam Theun 2 hydropower project in Laos, scheduled to come on line in December 2009.

2.3.2.2 Developing local projects

EDF's local activities to improve quality of life take the form of projects related to the living environment and helping people back to work. EDF offers:

- EDF offers an expertise in project engineering by providing advice on energy management as part of regional habitat renovation and insulation programs ("ANRU" urban regeneration areas in France; "Warm Zones" in the UK),

- to help jobseekers find local employment generated by such programs.

In France, EDF is an operational partner in many local employment support plans helping people to find and keep jobs or return to work. An agreement signed in 1994 between EDF and the union representing the 13 local employment support plans in the Provence-Alpes-Côte-d'Azur region is renewed annually. EDF is involved in four areas: selection of candidates for recruitment to its own units or by subcontractors, employee motivation through sponsorship and interview simulations, support for development of job seeking seminars, advice to beneficiaries of the support plans on reducing energy demand.

In an example of a project related to the living environment, Pantin town council, supported by EDF and the local public housing office decided to use renewable energies when a housing estate was renovated. Heat studies have demonstrated the value of broader use of renewable energy sources (geothermal energy, wood, solar energy) both for climate protection, and the quality of life of tenants. This project was the first to win the "Sustainable Development and Renewable Energies" label awarded by ANRU, the national urban renewal agency.

In the United Kingdom, EDF Energy is a partner in the "London Warm Zone" program initiated in 2001 by the nonprofit organization Warm Zones Ltd. Its aim is to reduce fuel poverty. Door-to-door visits are carried out to identify the customers with the most to gain from improving the energy efficiency of their home. The assistance provided also includes estimation of their benefit entitlements.

2.3.2.3 Contributing to educational efforts in the field of energy

The Group aims to contribute to educational efforts in the field of energy by:

- developing training (work/study programs, including apprenticeships) in its businesses and those of its partners while promoting diversity,
- contributing to energy management by educating younger generations,
- promoting the European social debate issues in the field of energy worldwide by participating in think tanks.

EDF aims to be one of the top five French companies in terms of investment in apprenticeships, and to increase numbers of apprentices to 3% of the workforce by the end of 2008. It also aims to recruit at least 10% of apprentices from difficult neighborhoods. EDF South-West's regional employment department has been to meet with young people from such areas to promote apprenticeship, and provide information and encouragement.

A scheme for apprenticeships leading to a vocational *baccalauréat* specializing in electronics and energy has been set up at the Lycée Jacques Brel, in Lormont in south-west France, sponsored by the Lycée Gustave Eiffel in Bordeaux and warmly supported by the regional education authorities and EDF. This initiative helped the Lycée Jacques Brel win the "*Lycée ambition réussite*" award for schools fostering success, in September 2007.

All over France, EDF is developing several joint projects with the national education authorities to raise awareness of energy control and sustainable development.

In Germany, EnBW is promoting apprenticeships, which now account for approximately 8% of the company's total workforce. EnBW offers all its apprentices an employment contract of at least 12 months once they are qualified.

In the field of education and energy control in Italy, Edison invests in environmental education with the Italian NGO Legambiente. The purposes of this campaign are to develop effective educational practices to limit energy consumption and greenhouses gases, and to reward establishments that develop the best practices.

An environmentally-friendly, specially-equipped bus with information on renewable energies and energy savings that can be achieved in schools has made a stop in every region of Italy.

2.3.2.4 The public service in France

Legal definition of public service in France

The fundamental principles of the public electricity service were set forth in the French law 2000-108 of February 10, 2000 on the modernization and expansion of the public electricity service, which applies to all operators.

The public service agreement

The public service agreement required by article 1 of the law of August 9, 2004 was signed on October 24, 2005. It is in three sections, for EDF SA, EDF Réseau Distribution which has now been replaced by ERDF, and RTE-EDF Transport SA. Its defines the EDF Group's commitments for the period 2005-2007, specifying the terms of financial compensation for public service missions from the legislator, and the commitments included in the agreement (integrated tariff system, CSPE (public service electricity contribution), and the TURP (tariff for the use of the public networks for the transmission and distribution of electricity)). No fixed term was set by the law, but a three-yearly report on operations is required.

Object of the public service agreement

In France, the agreement guarantees the public service in the context of the opening up of the electricity markets on which EDF is an actor.

Commitments of EDF (excluding network operators)

EDF's public service commitments relate to:
• Conditions for changes in electricity sales tariffs:

In accordance with article 1 of the law of August 9, 2004, this public service commitment concerns the multiyear evolution of electricity sales tariffs. Under article 4 of the law of February 10, 2000, sales tariffs to customers that do not exercise their right to change suppliers remain regulated. This article states that regulated tariffs must cover "all costs borne [...] by EDF and non nationalized distributors."

