EDF Group

Management report for the first half-year of 2006

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I.1 SIGNIFICANT EVENTS

I.1.1 France

EDF begins work on an EPR[1] nuclear generation unit at "Flamanville 3", continues to reinforce its state-of-the-art generation capacities, and capitalises on its expertise in nuclear engineering

Following the public debate that took place from October 2005 to February 2006, EDF's Board of Directors decided on May 4, 2006 to begin work on a third electricity generation unit at Flamanville (EPR). This unit is an essential stage in the renewal of EDF's nuclear generation facilities.
Meanwhile, EDF is reinforcing its fossil-fired generation facilities for peak periods, as announced in the Group's Industrial Plan and reaffirmed when the Public Service Agreement was signed. Work is continuing at Porcheville and Cordemais with a view to bringing two units (600 MW and 700 MW respectively) back on line. On March 29, the Board of Directors approved contracts awarded for the purchase of combustion turbines with total capacity of 500 MW, due to start operation by 2008.
It was also decided in May 2006 to carry out a study for a combined-cycle gas-fired project at Martigues (in the south of France) which could be operational by 2010-2011, and would involve the transformation of three oil-fired generation units.
EDF also confirmed its interest in current developments in the nuclear industry in the US with the signature on May 31 of a framework cooperation agreement with the American electricity operator Constellation Energy.
Finally, in accordance with the decisions made in 2005, dedicated assets to cover long-term nuclear commitments were developed at an accelerated pace. The allocation for the first half-year of 2006 was € 844 million compared to € 125 million for first-half 2005, and the total allocation for 2006 should be close to € 2,7 billion.

I.1.2 Germany

In December 2005, the city of Düsseldorf exercised one of its put options for 25.05 % of the capital of Stadtwerke Düsseldorf AG (SWD). Since completion of the transaction in early 2006, EnBW has thus owned 54.95 % of SWD, which has been fully consolidated since March 31, 2006. The second put option granted by EnBW, also for 25.05 % of SWD, remains open.

I.1.3 *Italy*

The consolidated half-year financial statements at June 30, 2006 include EDF's share in the Edison group, which was not the case at June 30, 2005.
Edison has been proportionally consolidated on a 51.58 % basis since October 1, 2005.

I.1.4 Rest of Europe

I.1.4.1 Switzerland: EDF strengthens its position

Following the agreements entered into in September 2005, on March 23, 2006 EDF acquired a further 17.3 % holding in the capital of Motor Columbus from the Swiss bank UBS for CHF 404 million.
Following this transaction, Motor Columbus and Atel are accounted for under the equity method at June 30, 2006 (on a basis of 41.46 % and 25.81 % respectively).
The agreements signed provide for a merger between Motor Columbus and Atel to form a new entity in which EDF will eventually own 25 %.

I.1.4.2 Austria: sale of ASA

In November 2005, EDF signed an agreement with the Spanish group FCC for the sale of its Austrian subsidiary ASA, central and western Europe's biggest household, commercial and industrial waste manager. The sale was completed on March 8, 2006 for the sum of € 224 million.

I.1.5 Rest of the world

I.1.5.1 Brazil: sale of 79.4% of Light

Once the agreement signed on March 28, 2006 had been approved by the relevant French and Brazilian authorities, EDF sold 79.4 % of its Brazilian subsidiary Light, the electricity distribution company for Rio de Janeiro, to the Brazilian consortium RME[2] for USD 319.8 million on August 10, 2006.
EDF retains a 10 % interest in Light, and the balance of its capital (10.6 %) is publicly traded on the Brazilian stock market.
This operation is part of EDF's industrial plan to refocus the Group's business in Europe.
Light remains fully consolidated in the financial statements at June 30, 2006 as the sale took place on August 10, 2006.

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[1] *European Pressurized Reactor*

[2] *Rio Minas Energia Participaçoes SA*

I.1.5.2 Egypt: sale of two power plants

On November 29, 2005, EDF announced the sale of two fossil-fired electicity generating plants located in Egypt to the Malaysian company Tanjong Energy, for USD 307 million. The transaction took place on March 2, 2006.

I.1.6 Dividends and share price

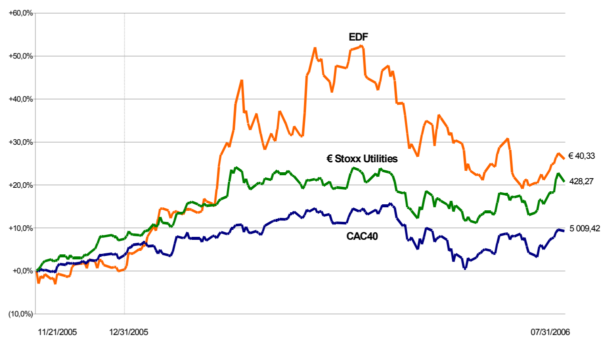
I.1.6.1 Dividends

At the General Shareholders' Meeting held on June 9 in Paris, the shareholders approved EDF's company accounts and consolidated financial statements for the year ended December 31, 2005, and it was decided to distribute a dividend of € 0.79 per share.

I.1.6.2 Share price

Since its initial listing on November 21, 2005, the EDF share price (included in the CAC40 share index) has been as follows:

EDF compared to the CAC40 and Eurostoxx Utilities indexes (Novembre 21, 2005 - July 31, 2006)



At close of business on July 31, 2006, EDF's share price had increased by 26 % since January 1, while over the same period the CAC40 index rose by 6 % and the Eurostoxx index rose by 13 %.
The EDF share price at close of business was € 40.33 on July 31, 2006 and € 41.20 on June 30, 2006 (€ 31.98 at December 31, 2005). Its lowest price during the period was € 32.10 on January 2, 2006, and its highest price was € 48.80, on April 25, 2006.

