EDF GROUP

Half-year Financial Report
June 2007

Contents

1 Key figures

The figures presented in this chapter are taken from the EDF Group condensed consolidated half-year financial statements at June 30, 2007, which in particular describe the Group main accounting principles and methods (note 1) and the comparability between periods (note 3).
The condensed consolidated half-year financial statements comply with standard IAS 34 on interim financial reporting and the IAS/IFRS international accounting standards released at June 30, 2007, in the form in which they should be mandatory at December 31, 2007.

They do not include all the information required for full annual financial statements, and are to be read in conjunction with the consolidated financial statements at December 31, 2006 with reference to the principal accounting and valuation methods described in notes 1, 2 and 3 to the financial statements at December 31, 2006, taking into consideration changes in accounting policies over the period.

EDF Group: key figures for the first half-year of 2007 are the following :

(in millions of euros)	1st half-year 2007	1st half-year 2006[1]	Variation	Variation (%)
Sales	30,311	30,362	(51)	(0.2)
Operating profit before depreciation and amortization (EBITDA)	8,865	8,388	477	5.7
Operating profit (EBIT)	6,535	6,457	78	1.2
Net income	3,514	4,143	(629)	(15.2)
Net income excluding non-recurring items[2]	3,183	2,918	265	9.1*
Operating cash flow[3]	6,407	6,816	(409)	(6.0)

(in millions of euros)	June 30, 2007	Dec 31, 2006	Variation	Variation (%)
Net indebtedness	14,884	14,932	(48)	(0.3)
Equity, Group share	25,410	23,309	2,101	9.0

* Based on a constant scope of consolidation, the growth in net income excluding non-recurring items is +11.1%.

[1] *The figures published for the first half-year 2006 have been restated to reflect the change in presentation whereby net increases in provisions for renewal of property, plant and equipment operated under concession are reported under a specific heading.*

[2] *Non-recurring items taken into account on a net-of-tax basis. See section 2.3*

[3] *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.*

2 Results for the first half-year of 2007

2.1 Sales

2.2% organic growth in sales, reflecting the mild weather of the early part of the year

Sales for the first half-year of 2007 amounted to € 30,311 million, practically equivalent to the level registered for the first half-year of 2006 (-0.2%). Organic growth[4] was 2.2%.
Negative effects of changes in the scope of consolidation totaled € 771 million, mainly relating to the sale of Light in Brazil in the second half-year of 2006.
Business growth was curbed in Europe by the mild weather, which particularly affected sales volumes.
The foreign exchange effect was marginal (+€ 60 million).

In France, sales increased by +0.3% in the first half-year of 2007.
The positive effects of prices on wholesale electricity market forward sales for periods of more than one year in advance (auctions) which were fixed by contract in 2006 and of rises in regulated electricity sales tariffs in 2006 were offset by the fall in volumes resulting from weather conditions.
54.4% of the Group sales for first half-year of 2007 were generated in France (54.2% in first half-year of 2006).

In Europe excluding France (the United Kingdom, Germany, Italy and Rest of Europe segments), sales growth was 6.2% (4.8% in organic growth), in the same mild weather conditions.
In the first half-year of 2007, sales registered by **Europe excluding France** represented 43.5% of total consolidated sales, against 40.9% in the first half-year of 2006.

2.2 EBITDA

6.7% organic growth in EBITDA

Consolidated EBITDA reached € 8,865 million for the first half-year of 2007, a year-on-year increase of 5.7% (+€ 477 million). The impact of changes in the scope of consolidation was -€ 92 million, primarily relating to the sale of the Light group in Brazil.
Foreign exchange effects were marginal (+€ 8 million).
Organic growth in consolidated EBITDA was 6.7%.

In France, EBITDA rose by 7.5%.
France contributed 67.6% of Group EBITDA in the first half-year of 2007, compared to 66.5% for the same period of 2006.

In Europe excluding France, EBITDA increased by 7.7% and organic growth was 5.0%. The organic growth mainly concerned Italy (+13.9%) and the Rest of Europe (+8.3%).

In the **Rest of the World**, EBITDA registered organic growth of +6.3%.

Europe excluding France contributed 30.3% to consolidated EBITDA in the first half-year of 2007, compared to 29.7% in the first half-year of 2006.

[4] *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.*

2.3 EBIT

Stable EBIT (+1.2%)

The Group **EBIT** for the first half-year of 2007 was € 6,535 million, 1.2% higher than for the first half-year of 2006. This near stability results from non-recurring items[5] recorded in 2006 and 2007.

The **net income** for the half-year 2007 was € 3,514 million, against € 4,143 million for first half-year of 2006.

The **net income excluding non-recurring items**[6] amounted to € 3,183 million, an increase of € 265 million or 9.1% compared to the first half-year of 2006.
Based on a constant scope of consolidation, the growth in this item was 11.1%.

Net indebtedness[7] was stable at € 14,884 million at June 30, 2007, € 48 million lower than at December 31, 2006 (€ 14,932 million).

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[5] *See chapter 4, section 4.3 for more details.*

[6] *Non-recurring items in the first half-year 2007: € 331 million: Impact of the changes in useful lives for substation buildings and electronic metering equipment, and recognition of the decrease in renewal costs for this metering equipment (€ 338 million), the balance of -€ 7 million comprising the gain on sale of the residual 25% holding in Edenor (€ 111 million), and recognition of risks on investments (-€ 118 million).*
Non-recurring items in the first half-year 2006: € 1,225 million: recovery of impairment losses on Light and estimate at June 30, 2006 of the tax impact of the legal reorganization of Light (€ 999 million); gains on sales of Egyptian power plants and ASA (€ 339 million); recognition of impairment on EDF's share of goodwill concerning EnBW (-€ 318 million); reversal of the CER provision for exceptional additional pension (€ 215 million); other items (-€ 10 million)

[7] *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.*

3 Economic environment and significant events

3-1 Economic environment in the energy sector

Mild weather; lower prices on the energy markets

3-1.1 Economic environment

GDP growth

GDP growth in the Euro zone for the whole of 2007 is expected to be similar to its 2006[8] level (+2.8%).

In June 2007, the French National Institute for Statistics and Economic Studies (INSEE) estimated annual growth for 2007 at 2.1% for France (2.2% in 2006), 2.7% for the UK (2.8% in 2006), 2.9% for Germany (3% in 2006) and 2% for Italy (1.9% in 2006).
For the first two quarters of 2007, growth was generally lower than for the corresponding periods of 2006.

3-1.2 Trends in market prices and sales tariffs for electricity and natural gas

Electricity prices

Spot prices

Spot prices fell back markedly on the main European markets.

In France, during the first half-year of 2007, spot electricity prices[9] stood at an average € 30/MWh baseload and € 40.8/MWh peakload, some 44% lower than the same period of 2006, when the average was € 53.7/MWh baseload and € 72.7/MWh peakload. This downturn is largely attributable to the particularly mild weather of first half-year of 2007, whereas first half-year of 2006 had been marked by harsh weather conditions.

In Germany, spot prices[10] were also affected by the weather and fell by over 60%. The average baseload spot price was € 31.5/MWh for the first half-year of 2007 compared to € 51.9/MWh for the same period of 2006, while the average peakload spot price was € 45/MWh for the first half-year of 2007 compared to € 71/MWh for the same period of 2006.

In the United Kingdom, spot prices[11] declined to half their first half-year of 2006 level, with average prices of € 32.2/MWh baseload and € 40.8/MWh peakload. This decline reflects the lower pressure on the supply-demand balance for gas, after new gas pipelines were installed (Langeled and Balgzand-Bacton, linking the UK to Norway and the Netherlands respectively), and additional gas fields and new LNG (liquefied natural gas) terminals were opened.

In Italy, there was a less pronounced decline in spot prices[12] which remained high, at an average € 65.8/MWh baseload and € 94.8/MWh peakload, just under 10% lower than in the first half-year of 2006. Prices in Italy are traditionally higher than in Europe's central platform, because much of the country's electricity is generated by facilities fired by imported oil or natural gas, and because of low-level interconnections with neighboring countries.

[8] *Source: Note de conjoncture, INSEE, June 2007*
[9] *Average previous day Powernext price for same-day delivery*

[10] *Average previous day EEX price for same-day delivery*
[11] *Average previous day Platts OTC price (baseload and peakload) for same-day delivery*
[12] *Average GME price (baseload and peakload) for same-day delivery*

Forward prices

In France, during the first half-year of 2007, the average price under the 2008 annual contract (baseload[13]) was € 51.1/MWh. In comparison, the 2007 annual contract price (baseload) for the first half-year of 2006 was € 57.0/MWh. However, comparisons between the 2007 and 2008 annual contracts are not necessarily meaningful, particularly in view of the difference in CO_2 emission quota prices with the transition to Phase II (2008-2012) of the emissions trading scheme.
During the half-year, the 2008 annual contract baseload price initially decreased, from € 53/MWh in early January to € 46.2/MWh by mid-February, essentially as a result of lower CO_2 emission quota prices. There was a subsequent upturn under the influence of rising fossil fuel prices and Phase II (2008-2012) CO_2 emission quota prices, to € 53.6/MWh at the end of June 2007.

In Germany, the average price under the same annual contract was lower than French prices in the first half-year of 2007 at € 54.2/MWh, representing an average variance of € 3.1/MWh from French prices. In the first half-year of 2006, the average annual contract baseload price was € 54.7/MWh.

The stability of forward prices in Germany between first half-year of 2006 and first half-year of 2007 largely results from two mutually offsetting effects: the fall in CO_2 emission quota prices, and the rise in coal prices.

In the United Kingdom, the average April 2007 annual contract price for the first quarter of 2007 was € 45.2/MWh (baseload), 43% lower than under the April 2006 contract for the corresponding period of 2006. The decrease under the April 2008 annual contract in the second quarter of 2007 was smaller (close to 25%) than for the April 2007 annual contract in second-quarter 2006, with the average price amounting to € 56.9/MWh. The explanation for this decline in UK forward prices lies in the level of natural gas prices during the first half-year of 2007, which were approximately 40% lower than first half-year of 2006 levels.

[13] *Change between first half-year 2006 and first half-year 2007 in Platts average baseload year ahead index for France and Germany and from April 1, 2008 for the UK.*

CO_2 emission quota prices

During the first half-year of 2007, the price of CO_2 emission quotas for Phase I of the trading scheme (2005-2007) collapsed from € 5.7/tCO_2 at the beginning of January to € 0.1/tCO_2 at the end of June[14]. This fall results from the low market demand: in 2005 and 2006 there was a surplus of quotas, and given the particularly mild winter that began the year, 2007 could well see a similar trend.
The price of CO_2 emission quotas for Phase II (2008-2012) initially registered a downturn (from € 17.5/tCO_2 at the beginning of January to € 12.2/tCO_2 on February 20, 2007[15]). Subsequently, as National Allocation Plans (NAPs) were announced for Phase II, prices recovered and reached € 22.2/tCO_2 at the end of June 2007. At that date, 21 of Europe's 27 NAPs (covering more than 90% of allocated volumes) are considered final, and indicate a decrease of approximately 10% in allocations between the two phases.