The French government and EDF are in agreement on the need to progressively modify the integrated sale tariffs such that the general structure of sale tariffs and the structure specific to certain tariff options reflects the structure of costs.

Regulated tariffs were raised by 1.1% on August 16, 2007, slightly below inflation (measured over 1 year from July 2006 to June 2007). The rise applies to the blue tariff and the green and yellow tariffs for residential customers, and also to businesses that have opted to remain on the regulated tariff. This rise is coherent with the public service agreement signed by EDF and the governement on October 24, 2005, which guarantees that the rise in electricity tariffs for residential customers will not be higher than inflation for the first 5 years after signature of the agreement.

• Access to the public electricity service and supply of electricity to non-eligible customers. This primarily entails an obligation to:- supply electricity to non-eligible customer and demand–side management. These duties are financed by the integrated tariff ;
- promote social and territorial cohesion. The conditions to receive compensation for costs related to this mission via the CSPE and the integrated tariff are defined in the law of February 10, 2000;
- provide access to the public service. This is covered by the integrated tariff and the TURP.

• Generation and supply, including an obligation:

- to implement an energy policy (programming investment over several years and helping reach targets; demand-side management, energy saving certificates, etc.);

- to continue generating electricity safely while protecting the environment.

EDF has provided the resources necessary for these two missions through revenues derived from the integrated tariff or electricity sales prices for electricity supplied to customers that have exercised their right to change suppliers, or on the markets.

Concerning power generation, an in-depth diagnosis of all relevant installations was carried out in 2006 to guarantee the long-term safety of hydropower and improve the performance and availability of hydropower facilities.

As a result of this diagnosis, it was decided to allocate an additional sum of €560 million over 5 years, from 2007 to 2011, for maintenance of technical installations at certain dams, such as pipes and floodgates. The financing for this program, named SuPerHydro, is covered in the multiyear budget approved by EDF's Board of Directors on December 20, 2006.

• Contribution to the security of the electricity network:

EDF has undertaken to enter into agreements with RTE-EDF Transport, primarily covering optimization of work on generation facilities and the availability of resources necessary for network balance.

Commitments of network operators (ERDF and RTE-EDF Transport)

The network operators ERDF et RTE-EDF Transport have made commitments through the public service agreement concerning management of public networks and the safety of the electricity system. These commitments are financed by the network access tariff TURP.
They mainly concern network safety, quality of supply, safety of third parties and protection of the environment: four areas where the identified expectations of customers and local authorities are particularly high.

Monitoring of the public service agreement

The public service agreement signed in 2005 between the French government and EDF is reviewed annually by the parties, and a report is submitted to Parliament every three years.
The joint review in 2005 of the commitment undertaken by EDF and the government gave rise to a presentation to the EDF group's governance bodies in autumn 2006. Results were in line with EDF's target figures and the qualitative commitments, guaranteeing the required level of public service in terms of management of the distribution and transmission networks, fostering social and national cohesion and contributing to the French national energy policy.
Several focus meetings were held in preparation for the 2006 review, which was carried out by EDF and the government in 2007.
A follow-up meeting for both parties took place in January 2008.
A three-year report including the 2007 results will be drawn up and presented to parliament.
In parallel, preparations for the next public service agreement on revised bases began in late 2007. The new agreement will be signed in 2008.

2.3.2.5 Social responsibility policy towards suppliers and subcontractors

In 2006, a charter for "Sustainable Development between EDF and suppliers" was progressively implemented, resulting in a shared commitment to comply with the United Nations Global Compact and the fundamental conventions of the International Labor Organization, identify critical points and define areas for progress. This charter is presented to all new suppliers or existing suppliers when a contract is renewed. It is available online from the website edf.com and is always attached to contracts. The purchasing strategy has evolved to give EDF's subcontractors better visibility in contracts (duration, volumes, expiry date) and supplier appraisal has been stepped up. Finally, EDF ran an information campaign for buyers and consultants, to improve knowledge and control of requirements governing services executed by foreign employees in France.

As a logical follow-up to the EDF Group's Corporate Social Responsibility Agreement, in October 2006 EDF signed an "agreement for socially responsible subcontracting within EDF" with three unions (CFDT, CFTC and CFE-CGC). This agreement highlights the desire to build long-term industrial and service partnerships, under an approach that looks beyond short-term interests. EDF's underlying aim is to allow service providers to reinforce their activities and increase their capacity for sustainable development beyond one-off or short-term contracts. In signing this agreement, EDF and its subcontractors are making a commitment to concrete, realistic action, with the aim of operating in optimum employment, qualification, working and health and safety conditions.

EDF is also continuing its policy of purchasing from the protected sector, with an annual objective of €8.5 million per year over the life of the agreement (purchases totaled €9 million in 2007). Partnerships were formed in 2007 with associations representative of the sector, for a better supply-demand interface with purchasers.

