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ELECTRICITE DE FRANCE

A *Société Anonyme* with a registered capital of 911,085,545 euros
22-30, avenue de Wagram
75008 Paris

C6

A *Société Anonyme* with a registered capital of 37,000 euros
Tour Winterthur, 102 terrasse Boieldieu
92085 Paris La Défense Cedex

**REPORT BY THE CERTIFYING ACCOUNTANTS
ON THE REMUNERATION FOR THE CONTRIBUTIONS**

**CONTRIBUTION OF ASSETS
BY ELECTRICITE DE FRANCE
TO C6**

(Article L. 236-16 of the Commercial Code)

**Extraordinary General Meeting of EDF of 20 December 2007
Extraordinary General Meeting of C6 of 21 December 2007**

**REPORT BY THE CERTIFYING ACCOUNTANTS
ON THE REMUNERATION FOR THE CONTRIBUTIONS**

Ladies and Gentlemen,

Pursuant to the tasks entrusted to us by orders of the Presiding Judge of the Paris Commercial Court of 30 October 2006 and of 25 May 2007 concerning the contribution of assets from ELECTRICITE DE FRANCE to the company C6, said transaction entering into the legal framework governing divisions and spin-offs, we hereby present the report required by Article L.236-16 of the Commercial Code, it being specified that our assessment of the value of these contributions is the subject of a separate report.

The remuneration for the contributions arises from the exchange ratio fixed in the agreement for the contribution of assets, concluded by the representatives of the companies concerned on 25 June 2007 and its addendum concluded on 7 November 2007. Our role is to issue an opinion on the fairness of the exchange ratio. For this purpose, we have carried out our work having regard to the professional rules and standards of the National Company of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) pertaining to these tasks; these rules and standards require us to take steps to verify, on the one hand, that the relative values attributed to the shares in the participating companies are pertinent, and to analyse, on the other hand, the positioning of the exchange ratio with respect to the relative values that we deem to be pertinent.

This report is presented according to the following outline:

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A. GENERAL ORGANISATION OF THE TRANSACTION

I. Presentation of the transaction

According to the agreement for the contribution of assets concluded on 25 June 2007 and its addendum concluded on 7 November 2007, the directors of the companies concerned laid down the terms and conditions for the transfer, by way of a contribution of assets by ELECTRICITE DE FRANCE to C6, of specific property, authorisations, rights and obligations pertaining to the activity of operator of the EDF electricity distribution network in continental Metropolitan France, defined for the purposes of the agreement as being the territory of France excluding Corsica, French Overseas Departments and French Overseas Territories including where held as concessionary or as subcontractor of a concessionary, including employment contracts and the rights and duties arising in the operation of the distribution network as a consequence of concession agreements provided for in subsections I and III of Article L. 2224-31 of the General Code for Local Authorities (*Code général des collectivités territoriales*).

This transaction will be carried out in accordance with Articles 13 et seq. of Law No. 2004-803 of 9 August 2004 concerning the electricity and gas public service and electricity and gas companies, as amended by Law No. 2006-1537 of 7 December 2006 concerning the energy sector (the “SPEGEEG Law”).

II. Characteristics of the companies concerned

1. The contributing company

ELECTRICITE DE FRANCE is a *société anonyme* with a registered capital of 911,085,545 euros divided into 1,822,171,090 shares of a par value of 0.5 euros each, fully paid up. This company arose from the change in corporate form of the national public establishment EDF, pursuant to Article 24 of the SPEGEEG Law.

Its registered offices are located at 22-30 avenue de Wagram, Paris (75008). It is registered in the Paris Trade and Companies Register under the number 552 081 317.

It has the following objects, in France and abroad:

- “- to provide for the generation, transmission, distribution, supply and trading of electrical energy and to provide for the importing and exporting of said energy,
- to assume the public service tasks attributed to it by laws and regulations, in particular by the Law of 15 June 1906 concerning energy distribution, the Law of 8 April 1946, the Law of 10 February 2000 concerning the modernisation and development of the public service of electricity supply and Article L. 2224-31 of the General Code for Local Authorities (*Code général des collectivités territoriales*), together with various concession agreements, including in

particular the tasks of developing and operating the public electricity network and the tasks of supplying electricity to non-eligible customers, supplying backup electricity to manufacturers and to customers with the aim of mitigating unforeseen supply failures and supplying electricity to eligible customers who can find no supplier, contributing to achieving the aims defined by the multi-annual programming of generation investments as set forth by the Energy Minister,

