# HALF-YEAR FINANCIAL REPORT
# 30 JUNE 2015

At its meeting of 29 July 2015, EDF's Board of Directors approved this Half-year financial report and the condensed consolidated financial statements for the half-year ended on 30 June 2015 included in it.

This report contains information relating to the markets in which the EDF group is present. This information has been taken from surveys carried out by external sources. Considering the very rapid changes that characterise the energy sector in France and worldwide, it is possible that this information could turn out to be mistaken or outdated. Developments in the Group's activities could consequently differ from those described in this Half-year financial report and the declarations and information appearing in this report could prove to be erroneous.

The forward-looking statements contained in this Half-year financial report, notably in section 10 ("Financial Outlook") of the Half-year management report, are based on assumptions and estimates that could evolve or be impacted by risks, uncertainties (relating particularly to the economic, financial, competitive, regulatory and weather environment) or other factors that may cause the future results, performances and achievements of the Group to differ significantly from the objectives expressed and suggested. These factors may include changes in the economic and commercial environment, regulations, and the factors discussed in section 4.1 of the EDF group's 2014 reference document ("Risk Factors").

Pursuant to European and French legislation, the entities responsible for the transmission and distribution of electricity within the EDF group may not communicate certain information gathered in the course of their activities to the other entities of the Group, including its Management. Similarly, certain data specific to generation and supply activities may not be communicated to the entities responsible for transmission and distribution. This Half-year financial report has been prepared by the EDF group in compliance with these rules.

# CONTENTS OF THE HALF-YEAR FINANCIAL REPORT

# 1. CERTIFICATION BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

I certify that, to the best of my knowledge, the condensed consolidated financial statements at 30 June 2015 are prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income of the company and of all the companies included in the scope of consolidation, and that the attached Half-year management report presents a true and fair view of the important events of the first six months of the financial year and their impact on the financial statements, the main related party transactions and a description of the main risks and uncertainties for the remaining six months of the financial year.

Paris, 29 July 2015

Jean-Bernard Lévy

Chairman and CEO of EDF

# HALF-YEAR MANAGEMENT REPORT

# 30 JUNE 2015

# MANAGEMENT REPORT CONTENTS

# 1. KEY FIGURES

Pursuant to European regulation 1606/2002 of 19 July 2002 on the adoption of international accounting standards, the EDF group's condensed consolidated financial statements for the half-year ended 30 June 2015 are prepared using the presentation, recognition and measurement rules set forth in the international accounting standards published by the IASB and approved by the European Union for application at 30 June 2015. These international standards are IAS (International Accounting Standards), IFRS (International Financial Reporting Standards), and SIC and IFRIC interpretations.

The accounting methods applied by the Group are presented in note 1 to the condensed consolidated half-year financial statements at 30 June 2015.

The figures presented in this document are taken from the EDF Group's condensed consolidated half-year financial statements at 30 June 2015.

The condensed consolidated half-year financial statements comply with standard IAS 34 on interim financial reporting. They do not therefore include all the information required for full annual financial statements, and are to be read in conjunction with the consolidated financial statements at 31 December 2014.

The comparative figures for 2014 have been restated to reflect the impact of retrospective application of IFRIC 21.This interpretation changes existing practices for annual taxes that become due because an entity is in operation at a specified date or because it reaches a certain threshold in its activity. Certain taxes are no longer spread over the year, but recognised in full as soon as the triggering event arises, which in most cases is during the first half-year.

The Group's key figures at 30 June 2015 are shown in the following table. Variations in value and percentage are calculated with reference to the restated first-half 2014 figures.

## Extract from the consolidated income statements

| (in millions of Euros) | H1 2015 | H1 2014 restated | Variation | Variation (%) | Organic growth (%) |
|---|---|---|---|---|---|
| Sales | 38,396 | 36,125 | 2,271 | +6.3 | +0.1 |
| Operating profit before depreciation and amortisation (EBITDA) | 9,147 | 8,833 | 314 | +3.6 | -0.3 |
| Operating profit (EBIT) | 4,536 | 5,100 | (564) | -11.1 | -14.6 |
| Income before taxes of consolidated companies | 3,388 | 3,813 | (425) | -11.1 | -14.8 |
| EDF net income | 2,514 | 2,518 | (4) | -0.2 | -3.7 |
| Net income excluding non-recurring items[1] | 2,928 | 2,554 | 374 | +14.6 | +10.9 |

(1) Net income excluding non-recurring items is not defined by IFRS, and is not directly visible in the Group's consolidated income statements. It corresponds to the Group's share of net income (EDF net income) excluding non-recurring items and the net change in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax (see section 3.9)

## Cash flow after dividends

| (in millions of Euros) | H1 2015 | H1 2014 restated | Variation | Variation (%) |
|---|---|---|---|---|
| Cash flow after dividends[1] | (1,888) | (877) | (1,011) | n.a. |

(1) Cash flow after dividends is not an aggregate defined by IFRS as a measure of financial performance, and is not comparable with indicators of the same name reported by other companies. It is equivalent to the operating cash flow after the changes in working capital and net investments as defined in section 4, allocations and withdrawals from dedicated assets, and dividends.

## Details of net indebtedness

| (in millions of Euros) | 30/06/2015 | 31/12/2014 restated | Variation | Variation (%) |
|---|---|---|---|---|
| Net indebtedness [1] | 37,502 | 34,208 | (3,294) | +9.6 |
| Equity (EDF's share) | 36,106 | 35,246 | 860 | +2,4 |
| Net indebtedness/EBITDA | 2.1 [2] | 2.0 | | |

(1) Net indebtedness is not defined in the accounting standards and is not directly visible in the Group's consolidated balance sheets. It comprises total loans and financial liabilities, less cash and cash equivalents and liquid assets. Liquid assets are financial assets consisting of funds or securities with initial maturity of over three months that are readily convertible into cash and are managed according to a liquidity-oriented policy. It also includes the Group's loan to RTE.

(2) The ratio at 30 June 2015 is calculated based on cumulative EBITDA for the second half-year of 2014 restated for the impact of IFRIC 21 and the first half-year of 2015, using a numerator and denominator based on a comparable scope of consolidation.

# 2. ECONOMIC ENVIRONMENT AND SIGNIFICANT EVENTS OF FIRST-HALF 2015

## 2.1. ECONOMIC ENVIRONMENT

### 2.1.1.TRENDS IN MARKET PRICES FOR ELECTRICITY AND THE PRINCIPAL ENERGY SOURCES

Spot electricity prices were higher overall during the first half of 2015 than the same period of 2014 due to this year's lower temperatures. Only German spot prices were contained at a low level due to greater output of energy from renewable sources.

#### 2.1.1.1. Spot electricity prices in Europe [1]

| | France | United Kingdom | Italy | Germany | Belgium |
|---|---|---|---|---|---|
| Average baseload price for H1 2015 (€/MWh) | 38.7 | 56.5 | 49.8 | 30.2 | 44.0 |
| Variation in average H1 baseload prices, 2015/2014 | *12.0%* | *10.0%* | *0.7%* | *-6.6%* | *+13.3%* |
| Average peakload price for H1 2015 (€/MWh) | 46.5 | 62.7 | 54.5 | 37.0 | 51.7 |
| Variation in average H1 peakload prices, 2015/2014 | *5.8%* | *9.0%* | *-2.9%* | *-7.9%* | *+8.9%* |

The comments below concern baseload prices.

In France, spot electricity prices stood at an average €38.7/MWh, €4.1 MWh higher than in first-half 2014 due to the rise in demand in the first half of 2015. This was partly driven by the increase in consumption, as temperatures were 0.2°C below normal and 0.8°C lower than first-half 2014 which was particularly mild (temperatures for the first quarter were 1.9°C lower in 2015 than 2014). The rise in renewable energy generation and nuclear availability compensated for the downturn in hydropower output. The growth in demand was absorbed by greater use of thermal plants, especially gas-fired plants.

In the United Kingdom, spot electricity prices rose by €5.1/MWh from their first-half 2014 level, to an average €56.5/MWh. Most of the increase occurred in the second quarter, as short-term gas prices were higher in the second quarter of 2015 than the same period of 2014.

In Italy, spot prices remained stable (+0.7%) at €49.8/MWh.

In Germany, spot prices stood at an average €30.2/MWh, €2.1/MWh lower than in the first half of 2014. Despite lower temperatures than the previous year, the supply/demand balance was on the whole relaxed as there were plentiful supplies of wind power in particular and photovoltaic solar power output remained stable overall. Average wind power output was 8.2 GWh for the first half of 2015, a year-on-year increase of 1.9 GWh.

In Belgium, spot prices were up by €5.2/MWh from first-half 2014, reaching an average €44.0/MWh. Much of this rise is attributable to the first quarter of 2015 which had markedly lower available nuclear capacity. Two nuclear power plants (Tihange 2 and Doel 3) were shut down in late March 2014 and there is no confirmed date as yet for resumption of their operation. Also, the Doel 1 plant was shut down in February 2015 after 40 years of operation, although a reopening is under consideration to extend its operating life to 2025. These events placed constraints on the Belgian supply/demand balance during the winter. The lower available capacity caused to prices to spike at €105.9/MWh on 24 March 2015, the highest price observed since the winter of 2012.

[1] France and Germany: Average previous day EPEXSPOT price for same-day delivery;
Belgium: Average previous day Belpex price for same-day delivery;
United Kingdom: Average previous day EDF Trading OTC price for same-day delivery;
Italy: Average previous day GME price for same-day delivery.

### 2.1.1.2. Forward electricity prices in Europe [2]

| | France | United Kingdom | Italy | Germany | Belgium |
|---|---|---|---|---|---|
| Average forward baseload price under the 2016 annual contract for H1 2015 (€/MWh) | 38.8 | 60.9 | 47.6 | 32.0 | 44.3 |
| Variation in average H1 forward baseload price under the annual contracts, 2015/2014 | *-8.5%* | *-2.3%* | *-12.6%* | *-9.3%* | *-0.1%* |
| Forward baseload price under the 2016 annual contract at 30 June 2015 (€/MWh) | 39.5 | 62.1 | 48.9 | 32.1 | 46.2 |
| Average forward peakload price under the 2016 annual contract for H1 2015 (€/MWh) | 47.5 | 68.4 | 52.1 | 40.6 | 52.8 |
| Variation in average H1 forward peakload price under the annual contracts, 2015/2014 | *-12.2%* | *-4.1%* | *-11.3%* | *-7.9%* | *-4.8%* |
| Forward peakload price under the 2016 annual contract at 30 June 2015 (€/MWh) | 47.7 | 69.9 | 53.8 | 40.4 | 54.2 |

Annual contract prices for baseload electricity were lower on average than in first-half 2014 in France, Germany, Italy and the United Kingdom, mainly due to lower fuel prices.