In the nuclear activities, 2007, like 2006, saw partnerships with service providers reinforced under the Charter for Progress and Sustainable Development signed in 2004.

Particular emphasis is placed on the two themes of:
- improving service providers' safety on nuclear sites,
- contributing to renewal of service providers' skills.

2.3.2.6 Methodological information on the social and environmental indicators for 2007

1. Data consolidation

- The quantitative social data in this report was collected via the EDF Group's consolidation reporting software Edifis. Environmental data was collected via the AEPR reporting software for EDF SA and via Edifis for Group subsidiaries. Both softwares are used for consolidation of Group information. A parallel consolidation was carried out in Excel to verify the coherence the environmental reporting.

- Social and environmental indicators are consolidated under the rules for accounting consolidation, and with reference to relevance criteria for human resources and environmental information.

Companies fully consolidated for accounting purposes are also fully consolidated for production of the social and environmental indicators.
Companies proportionally consolidated for accounting purposes are also proportionally consolidated for production of the social and environmental indicators.

Companies accounted for under the equity method are not included in the preparation of social and environmental indicators.

In addition to these rules, the scope of consolidation for social data only includes companies with a significant workforce (more than 50).
For environmental information, the criteria applied are based on subsidiaries' industrial activities that are significant in terms of environmental impact. Only companies that have been included in the scope of consolidation for longer than one year and were still in the scope of consolidation at December 31, 2007 were taken into account.

2. Social indicators

The social indicators are prepared for this report on the basis of a glossary of definitions issued in 2007.

EDF SA:

– 2007 indicators include the Distributor.
– The EDF SA workforce reported includes a percentage of "mixed" personnel who work for both EDF and Gaz de France.
– As in 2006, the 2007 workforce does not include company doctors, people employed under various social measures and apprentices, i.e. a total of 3,193 persons at December 31, 2007. Staff on long-term leave (> 90 days) are also excluded.
– The method for calculating the absenteeism rate has changed since 2006. The 2007 calculation only includes the following categories of absence: miscellaneous absences (unpaid absences, unexplained absences, etc), absences for sickness and accident. Absences relative to company and union activities, early retirement leave and maternal absences are not included.
– The severity rate does not incorporate days off work for 21 out of 516 accidents as the information was not available.

Group data

The male workforce is calculated as the difference between the total workforce and the female workforce.
The male executive workforce is calculated as the difference between the total executive workforce and the female executive workforce.

Current reporting practices take account of certain specificities of the Group, and this generates variances between the 2007 workforce as reported and as recalculated based on 2006 workforce and arrivals/departures: EDF SA's "mixed" workforce (the relative percentage shares for EDF/Gaz de France are not taken into account if the employee is transferred), changes in the scope of consolidation, movements internal to the Group.

For Dalkia International, the number of hours worked taken into account in calculating the frequency rate is based on the full-time workforce of Dalkia International multiplied by 1,700 hours.

3. Environmental indicators

The environmental indicators are prepared for this report on the basis of a set of descriptions and methodologies. These form the EDF standards applied in 2007.

- 2007 indicators for EDF SA include the Distributor.
- 2007 inidcators for the Group do not include Edison and Dalkia.
- The accounting data on provisions for decommissioning and last cores, and for the downstream nuclear cycle, are consolidated Group data taken from the Group's accounts.
- Spending on environmental protection corresponds to the expenses declared by the various Group entities.
- The "Low and medium level, short-life solid radioactive waste" indicator does not include waste resulting from one-off maintenance operations (vat covers, steam generators). The volume of waste calculated corresponds to the volume of waste stored at the Aube center (after compacting, incineration and fusion).

The "High and medium level, long-life solid radioactive waste" includes an uncertainty relating to the conditioning ratio (number of packages actually made after processing of one tonne of fuel), which can only be observed after the event as this ratio essentially depends on the blends used to optimize operations. The indicator is an estimate based on ongoing application of current practices for conditioning long-life waste which projects the current conditioning into the near future.

Performance indicators	Unit	2007	2006	2005	Scope		GRI ref.
					2007-2006	2005	
FINANCE							
Provisions for decommissioning and last cores	€ million	**13,654**	13,824	13,136	**2**	**2**	
Provisions for downstream nuclear cycle	€ million	**17,455**	15,381	14,752	**2**	**2**	
ENVIRONMENT							
FUELS AND RAW MATERIALS							
Total fuel consumption							
Nuclear reactor fuel	t	**1,151**	1,227	1,253	**1**	**1**	**EN 1**
Coal	t	**5,970,970**	5,179,480	6,668,008	**1**	**1**	**EN 1**
Heavy fuel oil	t	**1,457,050**	1,646,212	1,804,930	**1**	**1**	**EN 1**
Domestic fuel oil	t	**259,659**	264,173	286,073	**1**	**1**	**EN 1**
Non-industrial gas	10^3m^3	**23,718**	15,075	35,489	**1**	**1**	**EN 1**
Industrial gas	10^3m^3	**1,292,403**	1,585,350	1,565,130	**1**	**1**	**EN 1**
Total consumption of raw materials from sources outside the company							
WATER (1)							
Cooling water drawn from river	10^9m^3	**41.2**	19.5	20.6	**1**	**1**	**EN 8**
Cooling water returned to river	10^9m^3	**40.7**	19.0	20.1	**1**	**1**	**EN 8**
Cooling water evaporated	10^9m^3	**0.5**	0.5	0.5	**1**	**1**	**EN 8**
Radioactive emissions to water (2)							
Tritium	TBq/tr	**NC**	17.9	16.3	**1**	**1**	**EN 21**
Carbon 14	GBq/tr	**NC**	13.3	13.3	**1**	**1**	**EN 21**