- more generally, to develop any industrial, commercial or service-sector activity, including research and engineering, in the field of energy and for any category of clientele,
- to maintain and develop the value of all moveable and real property assets which it holds or uses,
- to create, acquire, lease, or operate as lessee manager, any real property and business concerns, to lease, install and operate all establishments, business concerns, factories or workshops which pertain to any of the aforementioned objects,
- to register, acquire, exploit or dispose of all processes and patents concerning the activities pertaining to any of the aforementioned objects,
- to take part, directly or indirectly, in any and all operations which may be connected with any of the aforementioned objects, by creating new companies or enterprises, by way of contribution, subscription to or purchase of shares or other corporate rights, by acquisition of interests, merger, association, partnership or any other manner,
- and, generally, to take part in any and all industrial, commercial and financial operations, and those concerning moveable or real property, connected directly or indirectly, in whole or in part, to any one of the aforementioned objects, to any similar or related objects and to any objects which would be such as to favour or develop the company's business".

2. Beneficiary of the contribution

C6 is a *société anonyme* with a registered capital of 37,000 euros, divided into 74,000 shares of a par value of 0.5 euros each, full paid up.

Its registered office are located at Tour Winterthur, 102 terrasse Boieldieu, Paris La Défense Cedex (92085). It is registered in the Nanterre Trade and Companies Register under the number 444 608 442.

The company has the following objects:

- "the exercise in France, under conditions laid down by the concession specifications provided for in subsection I of Article L. 2224-31 of the General Code for Local Authorities, of public service tasks falling to it pursuant to the Law of 15 June 1906, Law No. 46-628 of 8 April 1946, the aforementioned Laws of 10 February 2000 and of 9 August 2004 and, in particular:

the tasks of developing, operating and maintaining the public electricity distribution network, consisting notably in:

- defining and implementing policies for investment in and development of the networks;
 - providing for the design, planning and construction of structures and facilities, together with project management for works pertaining to these networks;
 - providing for the connection and access of users to these networks under objective, transparent and non-discriminatory conditions, and interconnection with other networks;
 - providing for the balancing, at all times, of electricity flows over the networks, and the safety, security and efficiency of these networks;
 - negotiating, concluding and managing concession contracts;
 - exercising the activities of metering for users connected to these networks, in particular the supply, laying, metrological control, maintenance and renewal of metering apparatus, and the management of data and all tasks pertaining to all of these activities;
 - providing services for non-nationalised distributors and organising authorities and distributors mentioned respectively in subsections III and IV of Article L. 2224-31 of the General Code for Local Authorities;
 - and, more generally, carrying out any and all industrial, commercial or financial operations or those concerning real estate which are connected to the aforementioned objects.
- the indirect operation, that is to say through holdings or subsidiaries, in France or in Member States of the European Community or of the European Free Trade Association, of electricity or gas networks, provided that this activity remains ancillary to the direct operation of networks and does not receive financial assistance from the same;
 - maintaining and enhancing, through the intermediary of subsidiaries or holdings, the value of the networks that it operates, provided that this activity remains ancillary to its network operation activity and does not receive financial assistance from the same, and provided that the company cannot grant collateral or backing of any nature in favour of this activity;
 - maintaining and enhancing the value of its skills, particularly in engineering, through the intermediary of subsidiaries or holdings and provided that this activity remains ancillary to its network operation activity.

III. Ties between the companies concerned

Capital ties

EDF holds all of the shares forming the registered capital of C6.

IV. Context of the transaction

1. Reasons and aims of the transaction

The contribution agreement and its addendum which were provided to us specify that the planned transaction enters into the framework of, on the one hand, Law No. 2000-108 of 10 February 2000 concerning the modernisation and development of the public service of electricity supply, and on the other hand, the SPEGEEG Law.

Pursuant to Law No. 2004-803 of 9 August 2004 concerning the electricity and gas public service and electricity and gas companies, the operation of the electricity distribution network was entrusted, within EDF, to an independent structure named “EDF Réseau Distribution”, “(ERD)”, which has its own budget and is obliged to publish financial statements which are separate from those of EDF for the distribution activity (Article 25 of the aforementioned Law of 10 February 2000).