Fossil fuel prices

Coal

Average calendar contract prices for coal were significantly higher than in the first half-year of 2006, rising from $ 63.4/t in 2006 to $ 71.8/t in 2007[16], due to strong supply/demand tension in Asia (demand increased sharply in China and India) and freight pressures (congestion in Australia).

Oil

After an initial dip from $ 60.4/barrel at January 1, 2007 to $ 51.75/barrel at January 18, oil prices (Brent North Sea, Front Month)[17] marked an upturn as a result of increasing political tensions in the Middle East (Iran) and Africa (Niger Delta), and the level of US oil stocks, reaching $ 71.4/barrel by June 30.

The average Brent price for the first half-year of 2007 was $ 63.6/barrel, $ 2.9/barrel lower than in the same period of 2006.

Natural gas

Natural gas prices (in the United Kingdom under the Next Gas Year contract)[18] saw a marked drop in January and February 2007, then recovered in March as a result of oil price rises and speculative trading. Norwegian gas supply uncertainties also kept prices up. The average annual contract price was £ 0.367/therm, down by £ 0.275/therm (43%) from the first half-year of 2006. Supply-demand tension was particularly high on natural gas markets in early 2006 due to high import requirements, but the situation was resolved in late 2006 when new supply sources came into operation.

Electricity and natural gas sales tariffs

There were no significant developments in electricity and natural gas sales tariffs during the first half-year of 2007 in most countries where the Group does business, except in the United Kingdom, where competition intensified and operators reduced their sales tariffs by an average of 10%-15% for natural gas and 5% for electricity. In view of the competition, EDF Energy decided to reduce its gas prices by 10% from June 15, 2007 for residential customers.

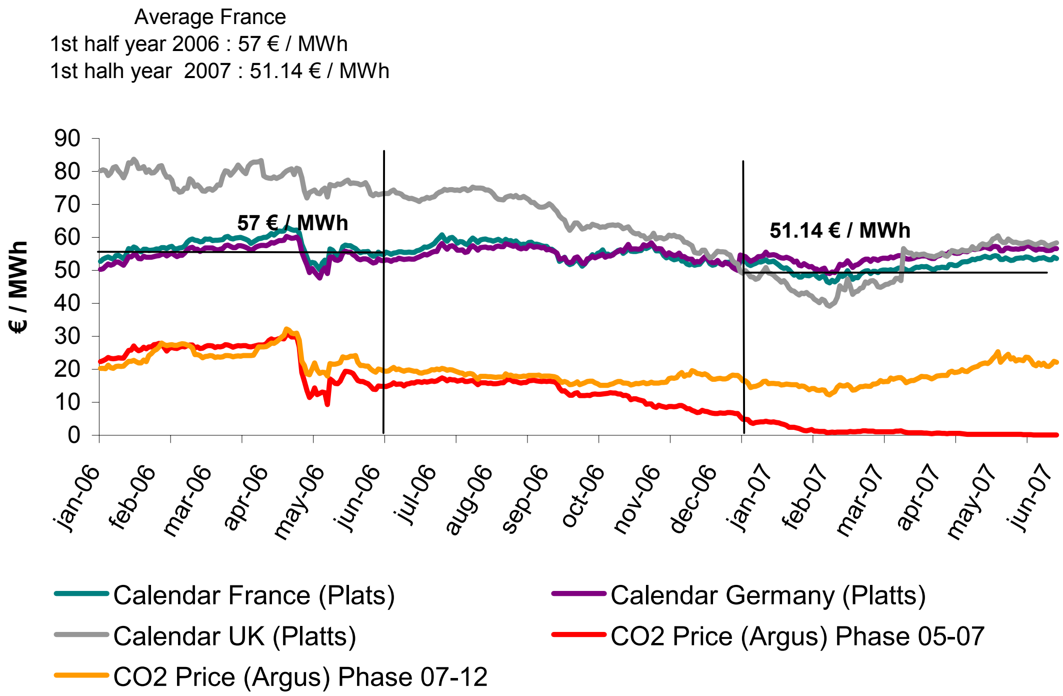
[14] Argus index annual contract price for delivery in December / Phase I (2005-2007)

[15] Argus index annual contract price for delivery in December / Phase II (2008-2012)

[16] Average Argus OTC index for delivery in Europe (CIF ARA) the following calendar year

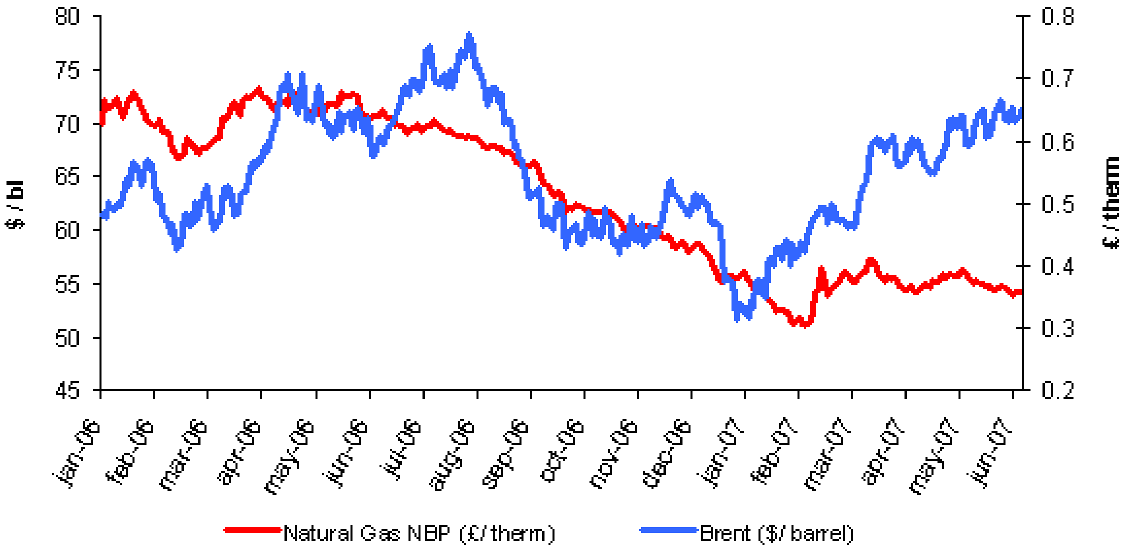
[17] Brent first reference crude oil barrel, IPE index ($/barrel)

[18] Change between first half-year 2006 and first half-year 2007 in Platts average OTC index for delivery starting from October of the following year for the UK.



FORWARD ELECTRICITY PRICES IN FRANCE, THE UNITED KINGDOM AND GERMANY AND CO2 EMISSION QUOTA PRICES FOR BOTH PHASES

* "Calendar" means the average Platts OTC index (baseload) for delivery in the next calendar year for France and Germany, and for delivery starting from April 1, of the following year for the UK.



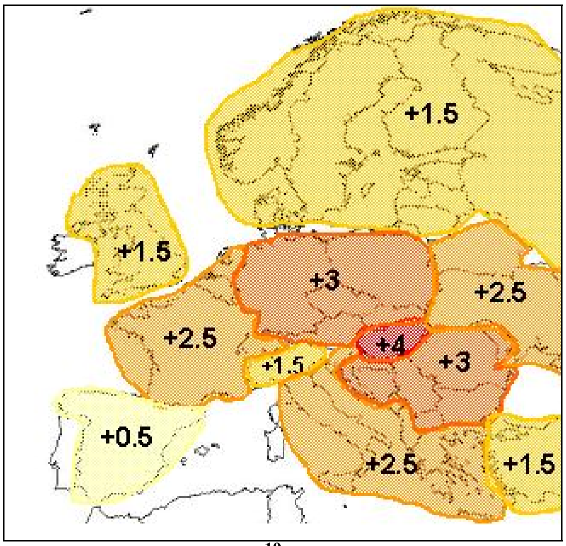
GAS AND BRENT FORWARD PRICES

** "Brent": Brent first reference crude oil barrel, IPE index ($/barrel) / (Average Platts OTC index for delivery starting from October of the following year in the UK (NBP)).

3-1.3 Weather conditions

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

Temperatures



Temperature variance[19] from seasonal norms in the first half-year of 2007 (°C)

All over Europe, the first half-year of 2007 was marked by gross average temperatures that were above normal seasonal levels by 0.5° -4°C, depending on the country.
In France, after weighting for electricity consumption[20], temperatures were 0.8°C higher than normal over the half-year, particularly due to the exceptionally mild weather experienced in January and April (2.3°C above normal seasonal levels on average) and short, moderate winter cold spells.
The average temperature for the six-month period was 2°C higher than in 2006, which was marked by a long spell of winter weather.

[19] *As measured from 1982 to 2006, unadjusted for electricity consumption*

[20] *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

While the first half-year of 2006 was strongly affected by drought, rainfall returned to a more normal level in the first half-year of 2007, and notably above-average levels were recorded in the northern half of France and beyond. However, in south-east France (Southern Alps and Southern Massif Central) where many of EDF dams are located, there was a further dry period. In addition, there was little snowfall in mountain areas during the winter and this affected water runoff into the dam lakes during the spring thaws. This 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).

Electricity consumption

Internal electricity consumption in France for the first half-year of 2007 totaled 239.7 TWh[21], 5% less than for the same period of 2006[22].
This lower consumption is attributable to the mild temperatures during the half-year. After adjustment for the impact of the unusual weather conditions of the first half-years of 2006 and 2007, electricity consumption in France rose by 1.6% compared to the first half-year of 2006.