Scope 1: EDF S.A.

Scope 2: EDF Group

(1) In 2007, indicators on cooling water include water drawn from and returned to rivers, sea and ground water. In 2006, they only included water drawn from and returned to rivers.

(2) Radioactive emissions to water and air are reported for the previous year (N-1) and therefore not communicated (NC) for 2007, but for 2006.

Performance indicators	Unit	2007	2006	2005	Scope 2007-2006	Scope 2005	GRI ref.
ENVIRONMENT [3]							
AIR					**2004-2005**		**2006**
Gas emissions							
Total CO2 emissions (including installations not subject to quotas)	(7)	**78.3**	84,330	23,711	**2**	**1**	**EN16**
SO_2 emissions	(8)	**209.7**	224,555	86,338	**2**	**1**	**EN20**
NO2 emissions	(8)	**194.5**	202,067	116,792	**2**	**1**	**EN20**
Dust	t	**5,071**	5,340	5,605	**1**	**1**	**EN20**
Methane	ktons eq. CO_2	**4.8**	4,.8	NC	**1**	**NC**	**EN16**
Radioactive emissions to air[2]							
Carbone14	TBq/tr	**NC**	0.18	0.18	**1**	**1**	**EN 20**
Tritium	TBq/tr	**NC**	0.52	0.73	**1**	**1**	**EN 20**
WASTE							
Nuclear waste							
Low and medium level short-life solid radioactive waste	m^3/TWh	**10.8**	12.8	14.0	**1**	**1**	**EN 24**
High and medium level long-life solid radioactive waste	m3/TWh	**0.88**	0.87	0.88	**1**	**1**	**EN 24**
Transported spent nuclear fuel	t	**1,202**	1,199	1,190	**1**	**1**	**EN 24**
Non-nuclear waste [4]							
Dangerous waste	t	**NC**	**23,209**	24,241	**1**	**1**	**EN 22**
Non-dangerous waste	t	**NC**	**114,497**	113,885	**1**	**1**	**EN 22**
Recycled non-nuclear industrial waste	t	**NC**	**97,243**	74,119	**1**	**1**	**EN 22**
ENERGY							
Renewable energies: quantity of electricity and heat generated using renewable energy sources (other than hydro) [5]	GWh	**4,356**	1,564	1,159	**2**	**2**	**EN 6**
Direct energy consumption by primary source							
Internal consumption, pumping electricity	TWh	**7.7**	7.5	6.6	**1**	**1**	**EN 3**
Internal consumption, electricity	TWh	**23.1**	23.4	23.5	**1**	**1**	**EN 3**
MANAGEMENT							
Spending on environmental protection [6]	€ million	**2,733**	2,951	2,256	**2**	**1**	**EN 30**
including allowances for provisions		**1,478**	1,908	1,523			
Environmental management (ISO 14001)		**Group-wide environmental management system**			**2**	**2**	

(3) Group data for 2007 do not include Edison or Dalkia.

(4) Non-nuclear waste is reported for the previous year (N-1) and therefore not communicated (NC) for 2007, but for 2006

(5) In 2007, the indicator also includes heat generated.

(6) In 2007, the scope for spending does not include Edison and Dalkia, and includes Figlec. In 2005 and 2006, the scope for spending did not include Figlec

(7) 2007 figures are in megatons ; 2005 and 2006 figures are in kilotons

(8) 2007 figures are in kilotons ; 2005 and 2006 figures are in tons

GRI: Global Reporting Initiative

GC: Global Compact

Scope 1: EDF S.A.