EDF Réseau Distribution’s mission, as defined by the aforementioned Law of 10 February 2000 and Law No. 2004-803 of 9 August 2004 concerning the electricity and gas public service and electricity and gas companies, was to operate and maintain the public electricity distribution network and to take responsibility for its development in order to allow the connection of consumer’s and producer’s facilities, interconnection with other networks, and to ensure the balance of electricity flows at all times, and to ensure the efficiency, safety and security of the network that it operates, considering the technical constraints applicable to the network (Articles 2, 18 and 19 of the aforementioned Law of 10 February 2000). EDF Réseau Distribution was furthermore obliged to maintain the confidentiality of information of an economic, commercial, industrial, financial or technical nature which if disclosed could infringe rules of free and fair competition and of non-discrimination as imposed by the law, as such information has been defined by Decree No. 2001-630 of 16 July 2001 adopted to implement Article 20 of the aforementioned Law of 10 February 2000.

Moreover, Article 5 of Law No. 46-628 of 8 April 1946 as amended by the SPEGEEG Law made it compulsory to create a structure, common to both EDF and Gaz de France, in the distribution sector, for the construction of facilities, project management of works, the operation and maintenance of the networks, metering and other tasks pertaining to these activities. The aforementioned Article 5 of the Law of 8 April 1946 also provides that each of the companies assumes the consequences of its own activities in the context of the common structure without independent legal personality. The costs pertaining to activities carried out for each of the companies are identified in the accounts of the common structure with no independent legal personality.

In this context, the EDF and Gaz de France common structure, named “EDF Gaz de France Distribution”, had the following tasks:

- carrying out works for the construction, development and maintenance of electricity distribution structures and facilities;
- the technical operation of the networks and distribution structures and facilities;
- carrying out metering activities;
- managing day-to-day relations with local authorities and concession-granting authorities;
- managing day-to-day relations with non-eligible customers.

In order to implement, in particular, European Directive 2003/54/EC of 26 June 2003, which provides for the operation of electricity distribution networks by entities which are legally distinct from other activities not connected with distribution, where the network operator is part of a vertically-integrated undertaking, the SPEGEEG Law requires that the electricity distribution network in the Metropolitan Continental Territory be operated by a legal person which is distinct from the entity which carries out the activities of production or supply of electricity (Article 13), and that the operator of the electricity distribution network in the Metropolitan Continental Territory operates, maintains and develops this network in an independent manner (Article 15).

For this purpose, Article 14 (as amended) of the SPEGEEG Law organises the transfer, to a legally distinct enterprise, of the specific property, authorisations, rights and obligations pertaining to the activity of operator of the electricity distribution network in the Metropolitan Continental Territory, including where held as concessionary or as subcontractor of a concessionary, including employment contracts and the rights and duties arising in the operation of the distribution network as a consequence of concession agreements provided for in subsections I and III of Article L. 2224-31 of the General Code for Local Authorities. The SPEGEEG Law also provides that the transfer will not cause any change in outstanding authorisations and contracts, whatever their legal nature, and shall not be cause for the termination or amendment of all or part of their clauses nor, where applicable, the repayment of any debts arising thereunder.

Subject to the provisions of Articles 12 and 24 of the Law of 10 February 2000 and Articles 10, 36 and 37 of the SPEGEEG Law, Article L. 2224-31 of the General Code for Local Authorities defines the public electricity distribution network as being comprised of:

- structures and facilities of a voltage less than 50 kV located in the territory of the authority which organises the distribution of electricity; and
- structures and facilities of a higher voltage which exist, in the Metropolitan Continental Territory, on the date of publication of Law No. 2004-803 of 9 August 2004 concerning the

electricity and gas public service and electricity and gas companies, and which are not operated by EDF as operator of the public electricity transmission network at that same date,

The conditions determining whether structures and facilities or parts thereof belong to the public distribution network (in particular substations for transforming electricity at high or very high voltage to medium voltage) are defined by reference to the provisions of Decree No. 2005-172 of 22 February 2005, particularly with respect to their characteristics, their functions or their date of entry into service.

Article 15-1 of the SPEGEEG Law specifies that the company which operates the electricity distribution network shall be governed, unless provided otherwise in legislation, by the laws applicable to limited companies (*sociétés anonymes*).

It is recalled that, pursuant to Article 2 of Law No. 2000-108 of 10 February 2000, C6 (operator company arising from the legal separation imposed on Electricité de France by Article 13 of the SPEGEEG Law) shall have a monopoly, as of the Completion Date, over the development and operation of the public electricity distribution network in the Metropolitan Continental Territory (except for zones which are within the jurisdiction of other public distribution network operators or public electricity distribution organising authorities)

It is therefore in this context that the parties have concluded the agreement for the contribution of assets and its addendum which were provided to us, the purpose of which is to specify the terms of the contribution and to organise the transfer by EDF to C6 of all of the specific property, authorisations, rights and obligations pertaining to EDF's activity as electricity distribution network operator (within the meaning of the aforementioned legislative and regulatory reserves) in the Metropolitan Continental Territory.