In France, the annual contract baseload price was 8.5% (-€3.6/MWh) lower on average than in first-half 2014. This decrease is primarily explained by the fall in coal, oil and gas prices, although it was slightly offset by the rise in $CO_2$ emission prices.

In the United Kingdom, the April Ahead contract baseload price for 1 April Y+1 to 31 March Y+2 decreased by 2.3%, in keeping with the downward trend in forward gas prices.

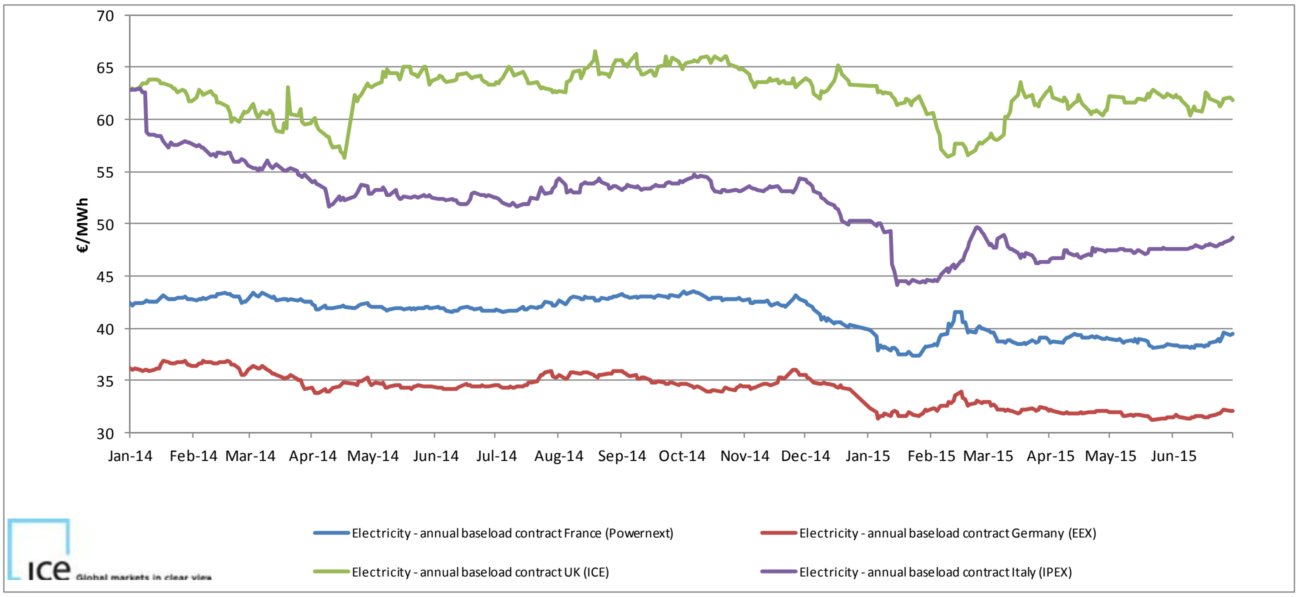
In Italy, the annual contract baseload price also registered a substantial downturn and was €7/MWh lower on average than in first-half 2014. This drop was caused by lower gas prices and the progression of renewable energies.

In Germany, the annual contract baseload price was down by an average €3.5/MWh from first-half 2014. This decrease is attributable to falling fuel prices and the expansion in photovoltaic plants and more importantly wind farms in Germany.

In Belgium, the annual contract baseload price remained stable despite uncertainties over the possible extension of the operating lifetimes of the Doel 1 and 2 reactors, which could be prolonged until 2025.

[2] France and Germany: Average year-ahead EEX price ;
Belgium: average year-ahead EDF Trading price;
Italy: average year-ahead EDF Trading price;
United Kingdom: Average ICE annual contract prices, April 2015 then April 2016 (in the UK, annual contract deliveries take place from 1 April to 31 March).

Principal forward electricity prices in Europe (baseload)

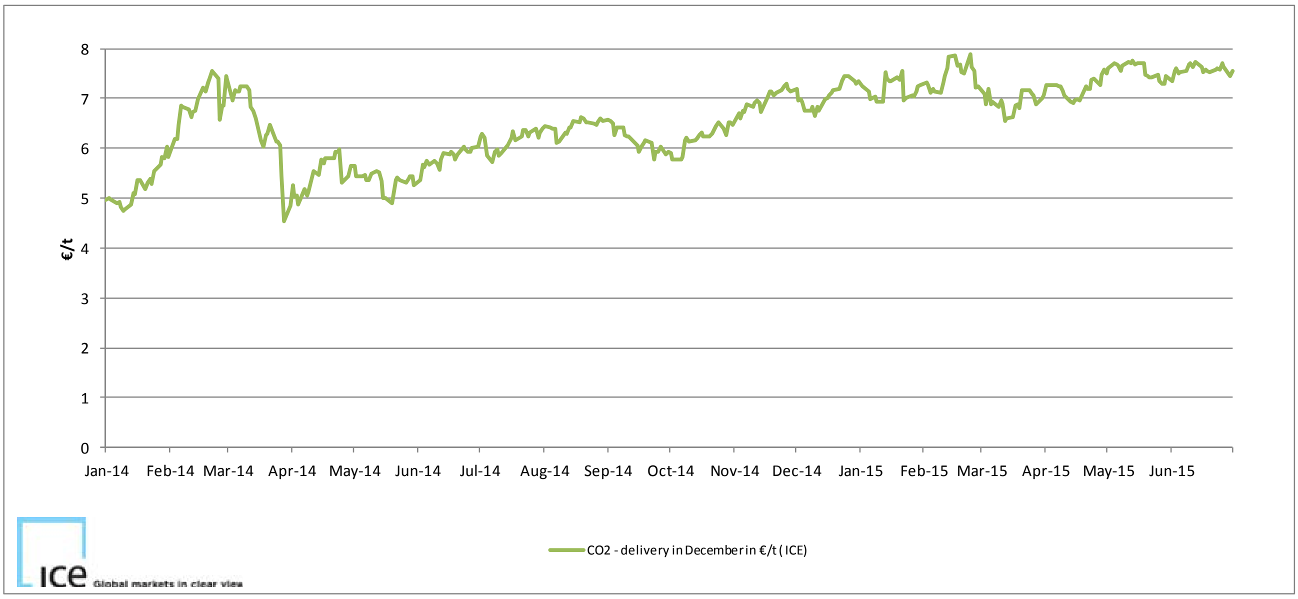



### 2.1.1.3. $CO_2$ emission rights prices[3]

The price of $CO_2$ emission rights for delivery in December 2015 stood at an average €7.2/t over the first half of 2015 or €1.6/t higher than in first-half 2014. This positive development relates to discussions concerning the terms for implementation of the Market Stability Reserve (MSR).

The MSR gives permanent effect to the "backloading" system that places quotas in a reserve with the of controlling supply volumes in order to sustain $CO_2$ prices.

CO2 emission rights prices




[3] Average ICE prices for the annual contract, Phase III (2013-2020).

### 2.1.1.4. Fossil fuel prices [4]

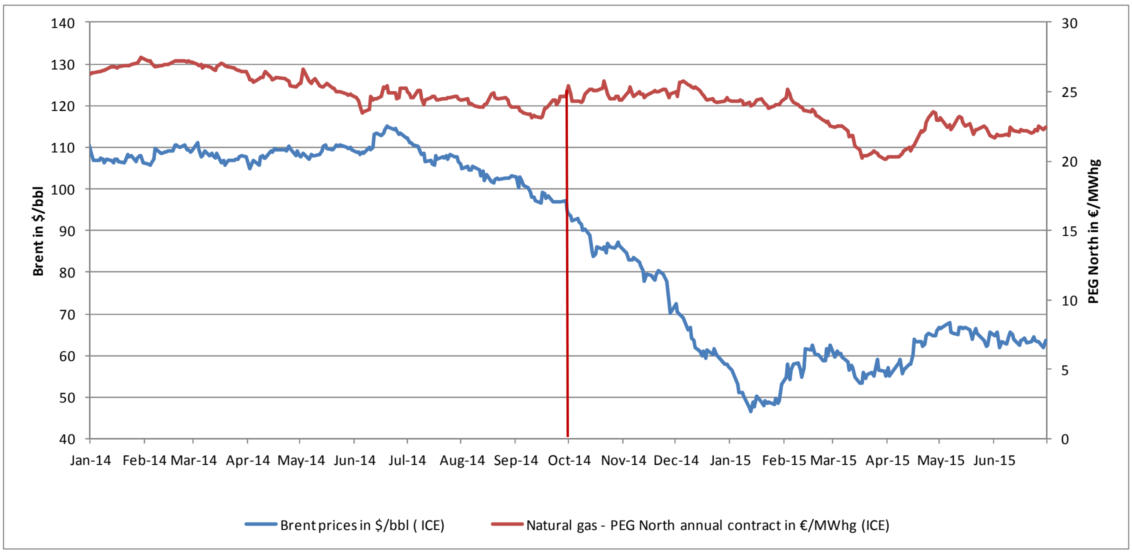
| | Coal ($/t) | Oil ($/bbl) | Natural gas (€/MWh) |
|---|---|---|---|
| Average price for H1 2015 | 59.1 | 59.3 | 21.8 |
| Average H1 price variation, 2015/2014 | -28.0% | -45.5% | -13.6% |
| Highest price in H1 2015 | 65.3 | 67.8 | 23.6 |
| Lowest price in H1 2015 | 55.6 | 46.6 | 20.1 |
| Closing price at 30 June 2014 | 78.8 | 112.4 | 23.7 |
| Closing price at 30 June 2015 | 60.4 | 63.6 | 21.6 |

Forward prices for **coal** were down by 28% from first-half 2014 as the supply/demand balance continued to be very relaxed worldwide. On 8 April 2015 coal prices reached their lowest level since the end of 2005 at $55.6/t. Despite sporadic dips in Colombian coal exports, prices are being kept very low by weak worldwide demand and extensive production capacities, especially in the Pacific basin. The price per tonne of coal for delivery in 2016 ended the half-year at $64.0/t.