Scope 2: EDF Group

Group performance indicators	Unit	2007	2006	2005	Scope 2007-2006	Scope 2005	GRI REF.
SOCIAL [1]							
WORKFORCE NUMBERS AND BREAKDOWN							
EDF SA +RTE	No.	**105,322**	106,565	109,494	**1**	**1**	**LA 1**
Total EDF Group	No.	**158,640**	156,524	161,560	**2**	**2**	**LA 1**
Total executives (as defined by French regulations)	No.	**31,770**	29,096	27,220	**2**	**1**	**LA 1**
Percentage of women executives	%	**20.5%**	20.1%	19.9%	**2**	**2**	**LA 13**
Non-executives	No.	**126,870**	127,428	NC	**2**	**NC**	**LA1**
Gender equality							
- Male staff	No.	**121,730**	106,838	84,285	**2**	**1**	**LA 13**
- Female staff	No.	**36,910**	32,525	24,272	**2**	**1**	**LA 13**
- Male executives	No.	**25,254**	23,258	21,798	**2**	**1**	**LA 13**
- Female executives	No.	**6,516**	5,838	5,422	**2**	**1**	**LA 13**
HIRING/DEPARTURES							
Recruitments	No.	**11,294**	3,849	2,042	**2**	**1**	**LA 2**
Other new staff	No.	**2,682**	NC	NC	**2**	**NC**	**LA 2**
Retirements	No.	**4,320**	3,561	2,441	**2**	**1**	**LA 2**
Resignations	No.	**3,486**	1,313	121	**2**	**1**	**LA 2**
Redundancies and dismissals	No.	**1,642**	348	36	**2**	**1**	**LA 2**
Other departures [2]	No.	**4,572**	2,122	851	**2**	**1**	**LA 2**
WORKING TIME							
Part-time staff	No.	**23,964**	26,306	25,185	**2**	**1**	**LA 1**

	Unit	2007	2006	2005	Scope 2007-2006	Scope 2005	GRI REF.
HEALTH AND SAFETY							
Fatal accidents	No.	**15**	11	5	**2**	**1**	**LA 7**
Injury frequency rate [3]		**6.3**	5.1	4.7	**2**	**1**	**LA 7**
Industrial and work-home journey accidents (with or without leave)	No.	**1,495**	1,062	NC	**2**	**NC**	**LA 7**
MANAGEMENT-EMPLOYEE RELATIONS							
Percentage of employees covered by collective bargaining agreements [4]	%	**95%**	96%	97%	**2**	**2**	**LA 4**
TRAINING							
Number of staff benefiting from training [5]	No.	**104,393**	95,739	84,937	**2**	**2**	**LA 10**
EMPLOYMENT AND INTEGRATION OF EMPLOYEES WITH DISABILITIES							
Number of employees with disabilities [6]	No.	**3,260**	3,077	2,721	**2**	**1**	**LA 13**

(1) In 2006, indicators other than the total Group workforce did not include Dalkia, Fenice, ECW, SSE and EDF Trading. These entities are consolidated in the 2007 indicators.

(2) In 2007, deaths are included in the "Other departures" category; in previous years they were reported separately.

(3) In 2007, excluding EDF Trading and Synergie.

(4) In 2007, excluding EDF Trading, Dalkia International,Synergie.

(5) In 2007, excluding EDF Energy, EDF Trading, Dalkia International and Synergie.

(6) In 2007, excluding EDF Energy and EDF Trading.

Scope 1: EDF S.A.

Scope 2: EDF Group

EDF SA performance indicators	Unit	2007	GRI REF.
SOCIAL			
WORKFORCE NUMBERS AND BREAKDOWN			
Total EDF SA staff covered by collective bargaining agreement (at Dec 31)	No.	**96,078**	**LA 1**
Other permanent EDF SA staff not covered by collective bargaining agreement	No.	**520**	**LA 1**
Other non-permanent EDF SA staff not covered by collective bargaining agreement	No.	**174**	**LA 1**
Total EDF SA staff not covered by collective bargaining agreement	No.	**694**	**LA 1**
TOTAL EDF SA	No.	**96,772**	
Total executives (as defined by French regulations)	No.	**24,596**	**LA 1**
Percentage of women executives	%	**21.4%**	**LA 1**
Non-executives	No.	**72,176**	**LA 1**
Technicians and supervisory staff	No.	**51,560**	**LA 1**
Operatives	No.	**20,616**	**LA 1**
Gender equality			
- Male staff	No.	**73,743**	**LA 13**
- Female staff	No.	**23,029**	**LA 13**
- Male executives	No.	**19,328**	**LA 13**
- Female executives	No.	**5,268**	**LA 13**
HIRING/DEPARTURES			
Recruitments	No.	**1,938**	**LA 2**
Integration and rehiring	No.	**377**	**LA 2**
Other new staff	No.	**504**	**LA 2**
Retirements	No.	**3,556**	**LA 2**
Resignations	No.	**129**	**LA 2**
Redundancies and dismissals	No.	**26**	**LA 2**
Deaths	No.	**157**	**LA 2**
Other departures (1)	No.	**860**	**LA 2**
OVERTIME			
Number of hours of overtime	thousands	**3,863**	
OUTSIDE CONTRACTORS			
Average number of temporary staff (2)	No.	**(2007) ND (2006) 2,424**	**LA 1**
WORKING TIME			
Full-time staff	No.	**77,904**	**LA 1**
Part-time staff	No.	**18,868**	**LA 1**
Staff on contracts which allow overtime	No.	**8,363**	**LA 1**