I.2 ECONOMIC ENVIRONMENT

I.2.1 Price rises on the electricity markets

In the early part of 2006, European electricity prices continued the significant upward trend begun in 2005. Major influences in this progression were the rise (until mid-April 2006) and subsequent decline in prices for CO2 quotas, and increasing oil and gas prices.

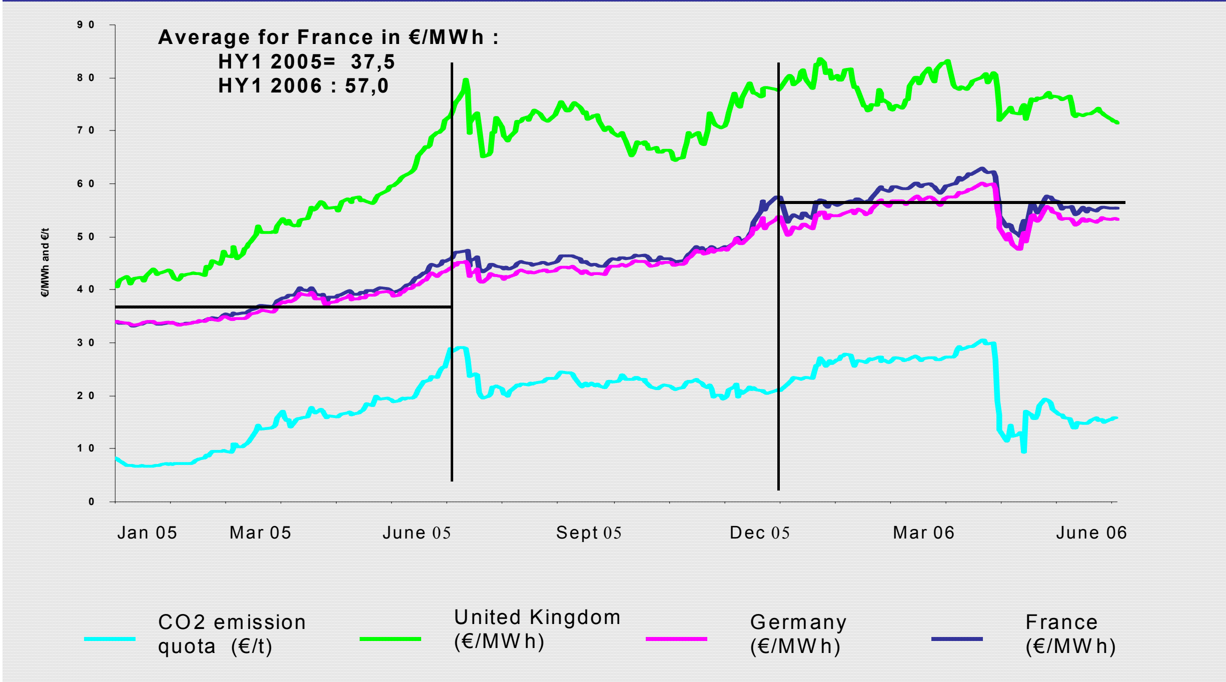
These developments were reflected in an average rise of some 50 % in forward wholesale prices[3] , comparing the average price for first-half 2005 and first-half 2006:

* approximately 51.9% in France (€ 37.5/MWh in 2005; € 57/MWh in 2006);
* approximately 49.3 % in the United Kingdom (€ 51.8/MWh in 2005; € 77.3/MWh in 2006);
* and approximately 48.3 % in Germany (€ 36.9/MWh in 2005; € 54.7/MWh in 2006).

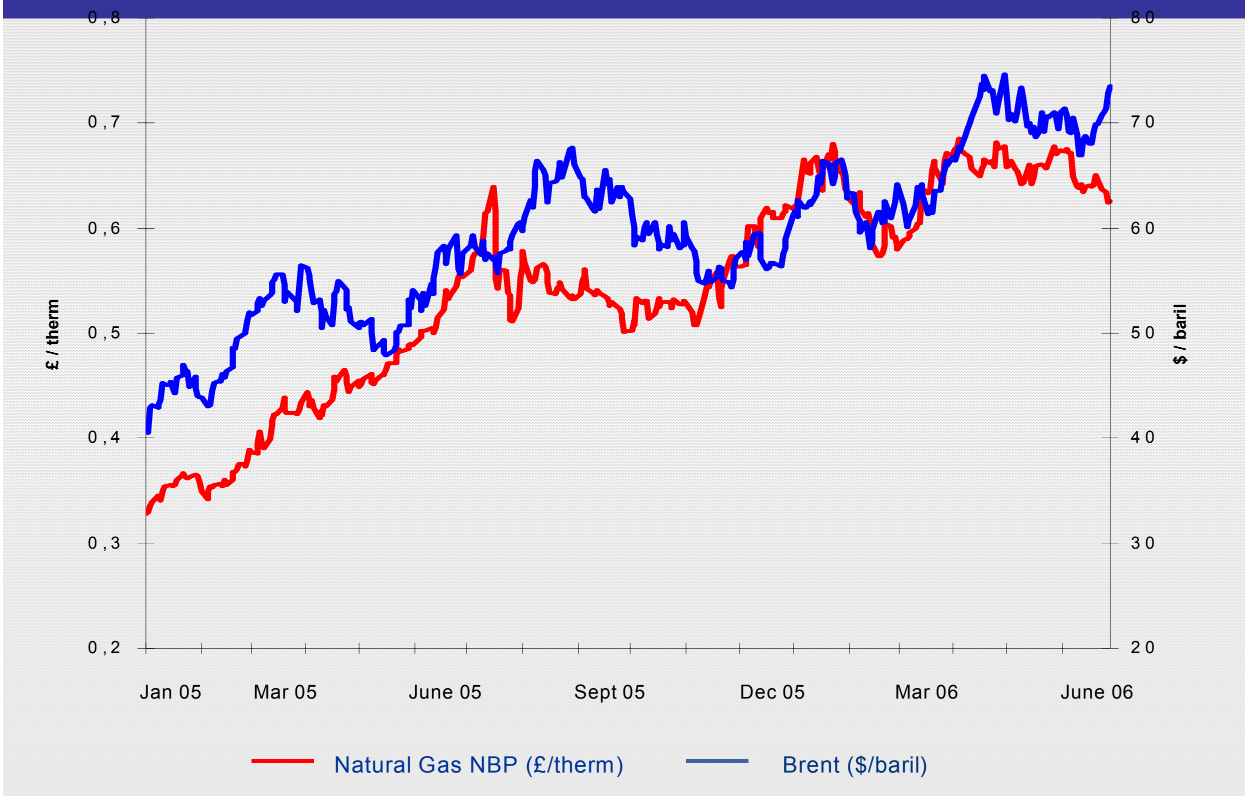
Similarly, the average day price for gas (October year ahead) over the first half of 2006 was more than 50.9 % higher than in first-half 2005, pushed up by marked increases in oil prices. The price of gas at June 30, 2006 was £ 0.618/therm.