The price of **oil** registered a significant 45.5% fall from first-half 2014 levels. The plentiful supply, especially from Saudi Arabia, combined with sluggish worldwide demand put strong downward pressure on prices. Some production sites that had become unprofitable due to low oil prices were closed down, particularly in the United States, and this contributed to a slight upturn in oil prices during the half-year.

**Natural gas** prices under the annual contract in France were 13.6% lower than in first-half 2014. Despite the Russia-Ukraine crisis and production restrictions at the Dutch Groningen gas field, prices declined due to greater availability of LNG in Europe caused by lower demand in Asia. The downturn in oil prices also led to a fall in long-term supply contracts which are partly indexed on oil commodity prices. As a result, market actors decided to increase the quantities imported via these contracts, and this too contributed to the downward pressure on prices.

Natural gas and oil prices




[4] Coal: Average ICE prices for delivery in Europe (CIF ARA) for the next calendar year ($/t);
Oil: Brent first reference crude oil barrel, IPE index (front month) ($/barrel);
Natural gas: Average ICE OTC prices, for delivery starting from October of the following year in France (PEG Nord) (€/MWhg).

### 2.1.2.ELECTRICITY[5] AND GAS[6] CONSUMPTION

In France, electricity consumption rose by 3.9% in first-half 2015 because of the colder temperatures than in first half-year 2014, which had seen particularly mild weather. After correction for weather effects, first-half demand was practically stable.

In the United Kingdom domestic electricity consumption is not highly sensitive to temperatures, and first-half consumption levels were down by 1.6% year-on-year due to improvements in energy efficiency. In Italy, domestic electricity consumption was stable (-0.3%), as the decline in hydropower generation after the exceptionally high levels of 2014 was offset by higher thermal and renewable energy output.

Natural gas consumption in France saw a significant 12.5% rise compared to first-half 2014, principally due to colder temperatures than in first-half 2014.

Estimated domestic natural gas consumption was up by 10.2% in the United Kingdom due to colder weather for the first half of the year in 2015 than in 2014, and higher demand. Demand for gas in Italy increased by +7.9% in first-half 2015 due to lower temperatures, which led to a rise in consumption on the residential market and for thermal power generation.

### 2.1.3.ELECTRICITY AND NATURAL GAS SALES TARIFFS

For details of recent developments concerning tariffs in France, see section 2.2.6.1.5.

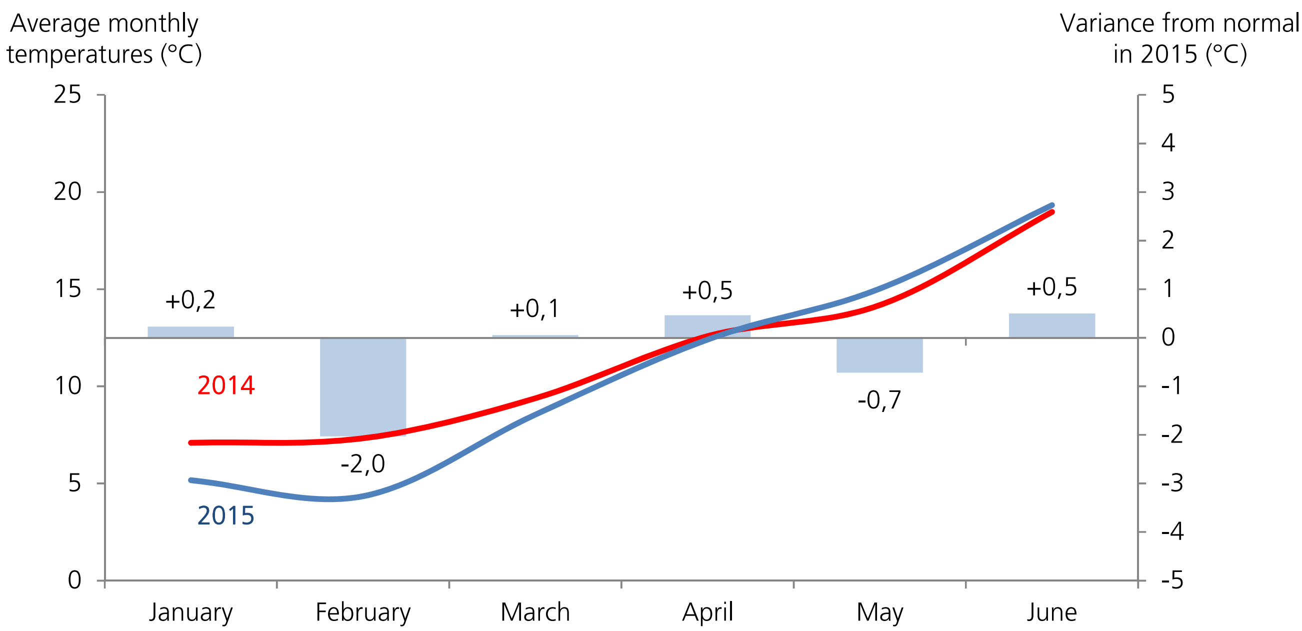
In the United Kingdom, EDF Energy announced on 27 January 2015 that gas tariffs would be reduced by 1.3% from 11 February 2015 in response to the recent fall in market prices for gas. The great majority of energy purchases to supply customers had made in advance at higher prices, and this factor and the low prices already offered by EDF Energy limited the effect of the tariff cut.

[5] Sources: France: RTE, Overview of electrical energy in France, June 2015.
United Kingdom: Department of Energy and Climate Change data for the first quarter, EDF Energy estimation for the second quarter
Italy: Terna data restated by Edison.
[6] Sources: France: Smart GRTgaz and TIGF.
United Kingdom: Department of Energy and Climate Change data for the first quarter, local subsidiary estimation for the second quarter.
Italy: Ministry for Economic Development (MSE), Snam Rete Gas data restated by Edison on the basis 1 Bcm = 10.76 TWh.

### 2.1.4.WEATHER CONDITIONS: TEMPERATURES AND RAINFALL

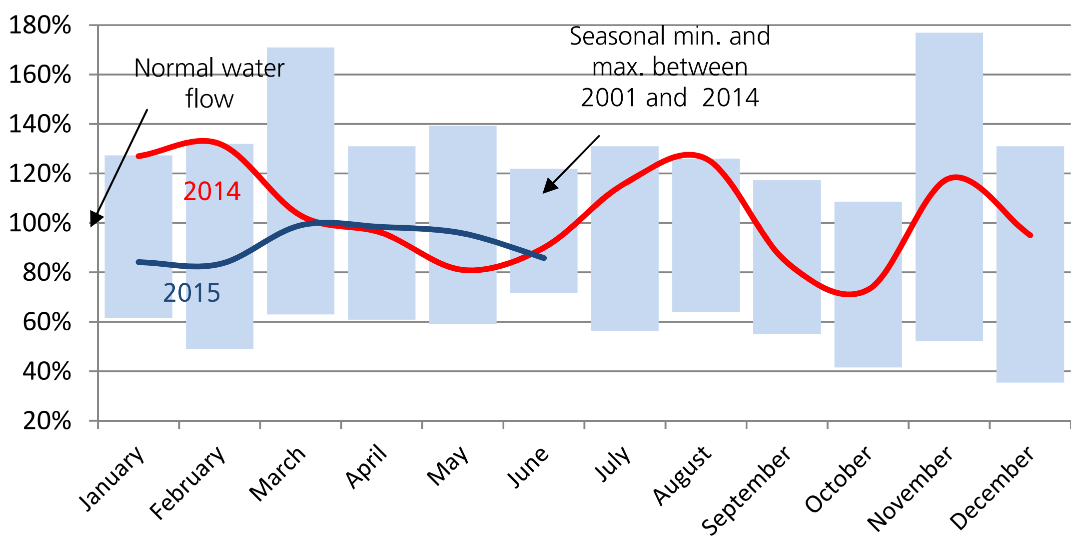
The weather in the first quarter of 2015 was markedly different from the same period of 2014, which was particularly mild (with temperatures +1.3°C above normal). In the second quarter temperatures remained close to normal.

Temperatures in France in first-half 2014 and first-half 2015[7]




Except in the Pyrenees where there was surplus rainfall (and snowfall), France experienced a shortfall in precipitation, particularly in the southern Alps and the central regions. As a consequence of this unusual weather situation, cumulative hydropower capacity was below normal in France in the first half of 2015.

Water levels in France in 2014 and first-half 2015




[7] Source: Miréor (data from Météo-France): Average temperatures recorded in 32 cities weighted by electricity consumption.

## 2.2. SIGNIFICANT EVENTS[8]

### 2.2.1. MAJOR EVENTS

#### 2.2.1.1. Strategic partnership agreement between EDF and Areva

On 30 July, EDF and Areva signed a memorandum of understanding that formalised the status of the progress of discussions concerning their contemplated partnership. This memorandum has 3 sections.

Firstly, EDF and Areva will enter into a comprehensive strategic and industrial agreement, in order to, in particular, improve and develop the efficiency of their cooperation in areas such as research and development, international sales of new reactors, the storage of spent fuel, and dismantling.

Secondly, this memorandum deals with the contemplated acquisition by EDF of an exclusive control of AREVA NP, the company in charge of equipment and fuel manufacturing as well as services for reactors. It provides for a majority control (at least 51%) of AREVA NP by EDF, a maximum stake of 25% held by Areva as part of a strategic partnership, and the potential participation of other minority partners. This project enables to better secure the most critical activities of the *Grand Carénage* for the existing fleet in France, and to improve the efficiency of engineering services, project management, and some manufacturing activities through EDF's experience feedback.

Lastly, the memorandum aims to set-up a dedicated company – 80% owned by EDF and 20% owned by AREVA NP – aimed at optimising the design and management of new reactors projects. The purpose of this company is to improve the preparation and management of projects as well as the export offering of the French industry by improving the coordination of strategic marketing to draw up offers in the upstream project phase, by developing offers that are more competitive and adapted to client needs, and by harmonising and expanding the range of reactors, all while ensuring the continuation of partnerships with the major industrial companies in Japan and China. This company will form part of an integrated generator/supplier model, which has been tried and tested in several countries.