[21] *1 TWh= 1 billion kWh*

[22] *Source : RTE – EDF Transport*

3-2 Significant events[23]

3-2.1 Changes in market structure and implementation of recent regulatory changes

Preparation for total opening of the electricity and natural gas market in France from July 1, 2007

EDF prepared for the total opening of the French electricity and natural gas markets on July 1, 2007 by adjusting and extending its product and service range, and reorganizing its sales and distribution structures.
Meanwhile, all the necessary steps were taken to guarantee all suppliers access to the electricity distribution network from July 1, in fully equitable and transparent conditions.
(See chapter 7, Subsequent events)

Transfer of the distribution activity to a subsidiary

French Law 2006-1537 of December 7, 2006 on energy requires distribution of electricity in mainland France to be carried out by an entity that is legally distinct from EDF in 2007.
On June 14, 2007, EDF Board of Directors therefore authorized signature of a partial business contribution agreement for the transfer of its distribution activity to a subsidiary.
Under the terms of this agreement, EDF will contribute public electricity distribution network facilities, and assets of all kinds owned by EDF which relate to electricity distribution, to the future subsidiary EDF-Réseau de Distribution[24].
The transfer will take place at net book value of € 2.7 billion, with retroactive tax and accounting effect from January 1, 2007.
In consideration of the contribution, EDF will be attributed 540 million fully paid-up shares, to be issued by the future subsidiary EDF-Réseau de Distribution in a capital increase for a total of € 270 million, with a general contribution premium of € 2.43 billion.
This operation will be submitted for approval by EDF shareholders at an extraordinary shareholders' meeting convened for this purpose on December 20, 2007. It will be legally effective at January 1, 2008.

Partnership agreement with the Exeltium consortium

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 and commercial 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 covers volumes of some 350 TWh spread over 24 years. Its initial objective was to enable Exeltium, and ultimately other electricity-intensive industrial customers, 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.
The terms of the agreement are not yet final: it was presented to the European Commission in the spring. The Commission and the parties to the agreement are in discussions to reach an arrangement that is satisfactory in view of competition rules.

3-2.2 Reinforcement and maintenance of generation capacities

Nuclear generation

France

Decree authorizing development of the EPR[25] **nuclear power plant in Flamanville**

The authorization decree for development of the "Flamanville 3" nuclear power plant, signed by the Prime Minister on April 10, 2007, was a significant milestone in the plant's construction and future operation. The most important construction and engineering work is due to begin in December 2007 now that the principal authorizations (the above decree and planning permission) have been obtained.
Three associations lodged challenges against this decree with the *Conseil d'Etat* on June 5, 2007, and this could cause delays in the plant's general construction schedule.

[23] Significant events relating to litigation are described in chapter 9.
[24] A wholly-owned EDF subsidiary

[25] European Pressurized Reactor

Sustainable management of radioactive materials and waste

Decree 2007-243 of February 23, 2007 and the decision of March 21, 2007 determine the content and form of the three-yearly report on the secure coverage of nuclear expenses required by this law.
The first of these reports was submitted on June 28, 2007 to France's Ministry of Ecology and Sustainable Development, France's Ministry of Economy, Finance and Employment and the other addressees as stipulated in the laws. Its main contents concern:
• The nature of expenses related to nuclear activities, their allocation and measurement, and the related provisions established.
• The method for determining the discount rate used in calculation of provisions and the maximum limit for that rate.
• The internal management of assets dedicated to covering these expenses, the nature of dedicated assets authorized to secure their financing, their exposure to financial risks and associated disclosures.
• Accounting disclosures required by the accounting regulations in force, and information required by law.

The figures in this report are based on the presentation format and values used in establishing the financial statements at December 31, 2006. The half-year financial statements at June 30, 2007 have been prepared on the same continuous basis.
Following publication of the application decree and decision in 2007, EDF will make the necessary adjustments for full compliance with requirements by the 2007 year-end (see notes 22.2 and 22.5 to the condensed consolidated financial statements at June 30, 2007).

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. The cleaning process reduced the availability of nuclear plants by 0.5 points in 2006.
EDF estimates the impact of this process at 2.5 points in 2007 and 2 points in 2008 and 2009, in view of the cleaning operations required for the steam generators concerned (some fifteen 900 MW and 1300 MW units).

EDF intends to moderate this impact on output through better utilization of the available generation facilities.

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

Following publication of the Energy White Paper on May 23, 2007 and the announcement of a public consultation to be held on the proposed construction of new plants in the United Kingdom, EDF wishes to contribute its skills and experience in nuclear power to support the process.
EDF intends to be a major player in the international re-emergence of nuclear power, particularly in the United Kingdom. Together with AREVA, the Group has submitted an application for certification of an EPR plant model of the same type as the plant under construction in Flamanville, 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.

For details, see chapter 7, Subsequent events.

Fossil-fired and hydropower generation

EDF steps up its program for construction of new fossil-fired plants

In France, EDF 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 will thus have a further 1,180 MW of generation capacity by 2010[26].

[26] *Three combustion turbines with combined power of 555 MW will be installed at the Vaires-sur-Marne and Montereau site in France's Seine et Marne area. A 440 MW combined-cycle gas unit will be constructed on the site currently occupied by the Blénod-lès-Pont-à-Mousson fossil-fired plant in the Meurthe et Moselle area. The existing oil-fired plant at Martigues (Bouches-*

In the United Kingdom, EDF Energy is proposing to construct a 1,260 MW combined-cycle gas plant at West Burton, 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 (natural gas-fired plants) and renewable energies (wind farms).

In Italy, Edison is completing construction of two 850 MW CCG plants. The Turbigo (Edipower) plant and the Simeri Crichi (Edison) plant are scheduled to come on line in the second half of 2007.

EDF has made its entry into the Netherlands through a partnership agreement with the energy operator Delta. The two groups have set up a joint company, Sloe Centrale BV, to construct and operate a combined-cycle gas plant in the Netherlands pursuant to an agreement signed in March 2007.
EDF and Delta will each provide 50% of the financing for construction of a 870 MW plant in the industrial area of Sloe, in the south-west Netherlands, and each benefit from 50% of the electricity generated. The plant is due to come on line in 2009, and the total value of the construction and maintenance contracts is € 550 million.

Hydropower plant performance and safety

In 2006, EDF launched a technical renovation and reinforced maintenance program for hydropower facilities (the SuPerHydro program) worth some € 500 million overall for the period 2007-2011. The objective is to renew certain plants, maintain a high level of hydropower safety in the long term, and preserve technical performance for all the relevant facilities.

3-2.3 Development by EDF Energies Nouvelles in the field of solar energy

EDF Energies Nouvelles has taken a new step forward in development of the solar photovoltaic energy segment with the signature of a photovoltaic module supply contract with US company First Solar. The order covers 230 MWp[27] in modules deliverable progressively between mid-2007 and year-end 2012. The supply of these modules will enable EDF Energies Nouvelles to secure part of its program to construct photovoltaic plants for itself and for other organizations in Europe and the United States. This order consolidates the development strategy in the solar segment already initiated by EDF Energies Nouvelles.

3-2.4 Development of natural gas activities

The EDF Group continued to pursue its development and investment strategy for natural gas activities during the first half-year of 2007.
On May 31, EDF and EnBW announced their joint participation in a plan for gas storage in salt caverns in 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.
The Quatar gas group Ras Laffan Liquefied Natural Gas Company Limited (II) (RasGas) signed a 4½ year agreement with the EDF Group through its wholly-owned subsidiary EDF Trading Ltd, for flexible supplies of liquefied natural gas (LNG). The annual volume concerned is 50 TWh (4.5 billion m^3).
EDF set up a consortium with Distrigaz, ENI and Essent, 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 LNG terminal due to come into operation in 2008.
In connection with the planned construction of a methane terminal at Dunkerque, EDF and the Dunkerque Port Authorities signed a memorandum of agreement on March 16, 2007 setting forth the general framework of the terms for use of the site, and cooperation between the parties; on April 4, the French Commission for Public Debate decided to organize an open debate on the project scheduled for autumn 2007.
In the south of Europe, on May 22, 2007 the European Commission approved an amendment to the planned IGI/Poseidon gas pipeline between Greece and Italy. This ruling will exempt Edison and Depa, developers of the project, from third party access obligations,

du-Rhône), which has three 250 MW units, will be converted into two CCG units with total capacity of 930 MW.

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

therefore entitling them to use the new pipeline's entire transmission capacity.
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.

3-2.5 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)[28] may be considered as state aid since their introduction.

3-2.6 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 in executing the work were also encountered.
Consequently, Metronet's shareholders decided, as was their right under a clause in the contract with London Underground, to have the economic terms of the contract reviewed by an independent arbiter for June 2007, with a view to gaining additional financing from London Underground. The resulting additional financing awarded in mid-July was not sufficient to prevent Metronet entering into insolvency administration on July 18, 2007.
In view of this situation and the commitments entered into by EDF Energy, a provision was booked at June 30, 2007 to cover the risks to which EDF Energy considers itself exposed.

3-2.7 Changes in the scope of consolidation

The principal changes in the scope of consolidation are presented in note 5 to the condensed consolidated half-year financial statements at June 30, 2007, and relate to the following:

EnBW: sale of U-plus and consolidation of Drewag

In May 2007, EnBW sold its subsidiary U-Plus (a waste processor) to the German company Alba.
The EnBW Group also now includes Drewag (the city of Dresden's municipal operator) in its consolidation, by the equity method.

Exercise of Edison warrants

On February 1, 2007, Edison announced that the Tassara Group had exercised 519,554,810 warrants at the subscription price of € 1 Edison consequently received € 519.6 million and proceeded to a corresponding capital increase.
Following this operation, the EDF Group owned 48.96% of Edison, including potential rights corresponding to warrants held by the Group (see note 4.2 to the condensed consolidated financial statements at June 30, 2007).

Sale by Edison of its investment in Serene

On February 14, 2007, Edison sold its 66.6% investment in Serene SpA (electricity generation plants benefiting from sales contracts under the CIP6/92 incentive system) to BG Italia, a subsidiary of the British Gas Group.

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.

[28] *TaRTAM : Tarif transitoire d'ajustement au marché*

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.

Launch of the process for sale of Mexican activities

In mid-January 2007 EDF launched the process to sell its Mexican activities, which is still in process.

3-2.8 Free share plan for Group employees

The General Shareholders' Meeting of May 24, 2007 authorized the Board of Directors to introduce a free share plan for Group employees.
An agreement was signed on June 8, 2007 with the French trade union confederations CFDT, CFE-CGC and CFTC, providing for the allotment to each employee of a fixed number of 10 shares, plus a number of shares in proportion to annual salary. The free shares will be allotted subject to performance targets.

The final conditions for allotment of free shares were approved by the Board of Directors on August 30, 2007. This plan will concern close to 3 million shares and more than 150,000 employees in some twenty countries. Final allotment of free shares will take place in August 2009 subject to achievement of the performance requirements.

4 Analysis of the consolidated income statements for the first half-years of 2007 and 2006

The principles governing the EDF Group segment reporting are described in note 6 to the condensed consolidated half-year financial statements at June 30, 2007.

