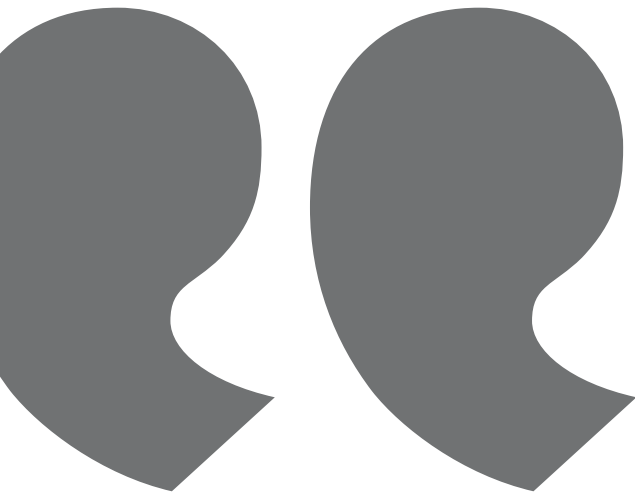




CHAIRMAN'S STATEMENT

I would like to begin this report with a strong and clear message: our planet is in the throes of a twofold energy and environmental revolution. Thanks to its commitment to sustainable solutions, EDF intends to play a leading role in meeting the challenge.

| **Pierre Gadonneix**



On a global level, never have energy needs been so significant.

World electricity consumption is expected to double over the next 25 years. We can thus no longer afford to build our future relying ever more heavily on fossil fuels, which today account for two thirds of the world's electricity generation. These resources are exhaustible and must be used sparingly, especially as their combustion emits carbon dioxide, which seriously exacerbates global warming.

In Europe, with the increase in demand, the significant excess electricity generation capacity of the last 20 years is being gradually absorbed. The resulting upturn in market prices has consumers and public authorities concerned at a time when electricity markets are opening to competition. Transitional measures have been adopted in some countries. In France, for instance, industrial groups that had taken advantage of deregulation have been authorized to revert for a period of two years to a specific tariff system, and retail prices charged to consumers will not be allowed to increase faster than inflation.

THIS GROWTH IS SUSTAINABLE THANKS TO THE COMMITMENT OF OUR STAFF AND THE TRUST OF OUR CUSTOMERS, SHAREHOLDERS AND STAKEHOLDERS.

| All of whom I would like to thank here.

We all know, however, that the only sustainable long-range solution is to promote energy savings and ramp up investments in networks and generation facilities to ensure that we have a diversified and balanced energy mix with low carbon emissions.

EDF's industrial plan, unveiled late in 2004, implemented in 2005 and stepped up in 2006, is in keeping with these requirements.

We bolstered our investments to a total €5.9 billion in 2006, notably increasing spending in France by 20% on 2005, to €3.8 billion. Following three years of national debate on energy policy and several months of consultations and public debate, we decided to build an EPR reactor at Flamanville as part of the plan to renew our nuclear fleet, nuclear being the only large-scale thermal generation technology that is carbon-free. We are already laying the groundwork for the EPR. To help meet peak needs, we also re-commissioned four oil-fired units, the first of which began to feed the grid in 2006, and made plans to build new fossil-fired capacity. Similar policies were adopted throughout the EDF Group: Edison added 2,000 MW of generation capacity, EnBW is investing in hydro power along the Rhine and plans to build a fossil-fired plant, and EDF Energy is studying a combined-cycle gas project.

We are also maintaining our leadership in renewable energies, another solution to the challenges of

the future. We invested in hydro via the Nam Theun dam project in Laos, and in wind power, a technology we are working to develop via EDF Energies Nouvelles, which was bolstered by its stock-market listing. In addition, our expertise in nuclear has allowed us to forge partnerships worldwide, notably in Europe, China and the United States.

At the same time, we are focusing our sales and marketing policies on the energy-saving solutions our customers expect from us, and without which we cannot keep consumption growth in check. The development of this type of solution stands to be boosted by competition between suppliers.

In France, residential customers will be free to choose their electricity supplier starting on July 1, 2007.

We will meet the two objectives we had set for ourselves: make it easy for customers that want to change suppliers to do so, and guarantee that all those who stay with us enjoy the same quality service. Preparations for this change, which affects 10,000 EDF staff, were made serenely, and had practically been completed by the end of 2006. Needless to say, we will continue to fulfill our quality public service missions and meet all of the commitments outlined in the Public Service Agreement signed in 2005.

In a word, by striving to build a solid, coherent and efficient Group, we intend to pursue our investment strategy, satisfy our customers, fulfill our quality public service missions and continue to manage our growth.

The Group has newfound latitude in these areas. Having gradually divested our interests in South America and successfully refocused on Europe, our dynamic is stronger than ever. Our business model as a vertically integrated Group positioned on every level of the value chain is a testimony to our robustness and agility in a highly demanding environment.

Financial performance is on track, a tribute to the relevance of this business model. Sales increased by 15.4% to €58.9 billion in 2006, the first year since the IPO. Group's net income from ordinary operations, excluding non-recurring items, rose 47% to €4.2 billion, reflecting the performance efforts of all our staff. Net financial debt was reduced by €3.7 billion to €14.9 billion.

These highly positive trends have allowed us to meet the ambitious targets we set and to deliver on the promise we made at the time of the IPO to pay out 50% of our net income from ordinary operations to shareholders. They also give us the leeway needed to bring our industrial project to fruition and invest the large sums its realization requires.

This growth is sustainable thanks to the commitment of our staff and the trust of our customers, shareholders and stakeholders – all of whom I would like to thank here. It is with your help that I aim to make EDF the leader in tomorrow's energy industry.