The parties agreed on an indicative price (100% of equity value[9]) of 2.7 billion euros[10] at the closing date and agreed that the treatment of cash for the transition period between 1 January 2015 and the closing date would be dealt with in a subsequent agreement, taking into account the measures taken and the forecasts presented by the new AREVA NP management. This price corresponds to a 2015 EBITDA multiple of 8x[11]. The memorandum also provides that EDF, AREVA NP, and their subsidiaries will be completely immunised against any risks related to the Olkiluoto 3 project. On the basis of a 51% to 75% stake held by EDF, all the financial terms enable the Group to preserve its financial trajectory and to confirm that this transaction will have a neutral impact on its 2018 cash flow.

A detailed due diligence phase will begin starting from August in order to enable EDF to submit a binding offer during the last quarter of 2015. Prior to submitting a binding offer, the Group will proceed with the consultation of its employee representative bodies, and with the negotiation of the participation of other potential partners. The closing of the transaction is planned for the second half of 2016, subject in particular to approval from the relevant merger control authorities.

[8] Significant events related to litigation are described in section 8.
The reference document and a full list of press releases are available from the EDF website: www.edf.com.

[9] Scope of the transaction, after excluding operations not acquired.

[10] "Non-binding" figure with no transfer of liability related to Olkiluoto 3 nor financial debt at the closing date. The figure may be subject to adjustment after due diligence.

[11] Normalised EBITDA pro forma of the acquired scope, excluding large projects

#### 2.2.1.2. European commission decision on the tax treatment of provisions established between 1987 and 1996 for renewal of the French general network

On 22 July 2015 the European Commission adopted a new decision calling it a State aid incompatible with European Union rules the tax treatment of provisions created between 1987 and 1996 for the renewal of the structures of the Réseau d'Alimentation Générale ("RAG").

This decision follows the cancellation by the Tribunal of the European Union in December 2009 by a judgment confirmed by the Court of Justice of the European Union in June 2012, the initial Commission decision of 16 December 2003 grounds that the Commission should have in its assessment, apply the criterion of prudent investor to determine if there was or not state aid.

Following this cancellation, the state had returned to EDF on December 30, 2009 a total amount of 1.224 billion euros corresponding to the amount that was paid by EDF to the French State in February 2004 (this amount was partially repaid to ERDF and RTE for their respective shares). The Commission decided in May 2013 to reopen the proceedings.

By its decision today, the Commission concludes the existence of a state aid incompatible with the common market. As a result of this decision, the state will instruct EDF repayment of the sum corresponding to the amount of the alleged aid, plus interest as set by the Commission.

EDF takes note of this decision and will proceed to reimburse the sums required. However, EDF denies the existence of unlawful State aid and file, subject to the review of the decision, an action for annulment before the Tribunal of the European Union.

EDF translated the impact on its consolidated financial statements as follows:

At June 30, 2015, symmetrically to the impacts that had been recorded in the accounts at December 31, 2009, the main tax, or €889 million, negatively impacts the consolidated shareholders' equity, while the accrued financial interests associated impact the net income Group share and are estimated at June 30, 2015 at about €350 million after tax.

In the second half 2015, this decision should lead to an increase in net financial debt of the Group of around €0.9 billion (net of tax effect excluding impact on net debt of RTE, accounted for by the equity method).

### 2.2.2.STRATEGIC DEVELOPMENTS

#### 2.2.2.1. Hinkley Point C nuclear plant project

On 8 October 2014 the European Commission approved the main terms of the agreements between the EDF group and the UK Government to build a new nuclear power station at Hinkley Point C in Somerset in southwest England.

The next steps required before a final investment decision is made include the conclusion of agreements with partners for the project, approval by the European Commission and the British government of the waste transfer contract arrangements, implementation of the funding guarantee through the "Infrastructure UK" programme, and finalisation of the "Contract for Difference" and contracts with the principal suppliers.

On 6 July 2015, the Austrian government filed an appeal against the European Commission's decision of 8 October 2014 before the European Union General Court. On 15 July 2015 Greenpeace Energy and a German-Austrian alliance of energy suppliers and local authorities also filed an appeal against this decision.

### 2.2.3. NEW INVESTMENTS AND PARTNERSHIPS

#### 2.2.3.1. Finalisation of the agreement between EDF Luminus and ATS

On 27 May 2015, EDF Luminus' acquisition of a majority shareholding in ATS SA was finalised after the Belgian competition authority gave its approval. As well as electric equipment, ATS sells fully-integrated solutions for electricity and heating: design and engineering, installation and maintenance of industrial electric networks, automation projects, industrial refrigeration, fire detection and hydraulics. EDF Luminus and ATS will be able to better assist their industrial customers and the service and public sectors through an enhanced range of solutions for energy efficiency and optimisation of consumption.

#### 2.2.3.2. Finalisation of Dalkia's acquisition of Cesbron

On 24 March 2015, Dalkia announced the completion of its acquisition of 100% of Cesbron, an industrial and commercial refrigeration and HVAC (heating, ventilation and air conditioning) specialist. Dalkia and Cesbron will develop commercial synergies in order to improve their market shares and respond positively to the challenges posed by the energy transition. The closer relationship between the two companies means that integrated offerings can now be developed for customers looking for energy savings.

#### 2.2.3.3. Extension of a series of existing agreements with EDF's Chinese partners

As part of their strategic partnerships, EDF and China General Nuclear Power Group (CGN) announced on 29 January 2015 that they had signed a new agreement to share their experience of plant operation and engineering support for existing nuclear fleets, with the aim of preserving the highest safety levels and maintaining consistency between French and Chinese procedures and standards. EDF also signed an agreement with Huadian, a leading Chinese electric utility, paving the way for future cooperation on joint projects in China as well as at international level. The three key areas of focus are combined-cycle gas-turbine power plants, hydropower plant operation and renewable energies.

During his visit to France on 30 June 2015 the Chinese and French Prime Ministers made a joint declaration on French-Chinese cooperation in nuclear energy. They asked industrial operators to work more closely together to design new safe, competitive third-generation reactors that meet the needs of the global market.

Together with AREVA, EDF has therefore signed agreements with its Chinese partners CGN and CNNC to develop the approaches required by the two governments.

#### 2.2.3.4. Investments and disposals by EDF Énergies Nouvelles

Following the third call for tenders from Hydro-Québec Distribution in 2013, EDF Énergies Nouvelles announced on 17 February 2015 that it had won the contract for the Nicolas-Riou wind farm project (224.4 MW) in Quebec, through its local subsidiary EDF EN Canada. Construction should start in the spring of 2016 and the plant is expected to be commissioned at the end of 2017. This project is owned 50% by EDF EN Canada and 33% by Énergie Éolienne Bas-St-Laurent. The remaining 17% belongs to La Régie Inter-Municipale de l'Energie Gaspésie-Îles-de-la-Madeleine. The companies have jointly signed a 25-year electricity supply contract with Hydro-Québec Distribution.

On 25 February 2015, EDF Énergies Nouvelles announced the creation of a local subsidiary, EDF EN do Brasil based in Rio, marking its move into the Brazilian market. EDF EN do Brasil started its local activities by acquiring a majority stake in an 800 MW portfolio of wind farm projects from SOWITEC, a leading international renewable energy developer. This portfolio will be jointly developed by EDF EN do Brasil and SOWITEC, which continues to be involved in the portfolio of projects in development through a minority 20% stake. Located in one of the windiest areas in the state of Bahia, this portfolio includes an initial 70 MW project due to be commissioned by the end of 2017. The electricity produced will be sold under a 20-year Power Purchase Agreement (PPA) that has already been signed with ANEEL.

On 14 April 2015, EDF Énergies Nouvelles announced its entry on the Chilean market. Its new local subsidiary, EDF EN Chile, signed a financing contract and a partnership agreement for a 146 MWp solar photovoltaic generation plant named Laberinto. Located in the Atacama Desert in northern Chile, this project is owned in equal shares by EDF Énergies Nouvelles and Marubeni. EDF Énergies Nouvelles has obtained long-term project financing from a consortium of local and international banks. A local dedicated subsidiary of EDF Énergies Nouvelles will handle construction, operating and maintenance of the solar plant.

On 23 June 2015 EDF Énergies Nouvelles announced the acquisition of the Salt Fork wind farm project in Texas via its North American subsidiary EDF Renewable Energy. With a maximum capacity of 200 MW, this wind farm, initially developed by Cielo Wind Power, is due to be commissioned in late 2016. The electricity generated by the first 150 MW from Salt Fork will be sold to Garland Power & Light under a long-term power purchase agreement.

During the first half-year of 2015, EDF Énergies Nouvelles sold a net volume of 378 MW.

#### 2.2.3.5. Acquisition of a wind farm in the United Kingdom by EDF Energy Renewables

On 2 April 2015 EDF Energy Renewables (owned 50% by EDF Energy and 50% by EDF Energies Nouvelles) announced the takeover of the plan to construct a wind farm at Corriemoillie in Scotland, which will ultimately have 19 turbines and total installed capacity of 45 MW.

#### 2.2.3.6. Development of EDF Énergies Nouvelles' operating and maintenance activities

On 5 March 2015, EDF Énergies Nouvelles announced the deployment through its dedicated subsidiary EDF EN Services of its operating and maintenance (O&M) service activities for renewable energy installations in Belgium with the creation of EDF EN Services Belgium. Jointly held with EDF Luminus, one of the EDF group's companies in Belgium, the new joint subsidiary offers wind farm and solar plant management services in Belgium for EDF Luminus and third party owner-operators.

#### 2.2.3.7. Snam, GIC and EDF Invest sign an agreement with Crédit Agricole Assurances for its investment in TIGF

On 28 January 2015, Snam, GIC, and EDF Invest announced that they had concluded an agreement with Crédit Agricole Assurances for its entry into the share capital of TIGF with a 10% stake. The transaction was finalised on 26 February 2015. Upon its completion, Snam, GIC, and EDF Invest received slightly above €180 million and together with Crédit Agricole Assurances now hold respectively 40.5%, 31.5%, 18.0% and 10.0% of the share capital of TIGF indirectly.

#### 2.2.3.8. EDF Invest finalises the acquisition of Madrileña Red de Gas

On 7 May 2015, EDF Invest and two other long-term investors finalised the acquisition of a minority shareholding in Madrileña Red de Gas (MRG). MRG was formed in 2009 after a spinoff of some of the assets of Gas Natural Fenosa, and is a regulated gas distribution network operator exclusively in the Madrid region. This investment has been allocated to EDF Invest's Infrastructures pocket alongside investments in TIGF, Porterbrook and RTE.