2. Charges and conditions pertaining to the contributions

The contribution agreement dated 25 June 2007 and its addendum dated 7 November 2007 set out the following general conditions:

- The accounts upon which the contribution balance sheet has been drawn up are the separate accounts of the electricity distribution network operating structure, as drawn up to 31 December 2006.
- The accounts of the Beneficiary used to determine the conditions of the transaction are the accounts drawn up to 31 December 2006, as approved by the Beneficiary's Ordinary General Meeting held on 29 May 2007.
- The contribution shall have retroactive effect as of 1 January 2007, and as of that date C6 shall be deemed to have had possession and enjoyment of the property and rights

contributed to it under the agreement and its addendum. All transactions of any nature carried out by the Contributor for the management and operation of the contributed business from 1 January 2007 onwards will thus be deemed to have been carried out on behalf of the contribution's Beneficiary, and the gains and losses from these transactions shall be incorporated into the Beneficiary's taxable earnings.

- The parties are making this contribution of assets subject to the legal framework governing divisions and spin-offs, pursuant to Article L. 236-22 of the Commercial Code, and it will be governed by Articles L. 236-16 to L. 236-21 of the Commercial Code, subject to and while taking account of the provisions of the SPEGEEG Law.
- C6 shall take personal responsibility, as of the Completion Date, in EDF's place, and without recourse against EDF for any reason whatsoever, for the performance or completion, at its own expense, of all contracts, agreements and commitments concluded or entered into by EDF with any person with respect to the contributed property and rights.
- The Beneficiary shall not benefit from any rights, other than those forming the subject-matter of the contribution agreement and its addendum, over the Contributor's trademarks, patents, patterns and designs, and domain names. Later agreements concluded between the parties may, as necessary, provide for the limited use, under conditions to be defined, of the Contributor's trademarks, patents, patterns and designs, and domain names which are not concerned by this report.
- With respect to real property, C6 shall take such property in the condition it is to be found on the Completion Date, without any right of claim or recourse or demand for the repayment of any undue sums against EDF.
- The parties cannot, despite the efforts that they have made for this purpose, guarantee that the contribution agreement, its addendum and its appendices provide an exhaustive description of the contribution organised by said agreements and the transfers arising as a consequence. They therefore undertake to confer in good faith whenever necessary in order to determine whether any elements not described or not sufficiently described herein, are part of the above-defined distribution network or are preponderantly attached to the activity of operator of the electricity distribution network in the Metropolitan Continental Territory, and to organise, contractually, the terms for the sharing and/or use of these elements after the Completion Date.
- In the event that, after the Completion Date, C6 is confronted with a harmful situation the origin of which predates the Completion Date, which EDF Réseau Distribution could not have been aware of in the context of the independent management of the structure, and which is liable to significantly affect C6's activity as operator of the electricity distribution

network in the Metropolitan Continental Territory or its financial situation, the parties undertake to come together and cooperate in good faith in order to determine the means and actions which might reduce or offset, to the greatest possible extent, the harmful effects of such a situation, in the interest of both parties.

Furthermore, the contribution granted by EDF to C6, and the capital increase for C6 arising as a result, shall be finally completed at 24:00 hours on 31 December 2007 (the “Completion Date”), subject to the fulfilment, at the latest on that date, of each of the following conditions precedent:

- approval, by the Extraordinary General Meeting of C6, of the contribution from EDF granted under the contribution agreement and its addendum and the capital increase arising as a consequence thereof,
- approval, by the Extraordinary General Meeting of EDF, of the contribution to C6 granted under the contribution agreement and its addendum,

3. Tax law framework

This contribution shall not give rise to the payment of any duty or tax of any nature whatsoever, in accordance with the provisions of Article 14 II of the SPEGEEG Law.

As this contribution comprises all of the elements making up a complete branch of activity within the meaning of Article 210 B of the General Tax Code, EDF and C6 intend to have the transaction for the contribution of assets enter within the favourable tax law framework for mergers, as laid down in Article 210 A of the General Tax Code as directed by Article 210 B of the same code.