Half-years ended June 30 **In millions of euros**	**1st half-year 2007**	**1st half-year 2006[29]**
Sales	30,311	30,362
Fuel and energy purchases	(11,902)	(12,494)
Other external expenses	(4,180)	(3,817)
Personnel expenses	(5,025)	(4,833)
Taxes other than income taxes	(1,636)	(1,601)
Other operating income and expenses	1,297	771
Operating profit before depreciation and amortization (EBITDA)	**8,865**	**8,388**
Net depreciation and amortization	(2,717)	(2,657)
Net increases in provisions for renewal of property, plant and equipment operated under concession	(279)	(264)
Impairment	0	299
Other income and expenses	666	691
Operating profit (EBIT)	**6,535**	**6,457**
Financial result	**(1,255)**	**(1,501)**
Income before taxes of consolidated companies	**5,280**	**4,956**
Income taxes	(1,695)	(888)
Share in income of companies accounted for under the equity method	6	184
Net income from discontinued operations	8	4
Group net income	**3,599**	**4,256**
Minority interests	(85)	(113)
EDF net income	**3,514**	**4,143**
Earnings per share in euros	**1.93**	**2.27**
Diluted earnings per share in euros	**1.93**	**2.27**

[29] *The figures published for the first half-year 2006 have been restated to reflect the change in presentation whereby net increases in provisions for renewal of property, plant and equipment operated under concession are reported under a specific heading (see notes 2 and 3 to the condensed consolidated half-year financial statements).*

4-1 Sales

+2.2% organic growth in consolidated sales, marked by the mild weather

In millions of euros	1st half-year 2007	1st half-year 2006	Variation	Variation (%)	Organic growth (%)
France	**16,493**	**16,447**	**46**	**0.3**	**0.3**
United Kingdom	4,395	4,022	373	9.3	7.3
Germany	3,497	2,996	501	16.7	10.4
Italy	2,300	2,919	(619)	(21.2)	(8.8)
Rest of Europe	2,986	2,468	518	21.0	10.2
Europe excluding France	**13,178**	**12,405**	**773**	**6.2**	**4.8**
Rest of the World	640	1,510	(870)	(57.6)	0.9
Group Sales	**30,311**	**30,362**	**(51)**	**(0.2)**	**2.2**

The EDF Group consolidated sales totaled € 30,311 million for the first half-year of 2007, practically equivalent to the first half-year of 2006 level (-0.2%). This incorporates the negative impact of changes in the scope of consolidation (€ 771 million) resulting mainly from the sale of Light in Brazil in the second half-year of 2006. Foreign exchange effects were marginal (€ 60 million) and mostly caused by the rising value of the pound sterling.
Excluding the effects of changes in the scope of consolidation and foreign exchange rates, sales for the first half-year of 2007 registered year-on-year organic growth of +2.2%.

This organic growth includes positive price effects, particularly in France and the United Kingdom, following rises in sales prices and tariffs in both countries during 2006. However, organic growth was hindered by the contrasting weather in the two periods (the first six months of 2007 were particularly mild in Europe), which led to lower consumption of electricity and natural gas and unusually low pressure on wholesale prices for this period of the year.

In France, sales for the first half-year of 2007 rose by +0.3% to € 16,493 million, influenced by a positive price effect on wholesale electricity market forward sales for periods of more than one year in advance (auctions) for which prices were set by contract in 2006, and the regulated tariff rise of August 2006.
For electricity sales, volumes were affected over the period by the mild weather[30], and in the second quarter by the lower availability of nuclear facilities due to execution of major maintenance programs. In the same quarter, the introduction of the TaRTAM transition tariff also helped to stabilize sales prices for the customers concerned. Meanwhile, natural gas sales continued to rise, with 47,000 sites supplied at the end of June, 2007.
The Group made 54.4% of its consolidated sales for the first half-year of 2007 in France (54.2% in first half-year of 2006).

In Europe excluding France, sales grew by 6.2% (organic growth of 4.8%) to € 13,178 million in the same mild weather context, indicating that the Group's sustained level of international development continues.

In the United Kingdom, EDF Energy registered sales of € 4,395 million, an increase of 9.3%. The 7.3% organic growth is mainly attributable to the tariff increases for electricity and natural gas introduced in the second half-year of 2006, although the volumes sold were lower due to mild weather conditions in the UK, in the first half of 2007. EDF Energy reduced its natural gas prices on June 15, 2007, with negligible effect on the results for the first half-year of 2007.
EDF Energy also won some 240,000 additional customer accounts compared to the first half-year of 2006, amongst fierce competition on price.

[30] *First half-year temperatures (weighted according to electricity consumption by region) were, on average, 1°C higher than normal in 2007 and 2°C lower than normal in 2006.*

In Germany, consolidated sales rose by 16.7% to € 3,497 million, with organic growth of 10.4%. Electricity sales increased by 20%, boosted by the volumes sold to industrial customers and on the wholesale markets, as well as a positive price effect. The 25% decline in natural gas sales related to the fall in sales volumes associated with the mildness of the weather.
EnBW's sales include the positive 6.3% effect of changes in the scope of consolidation, principally resulting from full consolidation of its investment in Stadtwerke Düsseldorf (SWD) over the whole half-year, compared to three months in the first half-year of 2006.

In Italy, consolidated sales totaled € 2,300 million, a decrease of 21.2% (organic decline 8.8%). The main factor is the € 2,033 million contribution by Edison.
The organic decline in sales mainly concerns Edison, which recorded lower volumes of natural gas sales due to the mild weather.

In the Rest of Europe, sales reached € 2,986 million, an improvement of 21%. Organic growth (+10.2%) was largely driven by price rises in Hungary, Poland and Slovakia, and by the expansion of EDF Energies Nouvelles.
Sales for this area include the positive effect of changes in the scope of consolidation, principally the change in consolidation method for SSE in Slovakia and EDF Energies Nouvelles, and acquisitions by Dalkia International.

In the Rest of the World, the contribution to Group sales declined by 57.6% overall (with organic growth at 0.9%). This downturn reflects the negative effects of changes in the scope of consolidation (-56.0%) following deconsolidation of Light in Brazil at June 30, 2006. Organic growth mainly related to higher electricity generation levels in Asia.

The Group made 45.6% of consolidated sales outside France.

4-2 EBITDA

6.7% organic growth in EBITDA

In millions of euros	1st half-year 2007	1st half-year 2006	Variation	Variation (%)	Organic growth (%)
Sales	30,311	30,362	(51)	(0.2)	2.2
EBITDA	8,865	8,388	477	5.7	6.7

Consolidated EBITDA for the first half-year of 2007 was € 8,865 million, a rise of 5.7% compared to the first half-year of 2006.
Organic growth was 6.7%.

In millions of euros	1st half-year 2007	1st half-year 2006	Variation	Variation (%)	Organic growth (%)
France	5,995	5,579	416	7.5	7.5
United Kingdom	629	643	(14)	(2.2)	(4.2)
Germany	643	593	50	8.4	3.7
Italy	506	468	38	8.1	13.9
Rest of Europe	906	787	119	15.1	8.3
Europe excluding France	2,684	2,491	193	7.7	5.0
Rest of the World	186	318	(132)	(41.5)	6.3
Group EBITDA	**8,865**	**8,388**	**477**	**5.7**	**6.7**

Europe including France contributed 97.9% of Group EBITDA.

In France, EBITDA progressed by +7.5%.
France contributed 67.6% of Group EBITDA in the first half-year of 2007, compared to 66.5% in the first half-year of 2006.

In Europe excluding France, EBITDA increased by 7.7%, with organic growth at 5.0%. This organic growth mainly concerned Italy (+13.9%) and the Rest of Europe (+8.3%).
In contrast, EBITDA registered an organic decline of 4.2% in the United Kingdom.

In the Rest of the World, EBITDA declined substantially (-41.5% with organic growth of 6.3%).

The **EBITDA/sales** ratio for the first half-year of 2007 stood at 29.2% (27.6% in first half-year of 2006), with contrasting trends in different segments: improvements in the Rest of the World (+8.0 points), Italy (+6.0 points), and France (+2.4 points) and declines in the United Kingdom (-1.7 points), the Rest of Europe (-1.6 points), and Germany (-1.4 points).

4-2.1 Fuel and energy purchases

Fuel and energy purchases amounted to € 11,902 million, a decrease of € 592 million (-4.7%) from the first half-year of 2006 and an organic decline of - 0.5%.

This decrease in fuel and energy purchases resulted from a decrease in the Rest of the World (-57.3%), Italy (-32.6%), and to a lesser extent France (-1.5%), partly offset by an increase in Germany (+24.6%), the Rest of Europe (+13.7%), and the United Kingdom (+6.6%).

In the Rest of the World, the 57.3% decrease is largely explained by the effect of changes in the scope of consolidation (-53.9%) due to deconsolidation of Light from June 30, 2006, and a foreign exchange effect (-2.9%) associated with the fall in value of the Brazilian real.

In Italy, changes in the scope of consolidation (disposal of Rete and Serene, and acquisition of EEI by Edison) accounted for -14.4% of the decrease, and the rest (20.1%) resulted from 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.
In France, the 1.5% decrease is mostly attributable to the lower use of oil-fired plants, which led to a fall in fuel consumption.

In Germany, the 24.6% rise in fuel and energy purchases results from a 7.4% effect of changes in the scope of consolidation (mainly relating to Stadtwerke Düsseldorf), and purchases in connection with the growth of business on the wholesale markets.

In the Rest of Europe, the main factor underlying the 13.7% rise was the changes in the scope of consolidation (14.2%), principally the consolidation method change for SSE.

In the United Kingdom, the 6.6% increase in fuel and energy purchases mainly results from lower supply costs, which were primarily reduced by the falling cost of CO_2 emission quotas. The increase also includes the 2% foreign exchange effect associated with the rise of the pound sterling.

4-2.2 Other external expenses

Other external expenses amounted to € 4,180 million, € 363 million (+9.5%) higher than in the first half-year of 2006, with organic growth at + 9.5%.
Other external expenses increased substantially in the Rest of Europe (+75.3%), the United Kingdom (+30.0%) Italy (+10.9%) registered little change in France (+0.2%) and Germany (+1.0%).
In the Rest of the World, other external expenses decreased significantly by 62.0%.

In the Rest of Europe, the 75.3% rise in other external expenses is primarily due to development of new energies, services and projects, and to a lesser extent, changes in the scope of consolidation.

In the United Kingdom, the 30% increase in other external expenses is associated with business growth, particularly the higher volumes of maintenance work (for Trans4m and in the regulated networks) as reflected in sales. A secondary factor was the rise in marketing expenses incurred for commercial development. The increase also integrates the 2% foreign exchange effect associated with the rise of the pound sterling.