[3] Platts average baseload year ahead index for France and Germany, and from April 1, 2007 for the UK.

ELECTRICITY PRICES IN FRANCE, THE UNITED KINGDOM AND GERMANY, AND CO2 EMISSION QUOTA PRICES FOR A DELIVERY IN THE FIRST HALF-YEAR OF 2007



GAS AND BRENT FORWARD PRICES



I.2.2 Price increases for CO_2 emission quotas

During the first half of 2006, the price of CO_2 emission quotas initially rose sharply from € 22/t at January 1, 2006 to the record level of € 30/t on April 19. Quota prices subsequently declined significantly, as the European countries published their emissions for 2005. After falling to € 9.3/t in mid-May, quota prices rose again at the end of the half-year to € 15.85/t at June 30, 2006.

I.2.3 Economic climate

GDP growth[4] during the first half of 2006 was approximately 1.2 % in Europe[5]. For the full year 2006, there should be faster-paced growth in the European countries, with the Euro zone exceeding 2 % after the 1.4 % registered in 2005.
GDP growth for the first half-year[6] is estimated at 1.1 %[7] for France (2.0 % forecast for the year 2006), 1.4 % for the UK (2.4 % forecast for the year), 1.2 % for Germany (1.8 % forecast for the year) and 0.9 % for Italy (1.3 % forecast for the year).
Domestic electricity consumption[8] increased in the first half-year of 2006 by 0.8 % in France.

I.3 BUSINESS ACTIVITY AND FINANCIAL RESULTS

I.3.1 Key figures for the first half-year of 2006

The figures presented in this report are taken from the EDF Group's condensed consolidated financial statements for the half-year ended June 30, 2006.
The condensed consolidated half-year financial statements comply with standard IAS 34 concerning interim financial statements and the IAS/IFRS international accounting standards released as of June 30, 2006.
The accounting and valuation methods applied by the Group in these consolidated half-year financial statements are identical to those used in the consolidated financial statements for the year ended December 31, 2005, except for the standards, amendments and interpretations which became mandatory from January 1, 2006, notably IFRIC 4[9, 10].
The Group has not opted for early application of the standards, amendments and interpretations adopted by the European Union in 2006 but mandatory only from January 1, 2007[9].
The income statement for the first half-year of 2005, and the balance sheet at December 31, 2005 as presented below have been restated for purposes of comparison with first-half 2006[11].

Consolidated income statements – key figures:

(in millions of euros)	1st half-year 2006	1st half-year 2005	Change (€ million)	% change
Sales	30,362	25,198	5,164	20.5
EBITDA (operating profit bef. depr. & amort.)	8,124	7,512	612	8.1
EBIT (operating profit)	6,457	5,099	1,358	26.6
Net income	**4,143**	**2,132**	**2,011**	**n.s.**

Operating cash flow and financial structure:

(in millions of euros)	1st half-year 2006	1st half-year 2005	Change (€ million)	% change
Operating cash flow[12]	6,816	6,455	361	5.6

(in millions of euros)	June 30, 2006	Dec 31, 2005	Change (€ million)	% change
Net indebtedness	17,052	18,592	(1,540)	(8.3)
Equity, Group share	21,900	19,313	2,587	13.4

In addition to the Swiss operations described earlier, the **main changes in the scope of consolidation** between the first half-years of 2005 and 2006 are as follows:

- EDF's percentage ownership of EnBW decreased from 48.50 % in the first quarter of 2005 to 46.12 % in the second quarter of 2005, then to 46.07 % in the first half-year of 2006,
- the change in consolidation method applied for Edenor from September 1, 2005 following the sale of 65 % of its capital (the 25 % share retained is accounted for by the equity method whereas the investment was previously fully

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4 Source: Note de conjoncture, INSEE, June 2006
5 All Euro zone countries
6 Between December 31, 2005 and June 30, 2006
*7 A memo issued by INSEE on August 22, 2006 (*Informations rapides*) states 1.1 % growth for the second quarter of 2006. Added to the 0.5 % for the first quarter, this indicates growth of approximately 1.6 % for the first half-year of 2006.*
8 Source: RTE EDF Transport
9 IFRIC interpretation on the scope of application of standard IAS 17 on lease contracts.
10 See note 1 to the consolidated financial statements: "Group accounting policies"

11 See note 3 to the consolidated financial statements: "Comparability".
12 Operating cash flow = FFO (Funds From Operation) = Net cash flow generated by operating activites excluding changes in working capital – net financial expenses paid – taxes paid adjusted for the impact of non-recurring items.

consolidated),

- proportional consolidation of the Edison Group on a 51.58 % basis from October 1, 2005,
- on October 12, 2005, EnBW raised its investment in the Austrian company EVN AG from 13.2 % to 29.7 %. EVN AG is listed on the Vienna stock exchange and has been accounted for by the equity method since October 1, 2005 (in July 2006, EnBW's investment was raised further to 32.1 %, with no impact on the financial statements for the first half-year of 2006).
  EnBW also holds 54.95 % of the capital of Stadtwerke Düsseldorf, which has been fully consolidated since March 31, 2006,
- the sales of two power plants in Egypt, and ASA in Austria, took place during the first half of 2006.