	Unit	2007	GRI REF.
ABSENTEEISM			
Absenteeism	%	**4.0%**	**LA 7**
Hours of maternity or patnernity leave / total working time	%	**0.7%**	**LA 7**
HEALTH AND SAFETY			
Fatal accidents	No.	**8**	**LA 7**
Injury frequency rate		**3.8**	**LA 7**
Severity rate (3)		**0.19**	**LA 7**
Industrial and work-home journey accidents (with leave of 1 day or more)	No.	**516**	**LA 7**
WAGES / SOCIAL SECURITY CONTRIBUTIONS / PROFIT SHARE			
Main salaries (average per month):			
Executives	€	**4,018**	**EC 1**
Technicians and supervisory staff	€	**2,386**	**EC 1**
Operatives	€	**1,853**	**EC 1**
Personnel expenses	€ million	**6,761**	**EC 1**
Average profit share per employee	€	**922**	**EC 1**
MANAGEMENT-EMPLOYEE RELATIONS			
Number of collective bargaining agreements signed (France)	No.	**8**	**HR 5**
Percentage of employees covered by collective bargaining agreements (4)	%	**99.3%**	**LA 4**
TRAINING			
Number of staff benefiting from training	No.	**81,848**	**LA 10**
EMPLOYMENT AND INTEGRATION OF EMPLOYEES WITH DISABILITIES			
Number of employees with disabilities	No.	**2,302**	**LA 13**
Number of employees with disabilities hired	No.	**52**	**LA 13**
CHARITABLE WORKS			
Committee budgets (1% requirement)	€ million	**285**	

(1): arrivals and departures of seasonal staff on fixed-term contracts are not included

(2): the 2007 was not available at the reporting date

(3): The severity rate does not incorporate days off work for 21 out of 516 accidents as the information was not available.

(4): EDF SA staff are not covered by a collective bargaining agreement as defined by law, but are covered by the IEG statutes.

3 Resolutions proposed to the Shareholders' Meeting of May 20, 2008

3.1 Presentation of the resolutions proposed to the ordinary shareholders' meeting of may 20, 2008

FIRST AND SECOND RESOLUTION
(Approval of the financial statements and the consolidated financial statements for the fiscal year ending December 31, 2007)

These two resolutions submit to the shareholder's approval EDF SA's financial statements and EDF Group's consolidated financial statements as adopted by the Board of Directors in a meeting dated February 19, 2008.

THIRD RESOLUTION
(Application of the result of the fiscal year ending December 31, 2007, as shown in the financial statements, and distribution of dividends)

It is proposed to the shareholders to vote to pay, as a dividend, an amount of 2,332,378,995.20 euros or 1.28 euros per share; and to apply the remaining available profits to the item "balance brought forward" (report à nouveau).

Following a Board of Directors' decision dated November 7, 2007, an interim dividend of 0.58 euro per share has been paid on November 30, 2007 for a total amount of 1,056,859,232.20 euros. The balance for distribution thereby amounts to 0.70 euro per share, for a total amount of 1,275,519,763 euros, and will be paid within thirty days following the Shareholders' Meeting.

In the event the Company should own its own shares at the time the dividend is paid, the amount of the dividend corresponding to such shares will be applied to the item "balance brought forward" (report à nouveau).

FOURTH RESOLUTION
(Agreements governed by article L. 225-38 of the French commercial code)

Some agreements concluded by the Company for its business require specific formalities: this is in particular the case for agreements which may take place between the Company and companies with which it shares directors or officers, or between the Company and its directors or officers or a shareholder who holds more than 5% of the share capital. Such agreements, pursuant to Article L. 225-38 of the French Commercial Code, are subject
to a special report by the statutory auditors and must be previously authorized by the Board of Directors and approved by the shareholders.

It is thereby proposed to the shareholders, after having acknowledged the statutory auditors' report on the agreements governed by article L. 225-38 of the French commercial code, to approve the following agreements for the fiscal year ending on December 31, 2007:

– the agreement relating to the project EPR Flamanville 3 (nuclear steam generator contract C), entered into by EDF and AREVA NP, as authorized by the Board of Directors during its January 23, 2007 meeting;
– the agreement relating to the steam generators for the third decennial visits of the 900 MW level, entered into by EDF and AREVA NP, as authorized by the Board of Directors during its June 14, 2007 meeting.
– the agreement relating to the booking of forged components for the construction of the EPR reactor, entered into by EDF and AREVA NP, as authorized by the Board of Directors during its August 30, 2007 meeting.

FIFTH RESOLUTION
(Directors' fees awarded to the Board of Directors)

This resolution proposes to set the total amount of directors' fees awarded to the members of the Board of Directors for the present and the following fiscal years at 174,000 euros.