In France, the near stability observed (+0.2%) results from productivity gains and non-recurring items, which offset the rise in maintenance costs and the costs involved in preparing for the residential markets' opening to competition.

In the Rest of the World, the decrease in these expenses is mainly due to the effect of changes in the scope of consolidation in Brazil.

4-2.3 Personnel expenses

Personnel expenses stood at €5,025 million, a year-on-year increase of € 192 million (+4.0%), corresponding to organic growth of 3.7%. These expenses saw rises in the United Kingdom (+22.5%), the Rest of Europe (+12.0%), Germany (+10.0%), Italy (+3.4%) and France (+2.4%).

In the United Kingdom, the 22.5% rise primarily results from the growth in workforce numbers as a result of commercial expansion, and salary rises. It also reflects a 2% foreign exchange effect.

In France, the increase of 2.4% in personnel expenses is largely due to non-recurring costs (provision for end-of-career leave). Salary increases were partly offset by the fall in workforce numbers (-2.4%).

In the Rest of the World, the Rest of Europe and to a lesser degree **in Germany,** changes in the scope of consolidation were the principal reason for changes in personnel expenses.

4-2.4 Taxes other than income taxes

Taxes other than income taxes totaled € 1,636 million in the first half-year of 2007, an increase of € 35 million (+2.2%) from first half-year of 2006. Most of this increase concerned France (+2.4%), mainly due to rises in business tax and land tax[31].

4-2.5 Other operating income and expenses

Other operating income and expenses resulted in net income of € 1,297 million for the first half-year of 2007, € 526 million (+68.2%) higher than for the same period of 2006.
Among other factors, this rise reflects a major increase **in France** (+63.1%), primarily due to the rise in the Contribution to the Public Electricity Service (CSPE)[32] received in compensation for the additional costs generated by electricity purchase obligations. These additional costs are assessed with reference to spot market prices, which declined markedly. The rise in other operating income and expenses also results from a 94.2% decrease in net expenses in the **Rest of the World**, principally resulting from changes in the scope of consolidation (deconsolidation of Light).

[31] *Taxe professionnelle and Taxe foncière.*
[32] *Contribution au Service Public de l'Electricité*

4-3 EBIT and net income
1.2% growth in EBIT

In millions of euros	1st half-year 2007	1st half-year 2006	Variation	Variation (%)
EBITDA	**8,865**	**8,388**	**477**	**5.7**
Net depreciation and amortization	(2,717)	(2,657)	(60)	2.3
Net increases in provisions for renewal of property, plant and equipment operated under concession	(279)	(264)	(15)	5.7
Impairment	0	299	(299)	NS
Other income and expenses	666	691	(25)	(3.6)
EBIT	**6,535**	**6,457**	**78**	**1.2**

EBIT reached €6,535 million in the first half-year of 2007, an increase of 1.2% from first half-year of 2006. Much of the increase in EBITDA was neutralized by changes in impairment (due to recognition of non-recurring items in 2006).

4-3.1 Net depreciation and amortization

Net depreciation and amortization for the first half-year of 2007 amounted to € 2,717 million, a year-on-year rise of € 60 million (2.3%). That increase mainly concerned the Rest of Europe (+€ 31 million).

4-3.2 Net increases in provisions for renewal of property, plant and equipment operated under concession[33]

These provisions for renewal increased by € 15 million in the first half-year of 2007, +5.7%, more than in the first half-year of 2006. Most of the increase was recorded in the France segment.

4-3.3 Impairment

No impairment was recorded in the first half-year of 2007. In the first half-year of 2006, impairment and reversals resulted in net income of € 299 million, comprising impairment of € 318 million booked in respect of EDF's share of EnBW goodwill, and a reversal of € 624 million from impairment in connection with the sale of Light.

4-3.4 Other income and expenses

Other income and expenses totaled € 666 million for the first half-year of 2007, compared to € 691 million for the first half-year of 2006.
Variations in this item concern France and the Rest of Europe only.

In France, other income and expenses reflect the recognition in first half-year of 2007 of the positive € 555 million impact 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 on the provision for renewal.
In the first half-year of 2006, other income and expenses in France included an amount of € 328 million reversal from the provision for the exceptional additional pension.

In the Rest of Europe, other income and expenses in the first half-year of 2007 show a net gain of € 111 million, corresponding to the gain recorded by EDF International on the disposal in May 2007 of its 25% residual investment in Edenor. In first half-year of 2006, the net gain of € 363 million mainly concerned gains on the sale of ASA and two Egyptian power plants.

[33] *The figures published for the first half-year 2006 have been restated to reflect the change in presentation whereby net increases in provisions for renewal of property, plant and equipment operated under concession are reported under a specific heading.*

4-4 Financial result

In millions of euros	1st half-year 2007	1st half-year 2006	Variation	Variation (%)
Cost of gross financial indebtedness	(750)	(776)	26	(3.4)
Discount expense	(1,314)	(1,280)	(34)	2.7
Other financial income and expenses	809	555	254	45.8
Group financial result	**(1,255)**	**(1,501)**	**246**	**(16.4)**

The financial result of -€ 1,255 million registered an improvement of € 246 million (-16.4%) compared to the first half-year of 2006, mainly attributable to the following:
- A +€ 26 million improvement in the cost of gross indebtedness essentially due to deconsolidation of Light from July 1, 2006 (+€ 56 million), despite rising interest rates,
- A -€ 34 million decrease in discount expenses, particularly for nuclear provisions in France,
- A +€ 254 million improvement in other financial income and expenses, mainly caused by better returns on short-term investments (+€ 99 million), the change in increases to financial provisions (+€ 55 million) and the foreign exchange result excluding indebtedness (+€ 32 million).

4-5 Income taxes

Income taxes for the first half-year of 2007 amounted to € 1,695 million compared to € 888 million for the first half-year of 2006.
This € 807 million year-on-year increase results from the particularly low levels of taxes in first half-year of 2006 resulting from the legal reorganization of the Light group prior to its sale, and the favorable effects of changes in tax legislation in Italy.
At June 30, 2007, income taxes include income of € 111 million in respect of EDF Energy, corresponding to the saving generated by the lower UK corporate income tax rate adopted in June 2007 for application in 2008.

4-6 Share in net income of companies accounted for under the equity method

The share in net income of companies accounted for under the equity method was € 6 million at June 30, 2007, € 178 million lower than at June 30, 2006.
This difference primarily results from an increase in provisions in the United Kingdom, and a decrease in the Rest of Europe (change in consolidation method for SSE) and the Rest of the World (sale of the residual interest in Edenor).

4-7 Net income, Group share

The Group share of net income was €3,514 million in first half-year of 2007, 15.2% lower than first half-year of 2006 (€4,143 million).

The Group share of net income excluding non-recurring items was € 3,183 million in first half-year of 2007, a rise of € 265 million or +9.1% from first half-year of 2006.
Based on a constant scope of consolidation, the increase was 11.1%.

5 Breakdown of EBIT by geographical area

The Group's segment reporting principles are presented in note 6 to the condensed consolidated half-year financial statements at June 30, 2007.
The breakdown of EBIT by geographical area is as follows:

In millions of euros **1st half-year 2007**	France	United Kingdom	Germany	Italy	Rest of Europe	Europe excluding France	Rest of the World	Total
SALES	**16,493**	**4,395**	**3,497**	**2,300**	**2,986**	**13,178**	**640**	**30,311**
Fuel and energy purchases	(4,126)	(2,720)	(2,151)	(1,486)	(1,024)	(7,381)	(395)	(11,902)
Other external expenses	(2,278)	(580)	(400)	(304)	(582)	(1,866)	(36)	(4,180)
Personnel expenses	(3,767)	(370)	(340)	(92)	(447)	(1,249)	(9)	(5,025)
Taxes other than income taxes	(1,457)	(57)	(7)	0	(108)	(172)	(7)	(1,636)
Other operating income and expenses	1,130	(41)	43	90	81	173	(6)	1,297
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**5,995**	**629**	**643**	**506**	**906**	**2,684**	**186**	**8 865**
Net depreciation and amortization	(1,835)	(237)	(176)	(214)	(200)	(827)	(55)	(2,717)
Net increases in provisions for renewal of property, plant and equipment operated under concession	(275)	0	0	0	(4)	(4)	0	(279)
Impairment	0	0	0	0	0	0	0	0
Other income and expenses	555	0	0	0	111	111	0	666
OPERATING PROFIT (EBIT)	**4,440**	**391**	**466**	**292**	**812**	**1,961**	**134**	**6,535**

In millions of euros **1st half-year 2006**	France	United Kingdom	Germany	Italy	Rest of Europe	Europe excluding France	Rest of the World	Total
SALES	**16,447**	**4,022**	**2,996**	**2,919**	**2,468**	**12,405**	**1,510**	**30,362**
Fuel and energy purchases	(4,187)	(2,552)	(1,726)	(2,204)	(901)	(7,383)	(924)	(12,494)
Other external expenses	(2,273)	(446)	(396)	(274)	(332)	(1,448)	(96)	(3,817)
Personnel expenses	(3,679)	(302)	(309)	(89)	(399)	(1,099)	(55)	(4,833)
Taxes other than income taxes	(1,423)	(54)	(12)	(1)	(101)	(168)	(10)	(1,601)
Other operating income and expenses	693	(25)	39	117	50	181	(103)	771
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**5,579**	**643**	**593**	**468**	**787**	**2,491**	**318**	**8,388**
Net depreciation and amortization	(1,813)	(216)	(166)	(227)	(169)	(778)	(66)	(2,657)
Net increases in provisions for renewal of property, plant and equipment operated under concession	(260)	0	0	0	(4)	(4)	0	(264)
Impairment	1	0	(318)	(10)	3	(325)	623	299
Other income and expenses	328	0	0	0	363	363	0	691
OPERATING PROFIT (EBIT)	**3,834**	**427**	**109**	**231**	**979**	**1,746**	**877**	**6,457**

5-1 France

In millions of euros	1st half-year 2007	1st half-year 2006	Variation	Variation (%)	Organic growth (%)
Sales	16,493	16,447	46	0.3	0.3
EBITDA	5,995	5,579	416	7.5	7.5
EBIT	4,440	3,834	606	15.8	N/A

5-1.1 Breakdown of financial information for the "France" segment

The following breakdown is also applied to France's contribution to Group results:
"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.

5-1.2 Market opening

At June 30, 2007, EDF's market share for electricity in France was 83.2% for all eligible final customers, a slight increase from the 82.9% at June 30, 2006.
The French electricity market has been totally open to competition since July 1, 2007.

5-1.3 The supply-demand balance

Hydropower generation increased slightly in the first half-year of 2007 compared to the same period of 2006 (+1.3 TWh or +7%), while nuclear generation declined by 7.8 TWh to 207.7 TWh.