C6 shall substitute itself for EDF for the add-back of equipment subsidies which remain to be taxed, as pertaining to fixed assets included in the contribution.

V. Nature of, valuation of and remuneration for the contributions

1. Nature and valuation of the contributions

Pursuant to the contribution agreement and its addendum, the value of the planned contribution is 2,700,000,000 euros.

The assets and liabilities are contributed on the basis of their net book values, as shown in the separate accounts of the distribution network’s operating structure at 31 December 2006.

The steps which we have taken to assess the valuation of the contributions are set out in a separate report.

2. Remuneration for the contributions – capital increase

As remuneration and to represent the net assets contributed by EDF, EDF shall be allotted 540,000,000 new shares of a par value of 0.50 euro each, entirely paid up, to be created by C6 by way of a capital increase.

This remuneration has been determined on the basis of the book value of the contributed elements, i.e. 2,700,000,000 euros, it being specified that the conditions provided for in paragraph 83 of the State tax department's instruction No. 4 I-2-00 of 3 August 2000 and paragraph 16 of BOI 4 I-1-05 of 30 December 2005 shall be complied with.

Consequently, the contributions shall give rise to:

- a capital increase of C6, in favour of EDF, for a total amount of 270,000,000 euros, by creating and allotting to EDF 540,000,000 new shares of a par value of 0.50 euro each, fully paid up;
- the reconstitution of the following items in C6's shareholders' equity (amounts stated in euros):

- special reserve (Law of 28 December 1959):	7,339,219
- regulated reserve (Law of 29 December 1976):	8,152,225
- received investment subsidies:	39,015,302
- reserves for depreciable fixed assets (Law of 30 December 1977):	3,755,831
- derogating depreciation and amortisation:	648,000,718
Total:	706,263,295
- an issue premium for a total amount of 1,696,733,005 euros;
- the constitution of the statutory reserve, for an amount of 27,003,700 euros.

B. VERIFICATION OF THE PERTINENCE OF THE RELATIVE VALUES ATTRIBUTED TO THE SHARES OF THE COMPANIES TAKING PART IN THE TRANSACTION

I. Steps taken

We have taken those steps which we deemed necessary, having regard to the professional rules and standards of the National Company of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) for such tasks, in order to verify the relative values.

In particular, we carried out the following:

- Examining the context of our tasks, and meeting with managers from the various departments of the companies concerned,
- Examining the contribution agreement, its addendum and the regulatory framework for the transaction,
- Meeting with EDF's Statutory Auditors,
- Examining the balance sheet drawn up to 31/12/06 for the contribution of the branch of activity,
- Analysing the interim financial statements at 30/06/07,
- Meeting with the financial departments of the Energy Regulatory Commission (*Commission de Régulation de l'Énergie*),
- Examining the relative values attributed to the contributed branch of activity and to the beneficiary company,
- Assessing the fairness of the remuneration,
- Obtaining a certifying letter from EDF's directors.

II. Comments and assessments

The relative values which have been adopted are as follows:

- 2,700,000,000 euros for the contributed branch of activity, corresponding to the net book value of assets in the separate accounts for the structure operating the distribution network.
- 37,000 euros for the company C6, representing its registered capital. The shares are valued at par, i.e. 0.5 euro, as this company has not done any business since its creation.

These relative values, adopted to fix the exchange ratio, appear to us to be pertinent and suitable for this transaction.

C. ASSESSMENT OF THE FAIRNESS OF THE PROPOSED EXCHANGE RATIO

The exchange value is normally determined as a result of a valuation made using various homogeneous criteria which represent the respective weight of the contribution, on the one hand, and of the Beneficiary of the contribution, on the other hand.

As C6 is wholly-owned by EDF we would emphasise that, whatever the exchange ratio which is adopted, EDF remains the sole shareholder in C6 and the sole owner of the contributions made through this company.

Consequently, and for this reason, it can be considered that the remuneration principle adopted on the basis of the method described above is pertinent in this particular case.

The number of shares in C6 which will be allotted to EDF as remuneration for the contribution therefore appears to us to be fair.

D. CONCLUSION

To conclude our work, we are of the opinion that the remuneration proposed for the contribution, leading to the issue of 540,000,000 shares in the company C6, is fair.

Done in Paris, on 19 November 2007

The division and spin-off certifying accountants (*Commissaires à la scission*)

Laurent LEVESQUE

Jean François PLANTIN

Members of the Paris Regional Company of Statutory Auditors