#### 2.2.3.9. Electranova: the fund's first three years of activity, and investment in an eighth start-up

On 27 May 2015 Electranova Capital, an investment fund managed by Idinvest Partners and strategically backed by EDF along with Allianz and BPI, announced its eighth investment. It will be in the North American start-up FirstFuel, which specialises in artificial intelligence and is interested in moving into the European market. Electranova is a cleantech venture capital fund set up in 2012 with €90 million, including €30 million from EDF. It has previously invested in seven startups in fields as diverse as new-generation batteries (Forsee Power), radars and Lidars for offshore wind farm projects (Leosphère), and dedicated platforms for the internet of things (Actility). The fund is part of the steps taken by EDF's R&D to open up to the world of innovative young companies, and its objective is to support startup development on high-growth markets, in response to the key issues of the energy transition and strategic questions for the EDF group.

### 2.2.3.10. Proposed IPO of EDF Luminus approved by its Board of Directors

On 13 May 2015 EDF Luminus' Board of Directors decided to start executing its plan for an IPO on Euronext Brussels. In line with the shareholder pact concerning EDF Luminus signed with the EDF group on 16 April 2010, EDF Luminus' Belgian shareholders had already notified their application for an IPO with a view to selling their shares. Currently the EDF group holds 63.5% of the capital of EDF Luminus through its subsidiary EDF Belgium, the balance (36.5%) being held by the Belgian shareholders Publilec, Publilum, Socofe, VEH, Ethias and Nethys. The operation could be completed by the end of 2015 subject to market conditions and the approval of the Belgian Financial Services and Markets Authority (FSMA).

### 2.2.3.11. Sale of Budapesti Erőmű Zrt. (BERT) in Hungary

On 30 June 2015, EDF and EP Energy announced the signature of an agreement for the sale of its majority stake in Hungary-based Budapesti Erőmű Zrt. (BERT). EP Energy will therefore acquire more than 95% of the shares in this company, which owns three gas-fired cogeneration (combined heat & power) plants: Kelenföld (with installed capacity of 188 MWe and 395 MWt), Újpest (105 MWe and 421 MWt) and Kispest (113 MWe and 366 MWt). These cogeneration plants meet almost 60% of the demand for heat in Budapest and generate approximately 3% of Hungarian electricity.
The transaction is subject to approval by the Hungarian anti-monopoly authority and endorsement by the Hungarian regulator, and authorisation by the French Ministry for the Economy is also required.

### 2.2.3.12. Agreement with Macquarie for the sale of EDF's 25% stake in Energie Steiermark Holding AG (Estag)

On 10 July 2015, EDF and Macquarie Infrastructure and Real Assets announced that they had signed an agreement for the sale of EDF International SAS' 25% stake in Energie Steiermark Holding AG (ESTAG) to Macquarie European Infrastructure Fund IV (MEIF4), a specialist infrastructure fund focused on long-term investments.
Estag is the fourth-largest energy distribution company in Austria. Based in the federal state of Styria, Estag operates in the distribution and sale of electricity, gas and heat as well as services.
The transaction is subject to the relevant antitrust and foreign investment control clearance. Completion of the transaction, expected during the second half-year of 2015, also requires approval by the federal state of Styria, Estag's controlling shareholder, and the signing of a new shareholder agreement between Macquarie and the federal state of Styria.

## 2.2.4. INVESTMENT PROJECTS

### 2.2.4.1. France

#### *2.2.4.1.1. Flamanville EPR*

On 7 April 2015, AREVA and EDF announced that they had informed the French Nuclear Safety Authority (ASN) that a new series of tests would be launched to qualify the Flamanville EPR reactor vessel head and bottom. This series of tests follows chemical and mechanical tests performed on a representative component of the reactor vessel head and bottom, which showed that one of the criteria was not fulfilled. The industrial processes used on the Flamanville 3 reactor vessel are compliant with the mechanical requirements implemented and validated for the French nuclear reactor programme. The robustness of these processes has been demonstrated through the 1,700 nuclear reactor years of safe operation. However, since the 2005 order on nuclear pressure equipment (ESPN Order), the ASN has required equipment to comply with new mechanical specifications to be implemented at Flamanville 3. The EDF and AREVA teams are working to complete the additional tests as soon as possible, following ASN approval of the test conditions, and to provide the ASN with all the information required to demonstrate the safety and quality of the equipment concerned. At a Senate hearing on 16 June 2015, the President of the ASN, Pierre-Franck Chevet, declared that the ASN would not issue a formal opinion on the safety of the vessel until the first semester of 2016.

In a letter of 12 June 2015, the President of the ASN acknowledged receipt of the application for commissioning of Flamanville 3 remitted by EDF on 19 March 2015, and requested additional information.

##### *2.2.4.1.2. Commissioning of new facilities by EDF PEI*

In keeping with its objectives to implement guaranteed-power electricity generation facilities for Corsica and French overseas territories, the subsidiary EDF PEI (standing for *Production Électrique Insulaire* or Island Electricity Generation) commissioned the final 5 Diesel generators of the Pointe-Jarry plant in Guadeloupe during the first half of 2015, with a total generation capacity of close to 750 MW.

##### *2.2.4.1.3. Programme of investment in existing nuclear facilities in France*

On 22 January 2015, EDF's Board of Directors approved the principle of the major industrial overhaul programme (*Grand carénage*) to refurbish the French nuclear fleet, enhance reactor safety, and extend operating lives when the circumstances are suitable. The Board of Directors also expressed its wish that the investment programme should be conducted, monitored and controlled to the most exacting standards.

This investment programme is estimated to reach a maximum of $€_{2013}$55 billion by 2025 for the 58 reactors currently operating. This estimated figure will be progressively confirmed after the optimisation of solutions for rolling out the programme, additional review work, and consideration of the multi-year energy plans (*Programmations Pluriannuelles de l'Énergie* or PPE, and the strategic plan) as set out in the energy transition bill for green growth.

This industrial programme will be implemented gradually, in compliance with the future energy transition Law, the multi-year energy plans, the opinions and orders of the French Nuclear Security Authority (ASN), and the authorisation procedures required for reactors to run for more than 40 years.

#### 2.2.4.2. Other activities

##### *2.2.4.2.1. Principal wind farms and photovoltaic power plants commissioned*

On 29 January 2015 EDF Énergies Nouvelles announced the commissioning of the Grassridge wind farm in South Africa by InnoWind, its local subsidiary. Located in the Nelson Mandela Bay metropolitan municipality in the Eastern Cape province, the 61.5 MW Grassridge wind farm is the first of the three wind power projects awarded to EDF Énergies Nouvelles in 2012 under the competitive tender for renewable energies projects held by the South African government. The electricity generated at the Grassridge facility is bought by the network operator under a 20-year power purchase agreement. The Grassridge wind farm is thus 40%-owned by local partners and 60%-owned by InnoWind (an 80%-held subsidiary of EDF Énergies Nouvelles).

On 29 April 2015, EDF Énergies Nouvelles announced the commissioning of additional capacity at the Arada-Montemuro (9.2 MW) and São Pedro (2 MW) wind farms in Portugal. These extensions have increased the combined installed capacity of these two facilities to 133 MW. Originally commissioned in 2008, the Arada-Montemuro wind farm in central Portugal has now been extended by 9.2 MW, increasing its total installed capacity to 121 MW. In the same region, the São Pedro wind farm, which had five 2 MW turbines when it started operation in 2005, now boasts 12 MW in installed capacity.

On 3 June 2015, EDF Énergies Nouvelles announced the commissioning of the Longhorn wind farm by its North American subsidiary EDF Renewable Energy. The Longhorn wind farm is tied into the Competitive Renewable Energy Zone (CREZ) transmission line connecting the wind power output of northern Texas, a very windy area, to high-consumption regions of the state. The power generated by the wind farm is sold into the local power market ERCOT (Electric Reliability Council of Texas) and covered by a long-term, fixed-price energy purchase agreement.

On 9 July 2015, EDF Énergies Nouvelles announced the commissioning of the third section of the Soma wind farm in Turkey via its local subsidiary Polat Enerji, 45% owned by the Group. This 100 MW extension increases the total Installed capacity of the wind farm to 240 MW.

On 24 July 2015, EREN Renewable Energy and EDF Énergies Nouvelles announced the commissioning of the NSM and Odisha solar power plants, with a total 150 MWp of installed capacity in the Indian states of Rajasthan and Odisha. The projects were awarded after tenders organised by the Indian government in the case of NSM and the state of Odisha for the project of the same name, and were developed by ACME Solar. EREN Renewable Energy and EDF Énergies Nouvelles are both shareholders in ACME Solar, with a 25% investment each.

##### *2.2.4.2.2. Allocation of Green Bond funds*

In November 2013, the Group successfully undertook the first "Green Bond" issue in Euros by a large corporate, raising €1.4 billion to finance future renewable energy projects by EDF Énergies Nouvelles. By 30 June 2015 the total €1.4 billion had been allocated. These funds have financed thirteen renewable energy projects (wind power, photovoltaic solar power, and biomethane plants), located in France and North America and developed by EDF Énergies Nouvelles. These projects represent total capacity of 1.8 GW for potential annual production of some 7 TWh.

### 2.2.5.EXISTING NUCLEAR PLANTS

#### 2.2.5.1. Belgium

After 10 months of outage for the Doel 3 and Tihange 2 nuclear power plants (in which EDF Luminus holds drawing rights of 10.2%) for inspections of the reactor vessels which had been found to have microcracks during the summer of 2012, the Federal Nuclear Control Agency (AFCN) gave its authorisation on 17 May 2013 for both nuclear reactors to resume operation. The operator Electrabel had agreed on a battery of additional tests with the AFCN to evaluate the long-term behaviour of the reactor vessels. Since one of the tests conducted did not give the results experts had expected, Electrabel took the initiative on 25 March 2014 to shut both reactors down temporarily as a precautionary measure until further test results could be conducted. On 13 May 2015 Electrabel issued a statement that the shutdown of Doel 3 and Tihange 2 would be extended to 1 November 2015, to give the AFCN further time to finalise the additional analyses.