Comparative analysis of the financial statements at June 30, 2006

The geographical areas used for the Group's segment reporting in 2006[13] have changed since 2005, but the total remains unaffected. Italy is now reported separately from the "Rest of Europe".

Sales: €30.4 billion, boosted by international business

(in millions of euros)	1st half-year 2006	1st half-year 2005[14]	Change (€ million)	% change	Business growth (%)[15]
France	16,447	15,374	1,073	7.0	7.0
United Kingdom	4,022	3,238	784	24.2	25.0
Germany	2,996	2,466	530	21.5	19.0
Italy	2,919	494	2,425	n.s.	46.8
Rest of Europe	2,468	2,252	216	9.6	15.4
Rest of the world	1,510	1,374	136	9.9	12.8
World total excluding France	13,915	9,824	4,091	41.6	20.7
Sales	**30,362**	**25,198**	**5,164**	**20.5**	**12.3**

Sales for the first half-year of 2006 totalled € 30,362 million, an increase of 20.5 %. This significant increase includes the € 1.9 billion (+ 7.7 %) effects of changes in the scope of consolidation, particularly related to consolidation of Edison, and also foreign exchange effects of € 126 million.

Excluding these effects (the foreign exchange effect mainly concerned the appreciation of the Brazilian real), the increase in Group sales resulting from business growth was 12.3 %.

- Sustained sales growth in France

Business growth reached 7.0 % in the first half-year, 10.1 % of which was achieved in the second quarter. Among other factors, this increase reflects the development of natural gas sales and the higher volumes sold to end-users as temperatures remained below normal during the first few months of the year.
French sales accounted for 54.2 % of total Group sales for the first half-year.

- Significant sales growth internationally

Particular contributors to the internally-generated 20.7 % sales growth were the United Kingdom, Germany and Italy. These three core countries in EDF's strategy registered major increases in sales prices, which relate to the higher cost of energies.
International sales (excluding France) accounted for 45.8 % of total Group sales for the first half-year.

EBITDA: € 8.1 billion reflecting business growth of 3.3 %

(in millions of euros)	1st half-year 2006	1st half-year 2005	Change (€ million)	% change
Sales	30,362	25,198	5,164	20.5
EBITDA	8,124	7,512	612	8.1

EBITDA for the first half-year of 2006 increased by 8.1 % to € 8,124 million. This progress reflects the impact of changes in the scope of consolidation (€ 344 million) primarily relating to first consolidation of Edison.
Excluding the impact of changes in the scope of consolidation, exchange rates and accounting methods, consolidated EBITDA grew by 3.3 %. This is lower than sales growth, largely due to the rise in fuel and energy prices, sold with margins close to zero.
The EBITDA/sales ratio thus stood at 26.8 % for the first half-year of 2006 after 29.8 % in the first half-year of 2005, suffering the logical consequences of price increases on energy purchases.

In France, first half-year EBITDA was 1.5 % higher in 2006 than 2005 despite the lack of any tariff rises and unfavourable generation conditions in the first quarter of the year (lower availability of nuclear facilities, and low hydropower generation due to drought conditions), which contributed to the higher level of fuel and energy

[13] The Group's segment reporting is in note 6 to the consolidated financial statements at June 30, 2006: "Information by geographical area"
[14] Restated to reflect the effect of application of interpretation IFRIC 4
[15] Excluding the impact of changes in the scope of consolidation, exchange rates and accounting methods.

purchases which increased by € 950 million over the half-year. The increase in EBITDA nevertheless reflects the continued efforts to contain operating costs (operating expenses were stable over the first half-year).

The **international entities** generated 34.5 % of Group EBITDA (30.3 % in first-half 2005).
Business growth in EBITDA outside France was 7.2 %. In the principal countries it was positive, although with a slight decline in the United Kingdom (-1.4 %).

Europe accounted for 95.0 % of consolidated sales and 96.1 % of consolidated EBITDA for the first half-year of 2006.

EBIT: € 6.5 billion, including € 1.0 billion in non-recurring items

(in millions of euros)	1st half-year 2006	1st half-year 2005	Change (€ million)	% change
EBITDA	8,124	7,512	612	8.1
EBIT	6,457	5,099	1,358	26.6

In 2006, EBIT included the non-recurring positive impact of disposals (€ 354 million for two Egyptian power plants and ASA) and the reversal of € 624 million of impairment losses in connection with the sale of Light.
EBIT also includes a non-recurring reversal of provisions (€ 328 million) for exceptional additional pensions (Complément Exceptionnel de Retraite-CER), and impairment recorded on EDF's own share of goodwill relating to EnBW (€ 318 million).
After elimination of these items, the increase in EBIT would be 7.3 %.

A financial result reflecting the Edison operation

The Group's financial result stood at € (1,501) million for the first half of 2006. The € 286 million decrease compared to the first half-year of 2005 is mainly attributable to the Edison operation: non-recurring provisions (€ 481 million) and a positive change in the fair value of put options (€ 91 million) in 2005 in connection with the acquisition operation totalled € 390 million; financial charges relating to higher indebtedness in the first half-year of 2006 following consolidation of Edison in the EDF Group of € 95 million[16].