This lower level of nuclear generation resulted from a higher concentration of scheduled shutdowns for the first half-year of in 2007 compared to 2006, and an intensified maintenance program including cleaning of steam generators at certain nuclear power plants.
The lack of supply-demand tension in the first half-year of 2007 made it possible to limit use of oil-fired units.
The mild weather during the period led to a noticeable decline (-13.9 TWh) in sales to final customers, in contrast to the first half-year of 2006 when temperatures stayed below seasonal norms for long periods. This weather-related effect was partly offset by higher demand (excluding the weather effect), and an increase in sales on the wholesale market.

5-1.4 Sales

France contributed € 16,493 million to Group sales, slightly more than in the first half-year of 2006 (+0.3%).
Electricity sales benefited from positive price effects (the August 2006 regulated tariff increase and the positive price effect related auction sales fixed by contract in 2006), offset to by lower sales volumes resulting from the mild weather over the half-year, and the lower availability of nuclear plants in the second quarter.
In the same quarter, the introduction of the TaRTAM transition tariff also helped to stabilize sales prices for the customers concerned.
Natural gas sales increased and contributed 0.3% to the rise in French sales.

5-1.5 EBITDA

France's contribution to Group EBITDA was € 5,995 million, an increase of 7.5% from the first half-year of 2006 (€ 5,579 million).

This increase results from the favorable effect of the spot market price decreases on sourcing costs (market purchases and purchase obligations, after CSPE compensation) and the regulatory tariff rise of August 15, 2006. These two factors more than compensated for the unfavorable developments in sales volumes that were caused by the mild weather and lower availability of nuclear plants in the second quarter.

Fuel and energy purchases

In France, fuel and energy purchases totaled € 4,126 million in the first half-year of 2007, a decrease of € 61 million (-1.5%) from the first half-year of 2006.
The lower level of nuclear generation and less extensive use of oil-fired plants led to a fall in fuel consumption, which was partly offset by the rise in gas purchases related to sales development, and the greater cost of energy purchases to compensate for network losses, which had been covered by forward purchases in 2006.

Other external expenses

Other external expenses amounted to € 2,278 million, a slight increase (+0.2%) compared to the first half-year of 2006.

Productivity gains and non-recurring items offset the rise in maintenance costs and the additional costs incurred in preparation for the opening of the residential market to competition.
Personnel expenses totaled € 3,767 million, a year-on-year rise of 2.4% largely attributable to non-recurring costs (provision for end-of-career leave).
Salary increases were partly offset by the reduction in workforce numbers (-2.4%).

Taxes other than income taxes

These taxes increased by 2.4% (€ 34 million), reflecting a general rise in all taxes (principally business tax, land tax and the INB[34] nuclear tax).

Other operating income and expenses

Other operating income and expenses improved by € 437 million, largely due to the rise in the CSPE (Contribution to the Public Electricity Service), and essentially relate to 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 decrease of sport market prices in the first half-year of 2007 compared to the first half-year of 2006 (€ 53.7/MWh in 2006, € 30/MWh in 2007).

[34] *Taxe sur les installations nucléaires de base.*

5-1.6 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 first half-year of 2006 and first half-year of 2007.

In millions of euros	1st half-year 2007	1st half-year 2006	Variation	Variation (%)	Organic growth (%)
Sales	16,493	16,447	46	0.3	0.3
deregulated	10,525	10,297	228	2.2	2.2
regulated	6,231	6,602	(371)	(5.6)	(5.6)
eliminations	(263)	(452)	189	-	-
EBITDA	5,995	5,578	417	7.5	7.5
deregulated	3,869	3,225	644	20.0	20.0
regulated	2,126	2,353	(227)	(9.7)	(9.7)

Sales for the **regulated activities** declined by € 371 million, principally as a result of the impact of weather conditions on delivery sales.

The **deregulated activities'** sales rose by € 228 million, benefiting from a positive price effect for wholesale market electricity forward sales for more than one year in advance (auctions), fixed by contract in 2006, and the rise in regulated tariffs in 2006. The fall in sales volumes as a result of the weather was partly offset by higher demand and sales growth on wholesale markets.

The **regulated activities'** EBITDA declined by € 227 million, due to the mild weather of the first half-year of 2007 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 (+€ 644 million) as a result of price effects on sales and CSPE.

5-1.7 EBIT

France's contribution to Group EBIT was € 4,440 million, 15.8% higher than for the first half-year of 2006. This increase results from the increase in EBITDA, together with the improvement in other income and expenses which were affected by reversals from the provision for renewal in first half-year of 2007 and for the exceptional additional pension in 2006.
Without these factors, EBIT would have increased by 10.8%, more in line with the increase in EBITDA.

5-2 United Kingdom

In millions of euros	1st half-year 2007	1st half-year 2006	Variation	Variation (%)	Organic growth (%)
Sales	4,395	4,022	373	9.3	7.3
EBITDA	629	643	(14)	(2.2)	(4.2)
EBIT	391	427	(36)	(8.4)	(10.3)

5-2.1 Sales

EDF Energy's contribution to consolidated sales for the first half-year of 2007 was € 4,395 million, an increase of 9.3% with organic growth of 7.3% compared to the same period of 2006. This growth includes a +2% foreign exchange effect associated with the rise of the pound sterling.
8.6% of organic growth was driven by prices and tariffs, principally in the commercial activities, which benefited from electricity and gas tariff rises in 2006, and to a lesser extent in the regulated activities, particularly following increases in network access fees also in 2006.
Net volumes were down slightly (-1.3%), as the growth in the customer base (EDF Energy has won 242,000 new customer accounts since June 30, 2006) was offset by the effects of the exceptionally mild weather.
EDF Energy reduced by 10.2% its gas prices on June 15, 2007, with negligible effect on the first half-year of 2007.

5-2.2 EBITDA

EDF Energy's contribution to Group EBITDA stood at € 629 million for the first half-year of 2007, an overall decline of -2.2% and an organic decline of -4.2%.

This decline comprises contrasting developments in the regulated and deregulated activities. Network activities continued to benefit from a positive price effect (rise in network access fees during 2006) that more than compensated for the lower sales volumes caused by the mild weather.
In the deregulated activities, the mild weather led to lower 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 and develop its customer base, and this is reflected in the increase in other external expenses and personnel expenses.

5-2.3 EBIT

EDF Energy's contribution to Group EBIT was € 391 million, 8.4% lower than in the first half-year of 2006.
This decline reflects trends 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.

5-3 Germany

In millions of euros	1st half-year 2007	1st half-year 2006	Variation	Variation (%)	Organic growth (%)
Sales	3,497	2,996	501	16.7	10.4
EBITDA	643	593	50	8.4	3.7
EBIT	466	109	357	N/S	N/A

5-3.1 Sales

EnBW's contribution to Group sales for the first half-year of 2007 was € 3,497 million, a year-on-year increase of +16.7% with organic growth of +10.4%.

This incorporates the effect of changes in the scope of consolidation (6.3%) mainly relating to the full consolidation of Stadtwerke Düsseldorf (SWD) over the whole half-year, compared to three months in first half-year of 2006. The 10.4% organic growth includes a 5.5% price effect and a 4.9% volume effect, primarily in the electricity activities. These activities account for some three quarters of sales and progressed by 20%, principally due to rising sales volumes on wholesale markets and sales to industrial customers, with the balance resulting from a positive price effect. Sales for the gas activities registered an organic decline of 25%, the main factor being the lower volumes sold due to the mild weather.

5-3.2 EBITDA

EnBW's contribution to Group EBITDA increased by 8.4% compared to the first half-year of 2006, with organic growth at 3.7%.

EBITDA growth was lower than sales growth, largely as a result of a significant increase in fuel and energy purchases (+24.6%) associated with the expansion of business on wholesale markets and the effect of changes in the scope of consolidation.

Operating expenses rose slightly (other external expenses: +1.0%, personnel expenses: +1.9%).

EBITDA for electricity activities increased, whereas EBITDA for natural gas activities declined.

The progression registered by the electricity activities results from good management of power plants, market optimization activities, and improvements in supply margins, whereas in the natural gas activities EBITDA was affected by a fall in volumes sold.

The Services activity also registered an increase.

5-3.3 EBIT

EnBW's contribution to consolidated EBIT was € 466 million, a year-on-year increase of € 357 million higher than in the first half-year of 2006. This increase is mainly explained by the rise in EBITDA and the recognition of € 318 million of impairment in the Group consolidated financial statements for the first half-year of 2006, in respect of EDF share of EnBW goodwill.

5-4 Italy

In millions of euros	1st half-year 2007	1st half-year 2006	Variation	Variation (%)	Organic growth (%)
Sales	2,300	2,919	(619)	(21.2)	(8.8)
EBITDA	506	468	38	8.1	13.9
EBIT	292	231	61	26.4	31.2

5-4.1 Sales

Italy contributed € 2,300 million to consolidated sales, a –21.2% decrease from the first-half-year of 2006.
This decrease comprises the effect of changes in the scope of consolidation (-€ 361 million or -12.4%), principally relating to Edisons's acquisition of EDF Energia Italia[35], the dilutive effect of exercise of warrants by the Tassara Group in February 2007 on EDF's investment (from 51.58% to 48.96%[36]), and the sales of Edison's holdings in Rete and Serene.
Sales saw an organic decline of -€ 258 million or –8.8%, mostly concerning Edison.

Fenice's contribution to Group sales was stable compared to first half-year of 2006, and amounted to € 267 million.

Edison contributed sales of € 2,033 million, € 161million lower than its € 2,194 million contribution in the first half-year of 2006.
This decrease is mainly due to changes in the scope of consolidation (EDF Energia Italia, dilutive effect, sale by Edison of Rete and Serene), and the lower volumes of natural gas sold to residential customers as a result of the mild weather.

5-4.2 EBITDA

Italy contributed € 506 million to the Group's consolidated EBITDA, an increase of 8.1% (organic growth of 13.9%) compared to first half-year of 2006.
This increase, achieved despite a decline in sales, is mainly explained by the significant decrease in fuel and energy purchases (-€ 718 million or -32,6%) caused by changes in the scope of consolidation, 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.

Fenice's contribution to Group EBITDA stood at € 58 million for the first half-year of 2007 compared to € 67 million in the first half-year of 2006. This decline results from tariff amendments introduced when contracts with Fiat were extended in January 2007.

Edison contributed € 449 million to consolidated EBITDA in the first half of 2007, compared to € 403 million for the same period of 2006, an increase of € 46 million.