### 2.2.6.REGULATORY ENVIRONMENT

#### 2.2.6.1. France

##### *2.2.6.1.1. The NOME law and the ARENH system*

Supplies of electricity to EDF's competitors under the ARENH scheme for regulated access to nuclear power supplies concerned a volume of 71.3 TWh for 2014. This volume decreased substantially in the first half of 2015 to 12.4 TWh, principally because prices fell on the wholesale market, which has become a more attractive source of energy supplies. ARENH applications concerning the second half of 2015 amounted to 3.9 TWh as several suppliers terminated their framework contract with EDF.

The ARENH price was set at €42/MWh from 1 January 2012, and is subsequently intended to reflect the economic conditions of generation by the existing nuclear fleet. The draft decree stipulating the valuation method for costs making up the ARENH price was examined by France's Higher Energy Board (CSE) on 19 June 2014, and has also been examined by France's Competition Authority and the French Energy Regulator CRE. It is currently under examination by the European Commission, which must approve the price formula. The French government announced that this formula will apply from 1 July 2015, then deferred this date until the conclusions of discussions with the European Commission are available.

### 2.2.6.1.2. CSPE

The Contribution to the Public Electricity Service (*Contribution au Service Public de l'Électricité* or CSPE) exists to compensate for certain public service charges assigned to EDF in particular[12]. The CSPE is based on electricity consumption and collected directly from the end-user.

Under the agreement signed in early 2013 by EDF and the French authorities, EDF is to be progressively reimbursed over the period to 31 December 2018 for the receivable consisting of the CSPE shortfall at 31 December 2012 and the costs of bearing this shortfall for the Group (a total amount of some €5.2 billion at 30 June 2015). Changes in the legal and regulatory framework of the CSPE system during 2014 led to recognition of the costs of bearing the shortfall in the CSPE mechanism as a public service expense entitling EDF to compensation through the CSPE.

The key developments of first-half 2015 concerned the following:

- Changes in the CSPE system to be introduced by the future energy transition law. When the Senate examined the energy transition bill in February, the senators made proposals regarding funding of the CSPE and considered introducing changes to the system. The government has undertaken to present a reform for the CSPE in preparation for France's next annual Finance Law in 2016, and the ministries for Ecology, Finance and Budget gave the general finance inspectorate a mission to this end on 2 February 2015;
- The "Praxair" opinion issued by the Council of State on 22 July 2015, which considered that the applications for reimbursement of the CSPE based on the *Vent de Colère* ruling should be rejected (see section 8,"Significant events related to litigation in process" for further details);
- Launch by the French government of two new calls for tender for construction of photovoltaic solar plants that will be eligible for the purchase obligation system:
  - One on 20 March 2015 for photovoltaic plants on car park canopies in mainland continental France, with total power of 120 MW.
  - One on 18 May 2015 for photovoltaic generation plants in non-interconnected zones, with total power of 50 MW.

  Proposals in response to these calls for tender must be submitted by September and November 2015 respectively.

The amount of expenses to be covered by compensation for EDF for first-half 2015 is €3.3 billion, 8% more than in first-half 2014. The main explanation for this rise is the lower market prices, which increase the surplus costs of energy covered by purchase obligations to be compensated by the CSPE, and a rise in the volume output by photovoltaic and wind power facilities. The amounts received during first-half 2015 totalled €3.2 billion, up by 14% compared to mid- 2014. The rise principally results from the CSPE increase applicable since 1 January 2015 (increase of €3/MWh compared to 2014, taking the CSPE to €19.5/MWh for the year 2015).

### 2.2.6.1.3. "TURPE 4" Network Access Tariffs

On 28 May 2015 the CRE published its decision on changes from 1 August 2015 in the TURPE distribution tariffs, which will be raised by 0.4%. This rise reflects stabilisation of the clearance coefficient for the income and expenses adjustment account (CRCP[13]), and a 0.4% increase in inflation.

TURPE transmission tariffs will also be increased by 2.4% from 1 August 2015, again corresponding to 2% for the clearance of the income and expenses adjustment account (CRCP), and 0.4% for inflation.

On 7 May 2014, the CRE decided to apply an exceptional 50% reduction to the electricity transmission bills of industrial sites that are large electricity consumers. This measure was initially applicable from 1 August 2014 to 31 July 2015. In its decision of 11 June 2015 setting the changes in TURPE transmission tariffs, the CRE extended this 50% reduction for electro-intensive users to 31 December 2015, the date at which the provisions of article 43 of the future energy transition law will take effect. The loss of income for RTE will automatically become a tariff-related receivable through the CRCP mechanism, to be compensated through future tariff changes.

[12] Local distribution companies and Électricité de Mayotte also make small contributions to the system.
[13] A mechanism to measure and offset differences between the actual and forecast figures on which tariffs are based.

##### 2.2.6.1.4. *Appeal against Regulated Sales Tariffs*

On 28 October 2014, the government published a decree introducing a method for constructing regulated sales tariffs by "stacking" or adding up the cost of regulated access to historical nuclear electricity (ARENH), the cost of supply for complementary purchases which includes the capacity guarantee, electricity networks costs and commercial costs, plus a normal rate of return on the supply activity. On 30 October a decision modifying the regulated tariff scales was made by the ministers for Energy and the Economy in application of this decree.

On 7 January 2015, the Council of State's urgent applications judge rejected the application by the ANODE for suspension of this decision of 30 October 2014. The "in-depth" decision is pending.

Direct Energie has also filed an appeal against the decree of 28 October 2014. The decision from Council of State is pending.

##### 2.2.6.1.5. *Regulated electricity sales tariffs in France*

On 15 July 2015, the CRE published its 2015 report on regulated sales tariffs (*TRV*). In this report, the CRE observed that a tariff deficit of €922 million in 2014 was added to the share of previous deficits that had not been compensated.

On 29 July 2015, the CRE published its deliberation giving its opinion on the proposed order relative to the regulated tariffs for electricity starting 1 August 2015 as submitted by the minister for ecology, sustainable development and energy and the minister for economy, industry and digital. According to the CRE deliberation, the proposed order tables average increases amounting to +2.5% in residential Blue tariffs, 0% in non-residential Blue tariffs, +0.9% in Yellow tariffs and +4.0% in Green tariffs. Regarding Blue tariffs for residentials and small businesses, the CRE gives a favourable opinion to the tariff changes as laid out in the proposed order, noting that the order takes into account the tariff catch-ups to be made, by spreading them over the next three years. Regarding Yellow and Green tariffs, the CRE gives an unfavourable opinion, deeming the proposed increases starting 1 August 2015 as largely insufficient to achieve a full tariff catch-up before those tariffs end, i.e. by 1 January 2016.

The CRE's opinion on this matter is advisory. The publication of the order in the Journal Officiel is expected by the end of July.

##### 2.2.6.1.6. *Final adoption by the French National Assembly of the energy transition bill for green growth*

After a final reading, on 22 July 2015 the French National Assembly adopted the energy transition bill for green growth. The law will only be promulgated after a decision by the Constitutional Council.

#### 2.2.6.2. United Kingdom

##### 2.2.6.2.1. *CMA energy market investigation*

During the week of 6 July 2015, the British Competition and Markets Authority (CMA) published its provisional findings and proposals for possible solutions as identified during its preliminary investigation into the "supply and acquisition of energy in Great Britain".

The provisional findings confirm the lack of any significant effect concerning generation, sharing generation and supply resources (vertical integration) and the efficiency of wholesale electricity and gas markets. However, the CMA has provisionally reached the conclusion that the "weak customer response" both by residential and very small business customers gives suppliers a competitive advantage over inactive customers, and that they exploit that advantage through their pricing policies.

The CMA therefore proposes 18 solutions, many of which are only stated in general terms at this stage, which will be the basis for consultation with stakeholders. The majority of these potential solutions focus on selling and the regulatory framework as expected, particularly measures that can improve customer involvement. Later in the year the CMA will publish a provisional decision document covering all the solutions it will recommend applying. This will be followed by a further consultation period. The deadline for publication of the CMA's final report is set by the regulations at 25 December 2015.

## 3. ANALYSIS OF THE BUSINESS AND THE CONSOLIDATED INCOME STATEMENTS FOR THE FIRST HALF-YEARS OF 2014 AND 2015

Presentation and analysis of the consolidated income statements for the first half-years of 2014 and 2015 is shown at two levels of analysis for Sales and EBITDA: a first focusing on the Group, then a second reporting on the different business segments (France, United Kingdom, Italy, Other International and Other activities). EBIT (operating profit) and net income are analysed from a general standpoint.

The comparative figures for first-half 2014 have been restated to reflect the impact of retrospective application of IFRIC 21 on levies, which results in certain taxes being recognised as soon as the triggering event arises, which in most cases is during the first half-year (-€775 million impact on EBITDA, -€599 million impact on Net income - Group share).

| *(in millions of Euros)* | H1 2015 | H1 2014 restated |
|---|---|---|
| Sales | 38,396 | 36,125 |
| Fuel and energy purchases | (19,495) | (18,293) |
| Other external expense | (4,082) | (3,676) |
| Personnel expenses | (6,401) | (5,644) |
| Taxes other than income taxes | (2,674) | (2,620) |
| Other operating income and expenses | 3,403 | 2,941 |
| Operating profit before depreciation and amortisation (EBITDA) | 9,147 | 8,833 |
| Net changes in fair value on Energy and Commodity derivatives, excluding trading activities | 24 | 122 |
| Net depreciation and amortisation | (4,375) | (3,753) |
| Net increases in provisions for renewal of property, plant and equipment operated under concessions | (55) | (86) |
| (Impairment)/Reversals | (474) | (19) |
| Other income and expenses | 269 | 3 |
| Operating profit (EBIT) | 4,536 | 5,100 |
| Financial result | (1,148) | (1,287) |
| Share in net income of associates and joint ventures | 3,388 | 3,813 |
| Income taxes | (985) | (1,274) |
| Share in net income of associates and joint ventures | 201 | 103 |
| Group net income | 2,604 | 2,642 |
| Net income – Group share | 2,514 | 2,518 |
| Net income attributable to non-controlling interests | 90 | 124 |
| Earnings per share (EDF share) (in Euros) | | |
| Earnings per share | 1.14 | 1.23 |
| Diluted earnings per share | 1.14 | 1.23 |

## 3.1. SALES

Consolidated sales amounted to €38.4 billion, 6.3% higher than in first-half 2014 (stable in organic terms at +0.1%).