SIXTH RESOLUTION
(Delegation of authority given to the Board of Directors to engage transactions over the Company's shares)

This sixth resolution proposes to the shareholders to replace the previous authorization and thereby to authorize the Board to implement a buy-back program for the Company's stock over an 18-month period, limited to 10% of the share capital, in compliance with the maximum fixed by law.

The authorization thus granted to the Board of Directors could, in particular, be implemented for the purposes of:
• attributing shares at the time at which the rights, which are attached to securities representing debt obligations, are exercised;
• exchanging or paying in shares within the framework of external growth operations;
• ensuring the liquidity of EDF's shares;
• attributing shares to employees, including on the basis of profit-sharing or any stock-option or stock-grant plans;
• reducing the Company's share capital

Purchases may be carried out by any means, including block purchases or by the use of derivatives. The maximum purchase price is set at 100 per share, with a maximum cumulative purchase during the period of 10% of the share capital and a maximum shareholding at any given time of 10% of the share capital, which is lowered to 5% in the event of a merger, spinoff or contribution. The maximum amount of funds for such operations is two billion euros over the same period.

The Board of Directors shall inform the shareholders each year of the operations carried out.

SEVENTH RESOLUTION:
(Powers to accomplish formalities)

This resolution permits to carry out the formalities required by law after the Shareholders' Meeting.

3.2 Full text of the resolutions proposed to the ordinary shareholders' meeting of may 20, 2008

FIRST RESOLUTION
(Approval of the financial statements for the fiscal year ending December 31, 2007)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary Shareholders' Meetings, after having acknowledged the Board of Directors' report, as well as the Statutory Auditors' report, gives its approval to the financial statements for the fiscal year ending December 31, 2007, which include the balance sheet, the income statement and the notes to the financial statements, as presented to the shareholders, as well as the transactions reflected in the financial statements and summarized in the abovementioned reports. The shareholders determine that the benefit for the present fiscal year amounts to 4,934,332,855.58 euros.

It is stated that the expenses mentioned in article 223 quater of French taxation code amount to 1,022,463 euros.

SECOND RESOLUTION
(Approval of the consolidated financial statements for the fiscal year ending December 31, 2007)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary Shareholders' Meetings, after having acknowledged the Board of Directors' report, as well as the Statutory Auditors' report, gives its approval to the consolidated financial statements for the fiscal year ending December 31, 2007, which include the balance sheet, the income statement and the notes to the financial statements, as presented to the shareholders, as well as the transactions reflected in the financial statements and summarized in the abovementioned reports.

THIRD RESOLUTION
(Application of the result of the fiscal year ending December 31, 2007, as shown in the financial statements, and distribution of dividends)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary Shareholders' Meetings, after having acknowledged the Board of Directors' report, as well as the Statutory Auditors' report on the financial statements:

(i) notes that the profits available for distribution amount to 9,166,587,240.25 euros and decides to allow the payment of a dividend of 1.28 euros per share; and

(ii) decides to apply the remaining available profits to the item "balance brought forward" (report à nouveau).

The dividend will therefore amount to a maximum of 2,332,378,995.20 euros, excluding the shares that would be owned by the Company at the time of its payment.

Following a Board of Directors' decision dated November 7, 2007, an interim dividend of 0.58 euro per share has been paid on November 30, 2007 for a total amount of 1,056,859,232.20 euros. The balance for distribution thereby amounts to 0.70 euro per share, for a total amount of 1,275,519,763 euros, and will be paid within thirty days following the Shareholders' Meeting.

It is stated that, pursuant to article 158, 3, 2° of the French taxation code, the whole dividend proposed (the interim dividend and the balance) is eligible to the 40% reduction to which individuals domiciled in France and subject to the income tax are entitled, subject to the limits and conditions provided by law.

In the event the Company should own its own shares at the time the dividend is paid, the amount of the dividend corresponding to such shares will be applied to the item "balance brought forward" (report à nouveau).

The dividends paid for the last three financial years have been the followings:

Financial year	*Number of shares*	*Dividend per share*	*Total dividend paid (excluding the shares owned by the Company)*	
2004	1 625 800 000	*0,23 €*	*373 934 000 €*	*(1)*
2005	1 822 171 090	*0,79 €*	*1 439 170 388,51 €*	*(2)*
2006	1 822 171 090	*1,16 €*	*2 113 624 504,40 €*	*(2)*

[(1) 100 % dividend being eligible to the 50% reduction referred to in article 158, 3, 2° of the French taxation code (dividend paid for the financial year 2004)].

[(2) 100 % dividend being eligible to the 40% reduction referred to in article 158, 3, 2° of the French taxation code (dividend paid for financial years 2005 and 2006)].