There was a rise in EBITDA for the electricity activities, due to improved optimization of sales operations on the deregulated market. The volumes of electricity generated by Edison increased due to the greater availability of the Torviscosa, Altomonte and Marghera plants, making it possible to reduce electricity purchases and increase sales on the deregulated market.
EBITDA for the gas activities improved substantially, primarily due to the reversal of a provision established in 2006 in connection with resolution 248/04 (capping gas prices).

5-4.3 EBIT

Italy's contribution to consolidated EBIT reached € 292 million, an increase of € 61 million or +26.4% from first half-year of 2006. In addition to the growth in EBITDA, the main factor in this increase was a 5.7% reduction in net depreciation and amortization resulting principally from the disposals of Serene and Rete.

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[35] *EDF Energia Italia, previously 100%-owned by EDF, was acquired by the Edison Group in the first half-year 2007 and is now consolidated in the EDF Group on a 48.96% basis.*

[36] *EDF's investment in Edison takes into account the potential voting rights resulting from warrants held but not yet exercised by EDF.*

5-5 Rest of Europe

In millions of euros	1st half-year 2007	1st half-year 2006	Variation	Variation (%)	Organic growth (%)
Sales	2,986	2,468	518	21.0	10.2
EBITDA	906	787	119	15.1	8.3
EBIT	812	979	(167)	(17.1)	(20.5)

5-5.1 Sales

The **Rest of Europe's** contribution to Group sales rose by +21.0% or € 518 million to € 2,986 million. This comprises the effect of changes in the scope of consolidation (10.0%), 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), plus acquisitions by Dalkia International.
Organic growth in sales by the Rest of Europe reached +10.2%, chiefly generated by business in central Europe (+13.1%) and EDF Energies Nouvelles (+40.0%).

In the central European countries, organic sales growth was mainly driven by business in Hungary (+20.2%) and Slovakia (+16.8%).
In Hungary, Demasz benefited from a positive price effect on distribution and regulated sales, and a positive price and volume effect on the open market. Sales by Bert progressed as the rise in natural gas prices was passed on to residential customers, with no impact on EBITDA.
In Slovakia (SSE), sales growth was mainly due to rising wholesale prices in the supply activity.
In Poland, Rybnik benefited from the increase in sales prices and sold greater volumes, but sales of heat produced by cogeneration fell sharply due to the mild winter weather.

Sales by **EDF Energies Nouvelles** progressed 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.

Sales by **EDF Trading**[37] amounted to € 320 million, -6.4% lower than the particularly high sales registered in the first half-year of 2006. The lower pressure and volatility on energy markets limited the options for market transactions.

5-5.2 EBITDA

The contribution to consolidated EBITDA by the **Rest of Europe** was € 906 million, a rise of € 119 million or 15.1% from first half-year of 2006. Organic growth stood at 8.3%.

Organic growth in EBITDA in the central European countries was +7.8%. It mainly concerned Slovakia, where SSE achieved higher margins on supply due to favorable price developments on the open market.
In Hungary, EBITDA growth at Demasz due to price effects was offset by the decline in Bert's heat sales. In Poland too, the rise in prices compensated for the unfavorable weather effects for cogeneration.
Organic EBITDA growth at EDF Energies Nouvelles essentially results from business expansion.
EDF Trading's contribution to Group EBITDA increased due to a reversal from provisions.

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

5-5.3 EBIT

The **Rest of Europe** contributed € 812 million to Group EBIT, a decrease of € 867million compared to the first half-year of 2006. For the first half-year of 2006, EBIT included gains of € 354 million on the sales of ASA and the two Egyptian power plants.

In the first half-year of 2007, it includes gains of € 111 million recorded by EDF International on the sale of the residual 25% holding in Edenor.

5-6 Rest of the World

In millions of euros	1st half-year 2007	1st half-year 2006	Variation	Variation (%)	Organic growth (%)
Sales	640	1,510	(870)	(57.6)	0.9
EBITDA	186	318	(132)	(41.5)	6.3
EBIT	134	877	(743)	(84.7)	2.5

5-6.1 Sales

The contribution by the **Rest of the World** to Group sales declined by € 870 million or -57.6%. This essentially resulted from the sale of Light in August 2006, and the associated change (-56.0%) in the scope of consolidation.
Organic sales growth was +0.9%.
In Mexico, sales fell back slightly, as certain plants were only used to a limited extent in the first half-year of 2007.
In Asia, organic sales growth was 15.2%. Both the Meco plant (higher generation) and the Figlec plant (rise in coal prices, with no impact on EBITDA) contributed to this growth.

5-6.2 EBITDA

The **Rest of the World's** contribution to Group EBITDA declined by € 132 million (-41.5%), and comprises the negative effect of changes in the scope of consolidation (-€ 144 million or -45.3%) relating to the sale of Light.
Organic growth stood at 6.3%. The main factor was the improved productivity by Meco in Vietnam.

5-6.3 EBIT

The contribution by the **Rest of the World** to Group EBIT declined by € 743 million. This essentially reflects trends in EBITDA, and a € 624 million reversal of impairment (related to the sale of 79.4% of Light) in the first half-year of 2006, that had no equivalent in 2007.

6 Financing and indebtedness

6-1 Net indebtedness

The Group's net indebtedness stood at € 14,884 million at June 30, 2007 compared to € 14,932 million at December 31, 2006, a € 48 million reduction over the first half-year of 2007.

This reduction at June 30, 2007 primarily results from the free cash flow generated (€ 2,771 million). In addition to this factor, sales undertaken under the Group's program for 2005-2007 had an impact on indebtedness of € 308 million at June 30, 2007, and Edison's indebtedness benefited from the positive effect of payment of € 520 million (EDF's share: € 254 million) when warrants were exercised, modifying EDF's percentage holding in Edison.

Gross allocations to dedicated assets amounted to € 1,174 million, in line with commitments. Net financial investments totaled € 169 million, and dividends paid out totaled € 2,159 million.

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

Half-year ended June 30 In millions of euros	1st half-year 2007	1st half-year 2006 (1)	Variation	Variation (%)
EBITDA	**8,865**	**8,388**	**477**	**5.7**
Cancellation of non-monetary items included in EBITDA	(1,153)	(508)		
Net financial expenses disbursed	(555)	(488)		
Recurring taxes paid	(848)	(552)		
Other items (2)	98	(24)		
Operating cash flow (FFO)	**6,407**	**6,816**	**(409)**	**-6.0**
Change in net working capital	(696)	(399)		
Net non-financial investments (CAPEX)	(2,940)	(2,296)		
Free cash flow	**2,771**	**4,121**	**(1,350)**	**-32.8**
Dedicated assets	(1,174)	(844)		
Financial investments	(169)	(364)		
Dividends paid	(2,159)	(1,504)		
Other changes (3)	452	(397)		
Decrease in net indebtedness, excluding the impact of changes in scope of consolidation and exchange rates	**(279)**	**1,012**	**(1,291)**	**-127.6**
Effect of change in scope of consolidation	58	392		
Effect of exchange rate fluctuations	89	198		
Effect of other non-monetary changes (4)	180	(62)		
(Increase)/Decrease in net indebtedness	**48**	**1,540**	**(1,492)**	**-96.9**
Net indebtedness at the beginning of period	**14,932**	**18,592**		
Net indebtedness at end of period	**14,884**	**17,052**		

(1) The figures published for the first half-year of 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.
(2) Mainly correspond to dividends received from companies accounted for under the equity method.
(3) Principally the Marcoule payment in 2006 and the Edison capital increase in 2007.
(4) Mainly corresponds to changes in fair value and accounting reclassifications affecting components of net indebtedness.

Variations in the contribution to net indebtedness by each geographical area are as follows:

At June 30 In millions of euros	June 30 2007	December 31 2006	Variation	Variation (%)
France	6,584	5,940	644	10.8
United Kingdom	6,782	6,413	369	5.8
Germany	1,688	1,766	(78)	(4.4)
Italy	(629)	(99)	(530)	(535.4)
Rest of Europe	(758)	(501)	(257)	(51.3)
Rest of the World	681	1,398	(716)	(51.2)
Total	**14,348**	**14,917**	**(569)**	**(3.8)**
Net indebtedness of companies reported under non-current liabilities held for sale	536	15	521	NS
Group Total	**14,884**	**14,932**	**(48)**	**(0.3)**

The reduction of net indebtedness in Italy mainly relates to the payment of € 520 million (EDF share: € 254 million) following exercise of warrants, but also to a reduction in the Edison's debt. The reduction in net indebtedness in the Rest of the World is explained by the fact that the Mexican subsidiaries' debt has been transferred to the heading "Net indebtedness of companies reported under non-current liabilities held for sale", as these companies are in the process of being sold.

6-2 Operating cash flow

Operating cash flow totaled € 6,407 million, € 409 million or -6.0% lower than for the first half-year of 2006 (€ 6,816 million).

This contrasts with the +5.7% growth in EBITDA, and results from the year-on-year increase in financial expenses and taxes paid, as well as an increase in the non-monetary components of EBITDA. This increase amounted to € 645 million following larger reversals of provisions than in first half-year of 2006 (relating to downstream of nuclear fuel cycle in France, and CO_2 emissions in the UK).

Free cash flow stood at € 2,771 million, € 1,350 million less than in June 2006 (€ 4,121 million), affected by changes in working capital and non-financial investments (capital expenditure).

6-3 Change in working capital

Increase of € 696 million

In France, working capital increased by € 864 million in the first half-year of 2007. This is mainly due to the rise in receivables related to the CSPE, and to a lesser extent the rise in receivables related to various taxes payable (VAT, local taxes and taxes specific to the nature of EDF's business). Working capital optimization measures under the Altitude plan generated € 235 million of additional savings (on trade receivables and payables). The seasonal cycle effect on working capital is favorable at June 30. However, inventories increased due to unfavorable volume and price effects.

Outside France, there was a € 168 million reduction in working capital, resulting from the seasonal nature of business together with price and volume effects (related to the mild weather). In the United Kingdom, EDF Energy is pursuing its customer cycle optimization program which has achieved savings of approximately € 76 million since it was launched in September 2006.

6-4 Gross non-financial investments
An increase of close to 25% compared to first half-year of 2006

Gross **non-financial** investments (gross Capex[38]) amounted to € 3,023 million, an increase of € 602 million (+24.9%) compared to the first half-year of 2006[39].