### 3.1.1. CHANGE IN GROUP SALES

| *(in millions of Euros)* | H1 2015 | H1 2014 restated | Variation | Variation (%) | Organic variation (%) |
|---|---|---|---|---|---|
| Sales | 38,396 | 36,125 | 2,271 | +6.3 | +0.1 |

### 3.1.2. CHANGE IN SALES BY SEGMENT

| *(in millions of Euros)* | H1 2015 | H1 2014 restated | Variation | Variation (%) | Organic variation (%) |
|---|---|---|---|---|---|
| France | 20,791 | 20,352 | 439 | +2.2 | +3.0 |
| United Kingdom | 5,553 | 5,167 | 386 | +7.5 | -4.3 |
| Italy | 5,811 | 6,292 | (481) | -7.6 | -7.7 |
| Other International | 2,923 | 2,863 | 60 | +2.1 | +0.9 |
| Other activities | 3,318 | 1,451 | 1,867 | +128.7 | +6.3 |
| Total excluding France | 17,605 | 15,773 | 1,832 | +11.6 | -3.7 |
| Group sales | 38,396 | 36,125 | 2,271 | +6.3 | +0.1 |

Sales outside France for the first half-year of 2015 represented 45.9% of the Group's consolidated sales, compared to 43.7% in first-half 2014.

#### 3.1.2.1. France

Change in sales in the "France" segment

France's contribution to Group sales amounted to €20,791 million, corresponding to organic growth of 3.0% compared to first-half 2014.

This growth mainly results from higher electricity volumes sold to final customers (+6.3TWh), essentially due to favourable weather effects (+8.5 TWh) contributing a €701 million increase, as temperatures returned to normal compared to the particularly mild first half-year in 2014 (see section 2.1.4). Another factor was the higher energy component in regulated sales tariffs from 1 November 2014, contributing €400 million of the rise.

At 30 June 2015, EDF's volume market share for electricity sales to all final customers was 78.5%, down by 0.9 points from 30 June 2014. EDF's share of the natural gas market at 30 June 2015 was 4.9%, up by 0.4 points from 30 June 2014.

## Breakdown of sales for the "France" segment between Generation and Supply (deregulated activities)[14], network activities[15] and island activities[16]

| *(In millions of Euros)* | H1 2015 | H1 2014 restated | Variation | Variation (%) | Organic variation (%) |
|---|---|---|---|---|---|
| Sales | **20,791** | **20,352** | **439** | **+2.2** | **+3.0** |
| Generation and Supply (deregulated activities) | 19,659 | 19,256 | 403 | +2.1 | +3.0 |
| Network activities | 7,116 | 6,910 | 206 | +3.0 | +3.0 |
| Island activities | 539 | 523 | 16 | +3.1 | +3.1 |
| Eliminations | (6,523) | (6,337) | (186) | | |

The 3.0% organic growth in sales by the **Generation and Supply (deregulated activities)** is principally explained by the colder weather of first-half 2015 compared to first-half 2014, which was particularly mild. It also reflects the higher energy component in regulated tariffs.

Sales by the **network activities** showed organic growth of 3.0%, mainly due to a rise in volumes sold as a result of the weather.

Sales by the **island activities** registered organic growth of 3.1%, boosted by recently-commissioned facilities (see section 2.2.4.1.2).

### Electricity generation

Nuclear generation amounted to 210.4 TWh in first-half 2015, a record high for a first half of the year since 2011, compared to 208.8 TWh in first-half 2014, an increase of 1.6 TWh. This improvement in nuclear power output is attributable to ongoing efforts to control the duration of planned outages.

Hydropower output stood at 20.4 TWh, 1.4 TWh less than in first-half 2014 due to the less favourable hydrological conditions of first-half 2015.

Fossil-fired generation amounted to 3.7 TWh, up by 0.4 TWh from first-half 2014 in a higher market price environment for electricity than in first-half 2014.

Sales volumes to final customers (including local distribution firms), were up by 6.3 TWh. The year-on-year temperature differential alone accounts for an increase of 8.5 TWh.

Net volumes sold on the wholesale markets were up by 23.8 TWh compared to first-half 2014, due to the lower-volume subscriptions to ARENH sales (-24.4 TWh).

[14] Generation, Supply and Optimisation in mainland France, and sales of engineering and consulting services.
[15] Network activities now only include Distribution, as a result of application of the equity method to the Transmission activity from 31 December 2010. In mainland France, network activities are regulated via the network access tariff TURPE (*Tarifs d'Utilisation des Réseaux Publics d'Électricité*). Sales for the regulated activities include the delivery cost included in integrated tariffs.
[16] EDF's generation and distribution activities in the island energy systems (IES and PEI).

#### 3.1.2.2. United Kingdom

The **United Kingdom's** contribution to Group sales amounted to €5,553 million in first-half 2015, up by 7.5% year-on-year, corresponding to an organic decline of 4.3%. Sales benefited from a favourable exchange effect of €609 million.

The organic decline is mainly explained by the lower level of electricity sales caused by a decrease in the number of product accounts, despite the higher volumes of gas sold as a result of the colder weather in first-half 2015.

#### 3.1.2.3. Italy

**Italy** contributed €5,811 million to consolidated sales, 7.6% less than in first-half 2014 or -7.7% in organic terms.

This downturn principally results from the market environment, which saw a sharp fall in Brent prices and lower unit prices for the electricity and gas markets.

The decline in sales particularly affected the electricity business, where volumes sold on the wholesale markets and to final users were down by 14.6%.

In the hydrocarbon business, in contrast, sales were up by 4.1% as demand returned to normal after a substantial negative weather effect in first-half 2014 which had a significant impact on volumes sold to residential customers and thermal power plants. This largely offset the decline in gas and Brent oil prices.

#### 3.1.2.4. Other International

The **Other International** segment principally covers operations in Europe (excluding France, the United Kingdom and Italy), and operations in the United States, Brazil and Asia (China, Vietnam and Laos).

This segment contributed €2,923 million to Group sales in the first half-year of 2015, €60 million or 2.1% more than in first-half 2014. Excluding foreign exchange and scope effects, sales showed organic growth of 0.9% compared to first-half 2014.

This rise is essentially attributable to **Belgium,** reflecting an increase in the volumes of gas sold due to the colder weather compared to first-half 2014.

However, sales were down in **Hungary**, essentially due to decreases in regulated electricity and heat prices introduced in the second half of 2014, and the lower market prices for electricity associated with declining gas prices; and in **Poland**, where the lower level of sales reflects a fall in the volumes of electricity generated that was only partly offset by the rise in realised power prices.

### 3.1.2.5. Other activities

**Other activities** comprise, among other entities, EDF Énergies Nouvelles, EDF Trading, Électricité de Strasbourg and Dalkia.

The contribution by the **Other activities** segment to Group sales in first-half 2015 was €3,318 million, up by €1,867 million (+128.7%) from first-half 2014, corresponding to organic growth of €91 million (+6.3%). The scope effect was +€1,711 million and essentially relates to the takeover of Dalkia's activities in France in July 2014.

**EDF Énergies Nouvelles'** contribution to Group sales amounted to €420 million, a decline of 4.5% in organic terms from first-half 2014, mainly reflecting the impact of 2014 disposals on the Generation business.

**EDF Trading's** sales, which consist of its trading margin, stood at €440 million, corresponding to an organic decline of €10 million from first-half 2014 (-2.3%). This downturn is explained by a poorer performance on the US market after the particularly good levels of business in first-half 2014, partly offset by a better trading margin in Europe due to colder temperatures and greater market price volatility following a significant downward trend driven mainly by oil prices.

Sales by **Électricité de Strasbourg** totalled €436 million, reflecting organic growth of €40 million (+10.1%) compared to first-half 2014, largely as a result of the higher volumes of electricity and gas sold in the first half-year of 2015 than in first-half 2014, when the weather was particularly mild.

Sales by the **gas activities** amounted to €276 million at 30 June 2015. These activities were part of the "France" segment in first-half 2014. The organic growth of €96 million corresponds to an increase in volumes in the storage activities.

**Dalkia** contributed €1,442 million to Group sales reflecting the takeover of Dalkia's activities in France from 25 July 2014.

## 3.2. EBITDA

EBITDA rose by 3.6%, but was down by 0.3% in organic terms.

| *(in millions of Euros)* | H1 2015 | H1 2014 restated | Variation | Variation (%) | Organic variation (%) |
|---|---|---|---|---|---|
| Sales | 38,396 | 36,125 | 2,271 | +6.3 | +0.1 |
| Fuel and energy purchases | (19,495) | (18,293) | (1,202) | +6.6 | +2.0 |
| Other external purchases | (4,082) | (3,676) | (406) | +11.0 | -5.6 |
| Personnel expenses | (6,401) | (5,644) | (757) | +13.4 | +5.2 |
| Taxes other than income taxes | (2,674) | (2,620) | (54) | +2.1 | +1.3 |
| Other operating income and expenses | 3,403 | 2,941 | 462 | +15.7 | +15.2 |
| EBITDA | 9,147 | 8,833 | 314 | +3.6 | -0.3 |

### 3.2.1. CHANGE IN CONSOLIDATED EBITDA AND ANALYSIS

**Consolidated EBITDA** for first-half 2015 amounted to €9,147 million, a year-on-year increase of 3.6% corresponding to an organic decline of 0.3%.

The Group's **fuel and energy purchases** amounted to €19,495 million in first-half 2015, up by €1,202 million (+6.6%) from first-half 2014 with organic growth of 2.0%. This rise correlates overall with the rise in sales, especially in **France**.

**Other external expenses** amounted to €4,082 million, higher than in first-half 2014 (+€406 million, +11.0%) but corresponding to an organic decline of €206 million (-5.6%). This change essentially concerns the **United Kingdom**, which registered a €144 million (-25.3%) decrease in organic terms. This reflects the efforts made by EDF Energy to contain costs, and the lower charges on the ECO energy efficiency programmes compared to first-half 2014. In **France**, other external expenses were stable (-0.4%).

The Group's **personnel expenses** totalled €6,401 million, an increase of €757 million (+13.4%) from first-half 2014, or €295 million (+5.2%) in organic growth. This rise primarily concerns **France**, where personnel expenses showed organic growth of €260 million (+5.8%), comprising €153 million due to changes in provisions and the rise in pension expenses associated with the lower discount rate, and €107 million related to the end of the programme for securing skills, which started just under 3 years ago.