FOURTH RESOLUTION
(Agreements governed by article L. 225-38 of the French commercial code)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary Shareholders' Meetings, after having acknowledged the Statutory Auditors' report on the agreements governed by article L. 225-38 of the French commercial code, acknowledges the conclusions of this report and approves the agreements referred to in it.

FIFTH RESOLUTION
(Directors' fees awarded to the Board of Directors)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary Shareholders' Meetings, after having acknowledged the Board of Directors' report, determines that the amount of directors' fees awarded to the members of the Board of Directors for the present and the following fiscal years, will be of 174,000 euros, unless otherwise determined by a future Shareholders' Meeting.

SIXTH RESOLUTION
(Delegation of authority given to the Board of Directors to engage transactions over the Company's shares)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary Shareholders' Meetings, after having acknowledged the Board of Directors' report and in accordance with the provisions of articles L. 225-209 seq of the French commercial code,

o decides to terminate immediately, the unused portion of the delegation of authority to buy the Company's shares given by the shareholders' meeting held on May 24, 2007 in its seventh resolution;

o authorizes the Board of Directors to buy Company's shares in order to:

– grant such shares in the event of the exercise of convertible debt securities that should give access through any means, immediately or in the future, to Company's shares, as well as to carry out hedging transactions resulting from EDF's (or one of its subsidiaries) obligations in relation to such securities, in accordance with the conditions defined by stock exchange market authorities at the time the Board of Directors, or by any person having received an authority delegation from the Board decides to do so, makes the decision;
– hold the shares to be able to give them in exchange or in payment in the event of future external growth transactions;
– assure the liquidity of EDF's shares through a financial intermediary by entering into a liquidity agreement that complies to the ethics chart recognized by the French regulator ("Autorité des Marchés Financiers");
– grant such shares to the employees of EDF group, in particular in connection with any free grant of shares or share purchase plan for the benefit of the employees, subject to compliance to the conditions provided by law, namely, by articles L. 225-197-1 seq of the French commercial code or articles L. 443-1 seq of the French labor code, as well as to carry out related hedging transactions, in accordance with the conditions defined by Stock exchange market authorities at the time Board of Directors, or any person having received an authority delegation from the Board, makes the decision;
– reduce the Company's share capital by canceling in whole or in part, the repurchased Company's securities, subject to the approval by the Shareholders' Meeting of resolution sixteen hereunder.

The repurchase of Company's shares is subject to the following limits:

– the number of shares purchased by the Company until the expiration of the repurchase program cannot exceed 10% of the all the shares of the share capital at the time of the present Shareholders' meeting; and
– the number of repurchased shares owned by the Company at any time may not exceed 10% of all the shares of the share capital at such time.

The acquisition or the transfer of such shares can be effected through any means, in particular through a regulated exchange or in an over the- counter market, including through the purchase or the sale of blocks of shares, the use of derivatives or options, or by carrying out optional strategies, subject to the terms and conditions, namely relating to volume and price, provided by the regulations in force at the time of the contemplated transactions, the conditions defined by Stock exchange market authorities and at the time the Board of Directors, or any person having received an authority delegation from the Board, makes the decision.

The number of shares that can be acquired or transferred by block trade through the repurchase program is not limited.

Decides that the maximum amount of funds allocated to the repurchase program will be 2 billion euros.

The purchase price of the shares acquired pursuant to the repurchase program cannot exceed 100 euros per share.

The Board of Directors may nevertheless adjust the purchase price mentioned above in the event of an incorporation of premiums, reserves or profits, leading to either an increase in the par value of the shares, or to the creation and issue of bonuses, as well as in the event of a division of the par value or of a consolidation of shares or any other transactions relating to equity in order to take into account the impact of these transactions on the par value of the shares.

Decides that the present delegation of authority is granted for a period of no more than 18 months, starting from the present Shareholders' Meeting. This delegation can be used during a take over bid, within the limits of the applicable regulations.

The number of the shares acquired by the Company for the purpose of keeping them or granting them in payment or in exchange in the event of merger, spin-off or contribution cannot exceed 5% of its share capital.

Decides that the Board of Directors will have full power, with the authority to delegate, to implement the present delegation of authority to the following purposes:

- Order any purchase or sale of securities on the regulated market or outside the regulated market;
- Apply or reapply the purchased shares to the different purposes pursued under the applicable laws and regulations;
- Enter into any agreement related to, in particular, the holding of the shareholders' register;
- Carry out all declarations and formalities before the Autorité des Marchés Financiers and any other authority; and
- Accomplish all formalities and in general, take all necessary action.

The Board of Directors shall annually inform the Shareholders' Meeting of the transactions carried out under the present resolution.

SEVENTH RESOLUTION
(Powers to accomplish formalities)

All powers are given to the bearer of an original, a copy or an extract of the minutes of this Shareholders' Meeting to carry out all legal or administrative formalities and all filings and any publications provided by the legislation in force.