Significant increase in Group net income

The net income for the first half-year of 2006 was € 4,143 million, € 2,011 million higher than for the same period of 2005, thanks to the level of international business and the proceeds of disposals, adjustment of impairment losses on Light's assets and a tax saving resulting from the legal reorganisation of the Light group.
Net income represented 13.6 % of Group sales (8.5 % for the first half-year of 2005).
Group net income excluding non-recurring items[17] was € 2,918 million, up by 40.6 % as compared to the first half-year of 2005 (€ 2,076 million). This performance was driven mainly by international operations and includes the favourable evolution of tax burden.

Reduction in net indebtedness in the first half-year

Operating cash flow[18], at € 6,816 million, was 5.6 % higher than for first-half 2005 (+2.4 % on a constant scope of consolidation).
Free cash flow stood at € 4,121 million. Without non-recurring items, this was down by € 540 million due to changes in working capital and non-financial investments (capital expenditure).

The Group's net indebtedness amounted to € 17,052 million at June 30, 2006, € 1,540 million lower than at December 31, 2005 (€ 18,592 million).
In the first half-year of 2006, indebtedness benefited from the effect of disposals (€ 917 million) and the favourable seasonal effect, particularly concerning working capital and the pace of investments.

Equity (Group share) amounted to € 21,900 million at June 30, 2006, compared to € 19,313 million at December 31, 2005.
The main factors in this change are the net income for the year (€ 4,143 million) and the dividends paid out (€ 1,439 million), with the balance mainly comprising translation adjustments and changes in the fair value of financial instruments.

[16] *Edison + change in the financial expenses of the corresponding holding companies*

[17] *Non-recurring items in 2006: recovery of impairment losses on Light and estimate at June 30, 2006 of the tax impact of the legal reorganisation of Light (€ 999 million); gains on sales in Egypt and for ASA (€ 339 million); other (€(10) million); recognition of impairment on EDF's own share of goodwill concerning EnBW (€(318) million); reversal of the provision for exceptional additional pension (€ 215 million)(CER)*
Non-recurring items in 2005: Edison and other (€ 56 million)

[18] *Operating cash flow, or Funds from operations (FFO) is an indicator used by EDF to reflect the Group's capacity to generate available cash.*

I.3.2 Ebit by geographical area

I.3.2.1 France

(in millions of euros)	1st half-year 2006	1st half-year 2005	Change (€ million)	% change
Sales	16,447	15,374	1,073	7.0
EBITDA	5,318	5,237	81	1.5
EBIT, France	3,834	3,457	377	10.9

Market opening

Two and a half years after opening of the market for all business customers, EDF's market share for electricity in France was 82.9 % for all eligible final customers at June 30, 2006 (84.8 % at December 31, 2005).

EDF is preparing for total opening of the market on July 1, 2007, as planned and scheduled by the French energy regulator (CRE[19]).

The supply-demand balance

EDF generated 243 TWh in the first six months of 2006, stable in comparison to the same period of 2005.

Although hydropower production was slightly up on 2005 levels, particularly in the second quarter, it was still considerably affected by drought.
Thanks to improved availability of nuclear facilities in the second quarter, nuclear generation levels for the first half-year were slightly higher in 2006 than 2005.

Below-normal temperatures from January to April contributed to an increase in sales to final customers. Apart from this factor, these sales were practically stable, as market share losses were offset by growth in consumption.

There was 1.5 % growth in **EBITDA** compared to the first half-year of 2005.
This increase reflects the major efforts made to stabilise operating expenses as purchase costs for energy (purchases to compensate for network losses, purchase obligations and gas) and for fuel (particularly oil) rose by € 950 million over the first half-year of 2006, while there was no tariff increase during the period.
Measures carried out under the Altitude program (and its limits) contributed to **overall control of operating expenses** (personnel expenses and non-energy purchases).

Breakdown of financial information for the "France" segment

The following table shows the changes in sales and EBITDA in France for the Regulated and Deregulated Activities respectively between the first half-year of 2005 and the first half-year of 2006:

(in millions of euros)	1st half-year 2006	1st half-year 2005	Change (€ million)	% change
Sales	**16,447**	**15,374**	**1,073**	**7.0**
- deregulated activities	10,297	9,133	1,164	12.7
- regulated activities	6,602	6,643	(41)	(0.6)
- eliminations	(452)	(402)	(50)	12.4
EBITDA	**5,318**	**5,237**	**81**	**1.5**
- deregulated activities	3,225	2,906	319	11.0
- regulated activities	2,093	2,331	(238)	(10.2)

The new public network usage tariff (TURP 2) which came into force from January 1, 2006, resulted in a reduction in sales revenues for the regulated activities. With no change in the integrated tariff, there was a resulting increase in the deregulated activities' revenue on deliveries.

The transition from TURP 1 tariff to TURP 2 tariff, which led to lower sales for the regulated activities, was partly offset by higher income on interconnections. The deregulated activities' sales also benefited from developments on the wholesale markets and growth in gas sales.

Eliminations of internal transactions for reporting sales mainly concerned flows of energy between the activities.

The principal reason for the Regulated activities' lower contribution to EBITDA was the application of the TURP 2 tariff, and higher energy and fuel purchase costs (compensation for network losses and rising oil prices, particularly in the island energy systems), which were partly offset by an increase in income from interconnections.

The increase in the Deregulated activities' contribution to EBITDA was mainly due to application of the TURP 2 tariff.

EBIT was € 3,834 million, 10.9 % higher than for the first half-year of 2005. It includes reversals of non-recurring provisions for exceptional additional pensions (CER); without these reversals the increase would have been 1.7 %.