Variations over the half-year in the Group's **non-financial** investments were as follows:

At June 30 In millions of euros	1st half-year 2007	1st half-year 2006	Variation	Variation (%)
France: Regulated activities	1,021	992	29	2.9
France: Deregulated activities	797	578	219	37.9
Total France	**1,818**	**1,570**	**248**	**15.8**
United Kingdom	505	409	96	23.5
Germany	151	90	61	67.8
Italy	156	131	25	19.1
Rest of Europe	382	150	232	NA
Europe excluding France	**1,194**	**780**	**414**	**53.1**
Rest of the World	11	71	(60)	(84.5)
Gross non-financial investments (capital expenditure)	**3,023**	**2,421**	**602**	**24.9**

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

[39] *Sales of property, plant and equipment and intangible assets totalled € 83 million, including € 38 million of real estate sales in France. Net investments amounted to € 2,940 at June 30, 2007, an increase of € 644 million (+28%) compared to June 30, 2006 (€2 296 million).*

Gross capital expenditure grew by +15.8% in France, and mainly concerned the deregulated activities (+€ 219 million), particularly generation, where investments rose by € 204 million (41.2%) to reach € 699 million at June 30, 2007 (€ 495 million at June 30, 2006). The objective of these investments is to develop capacities in nuclear plants (construction of the EPR at Flamanville) and non-nuclear plants (reactivation of oil-fired units, combustion turbines), and to maintain assets (for example through the Superhydro program for hydropower facilities).

Investments in the networks rose by 2.9%. For the transmission networks, they primarily concerned the major networks and interconnections, as well as development and renewal of regional networks; for the distribution networks, they concerned development, reinforcement and replacement of networks and preventive work to protect against weather risks.

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

The most significant increase was at EDF Energies Nouvelles (€ 208 million, included in the Rest of Europe), principally for development of the various wind farms in Europe (Portugal, Greece, Italy, UK) and the US.

The +23.5% increase in capital expenditure in the United Kingdom was primarily for development of networks, and to a lesser extent development of commercial and generation activities.

6-5 Net financial investments

Ongoing increase in dedicated assets, refocusing on core activities

The gross allocation to dedicated assets for the nuclear activities amounted to € 1,174 million.

Other net financial investments totaled € 169 million. This comprises € 245 million for development and external growth (acquisitions by EnBW, particularly additional investments in Enso, ESW and GSW, Dalkia and EDF Energies Nouvelles), and the sales of Finel and Serene in Italy, Edenor in Argentina and U-Plus in Germany, which had a combined € 308 million impact on net indebtedness at June 30, 2007. Other financial investments also include financial operations undertaken in the normal course of business such as short-term cash investments and financial advances.

7 Subsequent events

Information on events subsequent to the end of the half-year is given in note 29 to the condensed consolidated half-year financial statements at June 30, 2007.
The main events are described below:

Total opening of the French electricity and gas markets to competition from July 1, 2007

The EU directive of June 2003 set the timetable for opening up the electricity market to competition.
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[40]. The French 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.

Tariff increases in France from August 16, 2007

The electricity sales tariffs fixed by the authorities in France increased from August 16, 2007 by 1.1% for residential customers and 1.5% for business customers[41]. This change applies to EDF customers who have chosen to remain on the regulated tariff following the opening of the market.

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. The transfer of these shares will be effective as of July 31, 2007.
The financial institution Unicredit also exercised its put options to sell Edipower shares to Edison for the value of € 126 million (EDF's share). The shares will be transferred at the end of January 2008.

After completion of these operations, Edison's investment in Edipower will increase from 40% to 50%.

Edison's developement in Greece

On July 11, 2007, Edison's Board of Directors ratified the signature of a memorandum of agreement between Edison and Hellenic Petroleum for the creation of a 50/50-owned company to operate in the Greek electricity market, ultimately with a 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 being developed in Thisvi, and in a project to construct a 600 MW coal-fired plant.

The new venture is expected to form the second-largest operator on the Greek market.

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

EDF and the US electricity group Constellation Energy (CEG) have signed an agreement to form a 50/50-owned company for 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 advanced EPR-type nuclear power plants in the United States, with high performance standards and very high safety levels.

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[40] *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 international agreement with France (article 20-III of Law 2000-108 of February 10, 2000).*
[41] *The "yellow" and "green" tariffs*

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 exchange, Constellation Energy contributed its shareholding in UniStar Nuclear and its development projects for four standardized EPR nuclear plants on the sites of the Calvert Cliffs Nuclear Power Plant, Nine Mile Point Nuclear Station and R.E. Ginna Nuclear Plant.

Corporate tax reform in Germany

Following the corporate tax reform enacted by the German parliament on July 6, 2007, the corporate income tax rate applicable to EnBW will be reduced from 38% to 28.96% from 2008.
At December 31, 2007, this reform will be reflected in a lower level of deferred tax liabilities for EnBW, and tax income of approximately € 300 million will be recognized in the consolidated financial statements.

Opening of proceedings by the European Commission against EDF concerning long-term electricity supply contracts

On July 18, 2007, the European Commission decided to open proceedings against the EDF Group concerning its business in France. It is alleged that the Group has concluded long-term electricity supply contracts that prevented entry into the market, which would represent abuse of a dominant market position as defined by article 82 of the EC Treaty.
This move follows the Commission's energy sector competition inquiry concerning the European gas and electricity markets, the results of which were published on January 10, 2007 in the *Final Report on the Energy Sector Competition Enquiry* (see section 6.5.1.1, "European Legislation" in the EDF Group's 2006 Document de Reference).
It does not imply that the Commission already has conclusive proof of the alleged infringement.
EDF currently has no information on the timescale of the Commission proceedings.

National Association of Independent Producers (*Syndicat National des Producteurs Indépendants* or SNPIET)

In 1996, France's Competition Council (*Conseil de la Concurrence*) ruled against EDF on the basis that it had abused its dominant position by hindering the conclusion of electricity supply agreements with independent providers.
After this ruling, the SNPIET and other producers claimed damages of €70 millions million before the Paris Commercial Court (*Tribunal de Commerce*).
The long ensuing proceedings ended with the signature of a settlement agreement on July 20, 2007, bringing this dispute to a close.

Appointment of Pierre-Marie Abadie to EDF's Board of Directors

By a decree of August 29, 2007, Pierre-Marie Abadie, Director of the Department of Energy Markets and Demand *(Direction de la demande et des marchés énergétiques)* was appointed to EDF's Board of Directors as a Director representing the French State. He replaces François Jacq.

8 Principal risks and uncertainties for the second half-year of 2007

The EDF Group policies for risk management and control are described in section 4.1 of the 2006 Document de Référence.

The principal risks and uncertainties to which the Group considers itself exposed are described in section 4.2 of the 2006 Document de Reference.

Those descriptions remain valid at the date of publication of this report for assessment of the major risks and uncertainties for the second half-year of 2007, and the Group remains subject to the usual risks specific to its business.

9 Significant events related to litigation in process

Direct Energie

On February 22, 2007, Direct Energie filed a complaint and an application for interim measures with France's Competition Council[42], claiming that EDF SA had used several practices allegedly constituting abuse of a dominant market position. In a ruling of June 28, 2007, the Council stated that it considered the requirements for issuing interim measures to be fulfilled in this case, and ordered EDF to submit to the Council, within two months of publication of the ruling, "a proposal for electricity wholesale supplies or any other technically or economically equivalent solution enabling alternative suppliers to compete effectively with EDF's retail offers to electricity consumers 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, which was published with a summary of the case on the Council's website on July 19, 2007 and is subject to a market test to collect comments from interested parties by September 15, 2007.
If EDF proposed commitment is accepted by the Council after this test, these proceedings will be closed with no further enquiry into the substance of the matter. The proposal of the commitment can under no circumstances be interpreted as an acknowledgement by EDF that there was any justification for the allegations against the company, nor more broadly that any infringement of French and/or EU competition law took place. The commitment proposed by EDF concerns the introduction of a long-term baseload electricity supply mechanism that will enable other suppliers to compete effectively with EDF on downstream markets in France, particularly on the "mass" market, while respecting the needs of the nuclear electricity generation economy for long-term sustainability.
The proposed mechanism covers a quantity of some 10 TWh of baseload electricity supplies annually, for a period of 10 to 15 years as the purchaser wishes. EDF intends to implement this mechanism through a call for tenders open to alternative suppliers, for deliveries starting in 2008.
The price structure proposed by EDF is split into two separate periods, with a lower price over the first three-year period – determined with reference to the regulated "blue" tariffs – and a price for the second period that comprises a portion reflecting the generation costs of EDF nuclear facilities, and the capacity access price proposed by the purchaser. The discounted average price of the proposals submitted in response to the call for tenders cannot be lower than a reserve price coherent with development costs for the Flamanville 3 EPR; this requirement is necessary for sustainable development of the electricity sector in the long term. Purchasers have the option to convert financial payment into payment in kind.
The purchasers are free to use energy purchased from EDF on the retail market or wholesale market, but the contract includes an additional price clause intended to preserve the beneficial effect of the mechanism for development of competition on the open mass market in France.

On July 26, 2007, Direct Energie filed a further complaint with the Competition Council over compliance with article 2 of the ruling of June 28, 2007 ordering EDF to "enter into good faith negotiations with Direct Energy in order to conclude a provisional wholesale supply contract [at] a price reflecting total production costs". Direct Energie alleges that EDF has ignored this order, and the matter is currently under examination by the Rapporteur heading the case.

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[42] *Conseil de la Concurrence*

Decision of June 26, 2007 by the Paris Appeal Court on the KalibraXE litigation

KalibraXE filed a complaint with the French Competition Council on January 22, 2007 concerning anti-competitive practices allegedly implemented by EDF. The complaint was accompanied by an application for protective measures. KalibraXE claimed that EDF recent contracts contained clauses with the purpose and effect of preventing new suppliers from entering the market and developing their business.
On April 25, 2007, the Council ruled that an examination of the substance of the case was warranted, but rejected KalibraXE's application for protective measures.
However, it did issue an interim measure ordering EDF to amend its general terms and conditions of sale, inform customers exercising their eligibility that no penalty will apply upon the normal termination date of their contract, and send the Competition Council a copy of the amended terms and conditions of sale.
EDF was also obliged to report to the Council on the action taken for this second injunction, within two months of notification of the decision.
KalibraXE appealed against this ruling but on June 26, 2007 the Paris appeal court rejected its appeal.

10 Outlook

The results for the first half-year of 2007 are in line with the multiannual financial objectives announced for the period 2006-2008.
The Group is pursuing its investments to develop and strengthen generation capacities and networks both in France and internationally, and investments in gas infrastructures.
It also intends to participate in the re-emergence of nuclear power in the world.
The Group has taken a significant step forward in this strategy through the signature of a partnership agreement with the US electricity operator Constellation Energy.

11 EDF SA Financial information[43]

EDF SA net sales for the first half-year of 2007 amounted to € 17,131 million, and EBITDA stood at € 4,477 million

[43] *Reported under French GAAP*