



Delivering results,
major strategic progress internationally
and increasing investments.



Chairman's statement

Pierre GADONNEIX



The past year was one of contrasting trends. The oil price climbed to 100 dollars, and raw material costs edged higher.

Energy demand continued to grow, making investment in new generation capacity unavoidable.

At the same time, the urgency of climate change became clear to all, and the subprime crisis caused real turmoil in financial markets.

Against this backdrop, EDF once again **delivered results** and made **major strategic progress internationally**. The Group is now positioned to play an active role in the nuclear revival on the world's leading energy markets.

As in the previous year, EDF recorded **improvements for all the main financial indicators in 2007, and all Group subsidiaries and affiliates made positive contributions to the strong results**. Sales reached €59.6 billion, marking a slight improvement on the previous year despite the sale of Light in Brazil. EBITDA came in at €15.2 billion, implying organic growth of 6.1%, and net income from ordinary operations, excluding non-recurring items, advanced by 10.6%.

We delivered on all our commitments in 2007. The targets set out in the *Altitude* performance program were largely exceeded. We have also made all of the disposals announced, following the sale of our Mexican plants late in December.

The residential market was opened to competition in July. This was an opportunity for EDF to demonstrate its capacity for innovation, offering customers services that combine more environmental protection, more savings and more well-being through energy savings, renovation advice and decentralized renewable energy generation solutions. Our teams worked hard to implement a new organization of the distribution and sales and marketing activities. ERDF, the new subsidiary in charge of distribution, has been operational since the 1st of January 2008. EDF approached this last step in the deregulation process with two key goals in mind: guarantee non-discriminatory network access to all suppliers via the transmission and distribution subsidiaries, and make sure that all our customers enjoy the same service as before, in keeping with our quality public service commitments.





➔ **The Group also continued to step up its investment program.** Operating investment has increased by almost 50% over two years, reaching €7.5 billion in 2007. In France, investment amounted to €4.5 billion, making EDF the country's largest investor. Funds were allocated to all businesses and geographic areas. In the generation activity, where investments have been ramping up since 2006, we brought new capacity on stream, of which 1,400 MW in France¹. Construction work on the EPR reactor in Flamanville proceeded on schedule. Significant efforts are being implemented to maintain and extend the lifespan of the hydro and nuclear assets. Investments were also made in the transmission and distribution networks, in France and in the UK and Germany. On the renewable energy front, EDF Énergies Nouvelles continued to record strong growth, with net capacity in service rising above 1,000 MW during the year.

Our status as the world's premier nuclear operator allowed us to reach a major milestone in 2007: working with partners in the United States and China, we will be the first to become joint owners and operators of nuclear power stations in these countries.

1. Porcheville in 2006, Cordemais in 2007 (1,270 MW) and a combustion turbine in Vitry in 2007 (130 MW).

Major energy and environmental challenges lie ahead. They will represent an opportunity for the sector as a whole, and for EDF in particular.

We must tackle climate change while assuring **security of supply**, which is being threatened by the scarcity and high cost of hydrocarbons at a time when global demand is steadily increasing.

The goal is to bolster our generation capacities to continue to contribute significantly to the energy independence of France and Europe.

In addition to being the world's largest nuclear operator, we are also a leader in the field of renewable power, thanks to our hydro fleet and EDF Énergies Nouvelles. **As a major energy player with unmatched industrial resources, EDF is ready to demonstrate, today and in the future, its leadership when it comes to the safe generation of zero-carbon energy at competitive costs.**



With its unequalled industrial asset base, EDF is ideally positioned to demonstrate its leadership, now and in the future, when it comes to generating safe, competitive and carbon-free energy. ”

In France, 95% of our electricity generation is carbon-free, and EDF emits three times less CO₂ per KWh than the other large European electricity groups.

EDF will continue to focus on productivity in the short and medium terms to further improve its operating performance. We are also preparing for the longer term by investing to maintain and expand our generation assets and achieve **sustainable industrial growth**.

Between 2008 and 2010, we will invest more than €35 billion, in France and internationally, in key businesses. A total 6,000 MW of new generation capacity will be brought on stream between 2006 and 2012 in France. We will also continue to build up our natural gas and renewable energy businesses, including tidal and photovoltaic power and electric vehicles. R&D will keep the focus on developing low-carbon technologies such as carbon capture and storage. As a leading player in the world nuclear revival, EDF aims to invest in, commission and operate more than ten EPRs by 2020 in four key markets: the United

Kingdom, the United States, China and South Africa.

This will require **hiring skilled people**, which we are doing. By way of example, EDF recently announced the creation of the European Foundation for Tomorrow's Energies, which will fund education and research in the area of zero-greenhouse gas technologies. Our goal is to recruit more than 10,000 people in the next five years, including 500 nuclear engineers a year, to drive the sustainable industrial growth that will secure EDF's position as the leading energy group of tomorrow.