[19] *Commission de Régulation de l'Energie*

I.3.2.2 United Kingdom

(in millions of euros)	1st half-year 2006	1st half-year 2005	Change (€ million)	% change
Sales	4,022	3,238	784	24.2
EBITDA	643	657	(14)	(2.1)
EBIT, United Kingdom	427	452	(25)	(5.5)

Business-generated growth in the **sales** of EDF Energy from the first half-year of 2005 was 25.0 %, thanks to commercial development (more than 300,000 new accounts) and a price effect. The rise in sales reflects the positive impact of the higher tariffs introduced in September 2005 and March 2006 for natural gas and electricity sales to residential customers, and changes in sales prices to industrial customers.

EBITDA was down slightly (business growth: -1.4 % excluding changes in scope of consolidation, exchange rates and methods) due to the significant increase in supply costs for gas, electricity and coal and expenses related to CO_2 certificates and Renewable Obligation Certificates[20] against a background of rising energy prices (+ 49.3 % on average on electricity prices between the first half-years of 2005 and 2006). Another factor was the costs incurred for development of the customer base, and the launch of new PFI (Private Finance Initiative) projects.

Personnel expenses increased by 7.1 % compared to first-half 2005, particularly as a result of pay rises following the annual negotiations with unions, and the discontinuation of outsourcing for meter-reading services.

I.3.2.3 Germany

(in millions of euros)	1st half-year 2006	1st half-year 2005	Change (€ million)	% change
Sales	2,996	2,466	530	21.5
EBITDA	593	549	44	8.0
EBIT, Germany	109[21]	380	271	n.s.

EnBW's contribution to Group **sales** was € 2,996 million, 21.5 % higher than for the first half-year of 2005.
The 19.0 % business growth in sales reflects the increase in natural gas prices, which was passed on to customers, higher volumes and electricity prices. Based on a constant scope of consolidation, the volumes of electricity sold by EnBW increased by approximately 8 % over the half-year, mainly on the wholesale markets.
The Federal Network Agency notified EnBW on July 31, 2006 of a reduction in transmission network access fees that was 8 % greater than EnBW's request. EnBW intends to appeal against this decision. Distribution tariff reductions are also expected, and could also affect the results for the second half-year of 2006.

EnBW's contribution to Group EBITDA show a business growth of 7.7 % compared to the first half-year of 2005, due to the increase in fuel and energy purchases resulting from higher raw materials prices.
EBITDA grew by 10.2 % for electricity activities and 47.7 % for gas activities compared to first-half 2005, mainly through the contribution of the Topfit cost reduction plan and consolidation of Stadtwerke Düsseldorf AG as of March 31, 2006.
Gas activities registered significant growth, thanks to good distribution performances.
The increase in personnel expenses mainly relates to consolidation of Stadtwerke Düsseldorf AG as of March 31, 2006, which brought a further 2,601 employees into the EnBW group.

In view of the lower tariffs anticipated in Germany, impairment of € 318 million was booked in the consolidated financial statements against EDF's own share of the goodwill on acquisition of EnBW. Without this impairment, growth in EBIT would have been 12.4 %.

I.3.2.4 Italy

(in millions of euros)	1st half-year 2006	1st half-year 2005	Change (€ million)	% change
Sales	2,919	494	2,425	n.s.
EBITDA	468	66	402	n.s.
EBIT, Italy	231	33	198	n.s.

The Group **sales** include € 2,194 million resulting from consolidation of Edison since October 1, 2005. Edison's contribution to Group EBITDA amounted to € 403 million, and its contribution to EBIT was € 202 million.

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[20] Designed as incentives for electricity generation from renewable energies.
[21] € 427 million excluding the impairment of € 318 million booked against EDF's own share of goodwill on acquisition of EnBW

Edison Group key figures[22] (100% basis)

(in millions of euros)	1st half-year 2006	1st half-year 2005	Change (€ million)	% change
Sales	4,266	3,225	1,041	32.3
EBITDA	774	597	177	29.6
EBIT	415	320	95	29.7

The 32.3 % growth in Edison **sales** mainly results from the increase in electricity and natural gas prices, and additional volumes sold on the market (+24.0 %) due to new electricity plants coming on line in 2005.

The increase in **EBITDA** is evenly distributed between electricity and gas activities. For electricity, the anticipated decline in contributions by plants benefiting from the CIP6/92 system[23] was considerably offset by performances in the deregulated activities. Gas activities benefited from the downward revision of supply contracts with ENI.

Fenice registered sales of € 266 million, up by 11.8 %, mainly as a result of higher gas prices. These had no impact on EBITDA which was stable at € 67 million.

EDF Energia Italia's sales amounted to € 459 million, an increase of € 202 million or 78.6 %. This is primarily due to the higher volumes sold, which had no impact on EBITDA due to the increase in purchase costs.
The sale of EDF Energia Italia to Edison is currently in process.

I.3.2.5 Rest of Europe

(in millions of euros)	1st half-year 2006	1st half-year 2005	Change (€ million)	% change
Sales	2,468	2,252	216	9.6
EBITDA	782	728	54	7.4
EBIT, Rest of Europe	979	573	406	n.s.

Excluding changes in scope of consolidation and exchange rates, the 15.4 % **sales** business growth primarily reflects the good performances by EDF Trading, Dalkia and subsidiaries in central and eastern Europe.

On the same basis, **EBITDA** increased by 12.2 %.

Sales registered by **EDF Trading** (consisting of the trading margin on transactions) were 47.4 % higher for the first half-year of 2006.
This increase, principally on the electricity market, is due to better optimization of EDF's system. Margins on gas, coal and oil activities also increased.
Growth in EBITDA was significant (+ 46.2 %).

EDF Trading's commitments on the markets are managed through a strict risk control system, and are subject to a VaR[24] limit and a stop loss[25] limit. Automatic alert procedures inform members of the Board of Directors if these limits are exceeded.

Thanks to its international expansion, **Dalkia** registered growth of 27.3 % for sales and 38.7 % for EBITDA. The main factors in this progression were the company's development in eastern Europe (particularly the new Lodz contract in Poland and the Czech Republic), but also in the United Kingdom and southern Europe (Italy and Spain).

Taken overall, the **central and eastern European countries** increased sales by 8.3 % as a result of favourable weather conditions for cogeneration and higher volume of sales on the Hungarian open market.
EBITDA was down by 5.2 % following the positive impact of non-recurring items in Poland in 2005.

EBIT includes significant capital gains (€ 354 million) made by Vero GmbH (sale of ASA) and EDF International (sale of the Egyptian power plants).

I.3.2.6 Rest of the world

(in millions of euros)	1st half-year 2006	1st half-year 2005	Change (€ million)	% change
Sales	1,510	1,374	136	9.9
EBITDA	320	275	45	16.4
EBIT, Rest of the world	877	204	673	n.s.

In the rest of the world, the increase in sales included the negative effects of changes in the scope of consolidation (€(185) million) related to disposal of subsidiaries in Argentina, and positive foreign exchange effects (€ 146 million), mainly due to the rise of the Brazilian real. The 12.8 % business growth excluding these factors benefited from the improved

[22] *As published by Edison*
[23] *The CIP6/92 system provides incentives for construction of renewable energy and similar generation 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 favourable terms for the sale of electricity generated from renewable resources and similar.*

[24] *Value At Risk: this measures the uncertainty over market value due to price volatility. It indicates the impairment on the income statement's "price" component, subject to a certain probability for a given period.*
[25] *The level at which EDF Trading's Board of Directors is alerted.*

results by Light in Brazil following the tariff increase of November 2005.

In **Brazil** (Light Group and the Norte-Fluminense plant), sales totalled € 986 million, reflecting business growth of 17.2 %. Growth in EBITDA was 66.7 %. This significant progression essentially resulted from the tariff increase authorised for Light in 2005.

In **Mexico**, sales reached € 362 million, an increase of 21.2 % on a constant basis. The major factors in this growth were the Valle Hermoso plant being in operation over a full half-year in 2006, and a greater contribution by the Lomas and Saltillo plants. EBITDA declined by € 5 million as a result of the scheduled shutdown of the Anahuac plant in early 2006, which involved a longer timescale and higher costs than expected.

In **Asia**, the subsidiaries' contribution to Group sales was down 2.3 % to € 161 million, and their contribution to EBITDA was 26.5 % lower than for the first half-year of 2005.
Excluding non-recurring income generated in 2005 by reinvoicing of development expenses, and foreign exchange effects, sales rose by 6.7 % compared to first-half 2005 as the Vietnamese Phu My plant was in operation for the whole of the first half-year of 2006, whereas it had only come on line in February 2005.
EBITDA declined by 5.7 %, mainly as a result of recognition of non-recurring items in 2005 (compensation paid by the constructor for delays in the Phu My project).

I.4 FINANCING

Increase in investments; reduction in net indebtedness

(in millions of euros)	1st half-year 2006	1st half-year 2005[26]	Change (€ million)	% change
EBITDA	8,124	7,512	612	
Elimination of non-monetary items	(244)	(220)	(24)	
Net financial expenses	(488)	(526)	38	
Taxes on ordinary items	(552)	(269)	(283)	
Other	(24)	(42)	18	
Operating Cash Flow	**6,816**	**6,455**	**361**	**5.6**
Non-recurring items	0	1,146	(1,146)	
Change in working capital	(399)	159	(558)	
Gross Capex	(2,421)	(2,116)	(305)	
Disposals of property, plant and equipment and intangibles	125	163	(38)	
Free Cash Flow	**4,121**	**5,807**	**(1,686)**	**(29.0)**
Net financial investments	(1,208)	(252)	(956)	
Dividends paid	(1,504)	(19)	(1,485)	
Payments related to pensions and nuclear facilities	(551)	(3,819)	3,268	
Other	154	339	(185)	
Monetary change in net indebtedness excluding the impact of changes in scope of consolidation and exchanges rates	**1,012**	**2,056**	**(1,044)**	**(50.8)**
Impact of changes in the scope of consolidation	392	223	169	
Effect of currency fluctuations	198	(979)	1,177	
Other non-monetary changes	(62)	(30)	(32)	
Change in net indebtedness	**1,540**	**1,270**	**270**	**21.3**
Net indebtedness at start of period	**18,592**	**20,333**	**(1,741)**	**(8.6)**
Net indebtedness at end of period	**17,052**	**19,063**	**(2,011)**	**(10.6)**

[26] *see note 26.4 to the consolidated financial statements, "Changes in net indebtedness"*

I.4.1 Cash flows

Operating cash flow of € 6.8 billion and Free cash flow of € 4.1 billion

Operating cash flow totalled € 6,816 million, € 361 million higher than for the first half-year of 2005. The main factor was consolidation of Edison in the Group at October 1, 2005, which had an impact of € 207 million on the first half-year of 2006. Based on a constant scope of consolidation, the increase was 2.4 %.

Free cash flow[27] stood at € 4,121 million for the first half-year of 2006, compared to € 5,807 million for the same period of 2005. Excluding the impact of non-recurring items (balance of tax due by EDF SA for 2004 impacting 2005), free cash flow declined by € 540 million due to higher working capital and capital expenditure.

The € 399 million increase in **working capital** was mainly caused by operations. The situation varied depending on the country:
- in France, working capital was down by € 314 million due to seasonal effects in business, but also performance improvement measures on purchase and sales cycles and nuclear fuel inventories.
- In the United Kingdom, working capital increased by € 380 million under the impact of higher electricity prices and volumes.
- In Germany, there was a € 214 million increase resulting from volume and price effects on gas and electricity, plus development of the trading activity.
- EDF Trading's working capital increased by € 123 million in view of transactions carried out in the context of falling prices for CO_2 emission quotas and changes in gas prices.

I.4.2 Investments

I.4.2.1 Higher non-financial investments (capital expenditure)

Gross non-financial investments (gross capex or acquisitions) for the first half-year of 2006 amounted to € 2,421 million, up by € 305 million compared to the first half-year of 2005.

In **France**, which accounted for most of the increase (€ 269 million), most capital expenditure was by the **Regulated activities** (for connections, and renewal and reinforcement of the network), which invested € 992 million during the half-year, an increase of € 107 million. This was primarily due to commitments made by EDF under the Public Service Contract to raise gross investments by at least 6 % in regulated activites in 2006-2007. Capital expenditure by the **Deregulated activities** totalled € 578 million, up by € 162 million from 2005, for production and optimisation of the organisation in view of the coming opening of energy markets.

Outside France, non-financial investments reached € 851 million, stable overall compared to the first half-year of 2005. This relative stability results from contrasting developments: consolidation of Edison (€ 120 million) and a decline in the Rest of the world following the IPPs[28] coming on line in Mexico and Asia in the first half-year of 2005.

I.4.2.2 Net financial investments and other payments: increase in dedicated assets for nuclear activities and refocusing of business

Net financial investments amounted to €(1,208) million for the first half-year of 2006.
They essentially concern amounts allocated (€ 844 million) to the dedicated asset portfolio set aside to contribute to the financing of end-of-nuclear cycle operations covered by balance sheet provisions; and acquisitions[29] and disposals[30] undertaken.
Other payments are mainly dividends paid out (€ 1,504 million) and the final instalment of the payment related to Marcoule (€ 551 million).

I.4.3 Reduction in net indebtedness over the first half-year

The Group's net indebtedness was reduced by € 1,540 million over the first half-year of 2006 to € 17,052 million at June 30, 2006, compared to € 18,592 million at December 31, 2005.
This reduction mainly results from proceeds on the sale and deconsolidation of the net indebtedness of the Egyptian companies and ASA (€ 917 million), as well as positive foreign exchange effects (€ 198 million).

As a result of the financing and exchange rate hedging policy, the gross indebtedness after swaps breaks down as follows at June 30, 2006:

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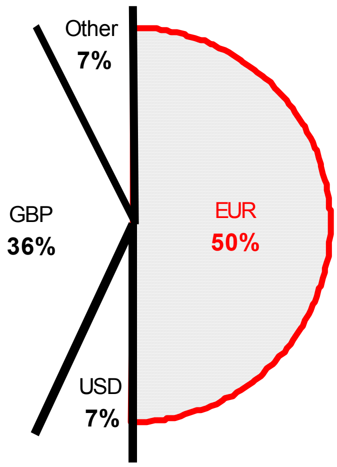
[27] *Free cash flow is the Operating cash flow after non-recurring items, the impact of changes in working capital and non-financial investments.*

[28] *Independent Power Plant*

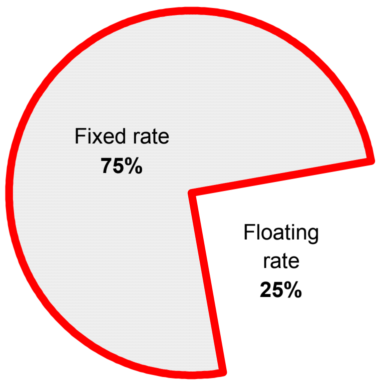
[29] *Atel for € 258 million and Stadtwerke Düsseldorf AG (SWD) for € 169 million*

[30] *Power plants in Egypt (€ 258 million) and ASA in Austria for € 224 million*



Breakdown by currency

The structure of gross indebtedness by interest rate type was as follows at the same date:



Breakdown by type of interest rate

I.5 SUBSEQUENT EVENTS

Information on subsequent events is provided in note 31 to the consolidated half-year financial statements at June 30, 2006.

These events include:

- the sale of 79.4 % of Light on August 10, 2006,
- the 1.7% rise in electricity sales tariffs in France[31] from August 15, 2006 fixed by the public authorities. This rise applies for EDF's residential customers and business customers that have elected to remain subject to the regulated tariff as the market is opened up.
- the official notification of a reduction in electricity transmission network access fees, and the anticipated decision concerning distribution networks in Germany which are expected to have a negative impact on EnBW's results for the second half-year.
- submission to the competent market authorities on August 28, 2006 by EDF International of a bid to acquire the shares not currently held (39.1 %) by EDF International in its subsidiary Demasz, the Hungarian distributor and supplier.

I.6 OUTLOOK

The results for the first half-year of 2006 confirm a sustained pace of development, in keeping with the multiannual financial forecasts announced. This trend should be seen to consolidate in the months to the end of 2006. In France, priority will be given to generation capacity investments with the start of work on the EPR, reactivation of oil-fired units and development of combustion turbines. Internationally, developments in gas prices and the impact of regulatory measures in Germany are issues that will require attentive management by the Group.

I.7 EXTRACTS FROM EDF SA'S FINANCIAL STATEMENTS

Net sales by EDF SA for the first half-year of 2006 amounted to € 17,029 million, while EBITDA reached € 4,434 million.

[31] *"Blue" tariff for residential customers and small business users, "yellow" and "green" tariffs for other business customers (industry, trade, agriculture)*