**Taxes other than income taxes** amounted to €2,674 million for first-half 2015, up by €54 million from the equivalent period of 2014 (+2.1%). Organic growth amounted to +€34 million or +1.3%.

**Other operating income and expenses** generated net income of €3,403 million for the first half-year of 2015, up by 15.7% from first-half 2014 (an organic rise of +15.2%). In **France**, other operating income and expenses registered organic growth of €443 million, particularly because of the higher CSPE compensation due mainly to the 2.1 TWh rise in energy purchase obligations.

### 3.2.2. CHANGE IN CONSOLIDATED EBITDA AND ANALYSIS BY SEGMENT

| *(in millions of Euros)* | H1 2015 | H1 2014 restated | Variation | Variation (%) | Organic variation (%) |
|---|---|---|---|---|---|
| **France** | **6,359** | **6,097** | **262** | **+4.3** | **+3.4** |
| United Kingdom | 1,312 | 1,174 | 138 | +11.8 | +0.0 |
| Italy | 246 | 456 | (210) | -46.1 | -46.9 |
| Other International | 352 | 298 | 54 | +18.1 | +14.4 |
| Other activities | 878 | 808 | 70 | +8.7 | -7.8 |
| **Total excluding France** | **2,788** | **2,736** | **52** | **+1.9** | **-8.6** |
| **Group EBITDA** | **9,147** | **8,833** | **314** | **+3.6** | **-0.3** |

#### 3.2.2.1. France

##### Change in EBITDA for the France segment

France contributed €6,359 million to consolidated EBITDA for first-half 2015, corresponding to organic growth of 3.4% compared to first-half 2014. This contribution accounted for 69.5% of Group EBITDA, against 69.0% in first-half 2014.

##### Breakdown of EBITDA for the France segment between Generation and Supply (deregulated activities), network activities and island activities

| *(in millions of Euros)* | H1 2015 | H1 2014 restated | Variation | Variation (%) | Organic variation (%) |
|---|---|---|---|---|---|
| **EBITDA** | **6,359** | **6,097** | **262** | **+4.3** | **+3.4** |
| Generation and Supply (deregulated activities) | 3,885 | 3,734 | 151 | +4.0 | +2.6 |
| Network activities | 2,085 | 2,020 | 65 | +3.2 | +3.2 |
| Island activities | 389 | 343 | 46 | +13.4 | +13.4 |

EBITDA for the **Generation and Supply (deregulated activities)** showed organic growth of 2.6%. This increase is mainly explained by the rise in the energy component of tariffs introduced from 1 November 2014, and the favourable weather effect. Also, good nuclear energy output (+1.6 TWh) supported by ongoing efforts to control the duration of planned outages made up for the lower level of hydropower output (-1.4 TWh), which was attributable to the less favourable hydrological conditions than in first-half 2014. EBITDA was penalised by low market prices that triggered a transfer to the wholesale market of volumes previously sold under the ARENH mechanism.

EBITDA for the **network activities** increased by 3.2%, due to the favourable impact of the colder weather compared to first-half 2014.

EBITDA for the **island activities** progressed by €46 million, notably due to new power plants commissioned by the subsidiary EDF PEI.

#### 3.2.2.2. United Kingdom

The **United Kingdom's** contribution to Group EBITDA for first-half 2015 was €1,312 million, up by +11.8% from first-half 2014 and stable in organic terms. The decline in the Euro against the pound sterling had a favourable impact of €138 million compared to first-half 2014.

Nuclear generation output for the first half-year of 2015 was broadly stable (-0.5 TWh or -1.6%) thanks to a good performance by the nuclear fleet, which partly offset reduced load at the Heysham 1 and Hartlepool power plants. However, the decrease in realised prices for nuclear power did have an impact on the performance of the first half of the year.

The B2C activity benefited from the cold weather's positive effect on gas sales, but was adversely affected by the decline in the number of product accounts, which was down by 266,000 (-4.7%) compared to 30 June 2014.

The segment also benefitted from good control of operating expenses in all activities.

#### 3.2.2.3. Italy

The Italy segment contributed €246 million to the Group's consolidated EBITDA, €210 million less than in first-half 2014 (organic decline of -€214 million). This decrease essentially concerned Edison, which registered a €204 million contribution to Group EBITDA in first-half 2015 against €419 million in first-half 2014, corresponding to an organic decline of -€219 million.

The downturn primarily affected EBITDA for the electricity activities, as a result of less favourable hydraulicity than in first-half 2014 which enjoyed exceptionally good weather conditions, and negative trends in power sales price. EBITDA was also penalised by reduced margins in thermal generation.

The hydrocarbon activities' contribution to EBITDA was down by €50 million, as exploration and production activities were affected by the fall in Brent prices. In the gas activities, Edison is still awaiting the conclusion of the arbitration concerning its long-term Libyan gas contract, which is expected for the second half-year of 2015.

#### 3.2.2.4. Other International

EBITDA for the **Other International** segment rose by €54 million or +18.1%, corresponding to organic growth of +14.4%.

EBITDA in **Belgium** registered organic growth of €17 million thanks to the rise in gas volumes sold resulting from colder weather than in first-half 2014, due to the increase in renewable energy generation related to recent commissioning (+39% in installed wind power capacity since 30 June 2014) and positive evolution of ancillary services. EBITDA is also affected by extended outages of Doel 3 and Tihange 2 plants since 25 March 2014.

EBITDA in **Poland** showed organic growth of €42 million thanks to higher realised power prices and heat tariffs, which offset the decline in electricity volumes generated.

In **Brazil**, in contrast, there was an organic decline of €14 million in EBITDA, mainly due to heavier maintenance program than in first-half 2014.

#### 3.2.2.5. Other activities

**Other activities** contributed €878 million to Group EBITDA for first-half 2015, a year-on-year organic decline of 7.8%.

**EDF Énergies Nouvelles** registered a good performance, with EBITDA of €377 million, corresponding to organic growth of 4.2% from first-half 2014.

EBITDA at **EDF Trading** amounted to €311 million (organic decline of €21 million or -6.5%) compared to first-half 2014. This change is directly related to the lower trading margin as explained in section 3.1.2.5.

EBITDA for the **gas activities** showed an organic decline from first-half 2014 caused by an unfavourable price environment.

**Dalkia** contributed €134 million to Group EBITDA.

## 3.3. OPERATING PROFIT (EBIT)

EBIT decreased by 11.1% compared to first-half 2014.

| *(in millions of Euros)* | H1 2015 | H1 2014 restated | Variation | Variation (%) |
|---|---|---|---|---|
| EBITDA | 9,147 | 8,833 | 314 | +3.6 |
| Net changes in fair value on Energy and Commodity derivatives, excluding trading activities | 24 | 122 | (98) | -80.3 |
| Net depreciation and amortisation | (4,375) | (3,753) | (622) | +16.6 |
| Net increases in provisions for renewal of property, plant and equipment operated under concessions | (55) | (86) | 31 | -36.0 |
| (Impairment)/reversals | (474) | (19) | (455) | n.a |
| Other income and expenses | 269 | 3 | 266 | n.a |
| Operating profit (EBIT) | 4,536 | 5,100 | (564) | -11.1 |

The Group's consolidated EBIT amounted to €4,536 million for the first half-year of 2015, down by 11.1% from the first half-year of 2014. This decrease is explained by higher net depreciation and amortisation, especially in France and the United Kingdom, an increase in impairment, and the unfavourable movement in net changes in fair value on Energy and Commodity derivatives (excluding trading activities).

### 3.3.1. NET CHANGES IN FAIR VALUE ON ENERGY AND COMMODITY DERIVATIVES, EXCLUDING TRADING ACTIVITIES

The net changes in fair value on Energy and Commodity derivatives, excluding trading activities, decreased from +€122 million in first-half 2014 to +€24 million in first-half 2015. Most of this change is attributable to Italy, where it concerned economic hedging of the industrial gas portfolio. The decrease principally reflects termination of economic hedges upon maturity, which generated gains in 2014.

### 3.3.2.NET DEPRECIATION AND AMORTISATION

Net depreciation and amortisation was up by 16.6% from first-half 2014.

France registered a €248 million increase in net depreciation and amortisation, largely explained by investments in the generation fleet (nuclear maintenance and to a lesser extent, gradual commissioning of new plants by EDF PEI) and in distribution assets.

In the United Kingdom, the €189 million rise in net depreciation and amortisation (€132 million in organic terms) essentially relates to nuclear assets (with more extensive capitalisation of maintenance expenses).

Net depreciation and amortisation recorded by Dalkia amounted to €63 million in first-half 2015.

#### 3.3.3. NET INCREASES IN PROVISIONS FOR RENEWAL OF PROPERTY, PLANT AND EQUIPMENT OPERATED UNDER CONCESSIONS

The €31 million decrease between first-half 2014 and first-half 2015 in the net increases in provisions for renewal of property, plant and equipment operated under concessions is mainly attributable to ERDF.

#### 3.3.4. IMPAIRMENT / REVERSALS

Impairment losses for first-half 2015 totalled €474 million, essentially concerning fossil-fired fleet in **Belgium** (€191 million), assets related to the exploration/production activity in **Italy** (€59 million) following the fall in Brent prices, assets owned in Greece by **EDF Énergies Nouvelles** (€30 million) and projects in **France** and the **United States** (€176 million).

Impairment losses for first-half 2014 amounted to €19 million.

#### 3.3.5. OTHER INCOME AND EXPENSES

Other income and expenses totalled €269 million in the first half of 2015, and mainly reflecting the effects of the agreement signed with ENGIE concerning the compensation system for employee benefits in kind in the form of energy.

In the first half-year of 2014, other income and expenses were not significant.

### 3.4. FINANCIAL RESULT

| *(in millions of Euros)* | H1 2015 | H1 2014 restated | Variation | Variation (%) |
|---|---|---|---|---|
| Cost of gross financial indebtedness | (1,086) | (1,173) | 87 | -7.4 |
| Discount effect | (1,409) | (1,495) | 86 | -5.8 |
| Other financial income and expenses | 1,347 | 1,381 | (34) | -2.5 |
| **Financial result** | **(1,148)** | **(1,287)** | **139** | **-10.8** |

The financial result for first-half 2015 correspond to a financial expense of €1,148 million, an improvement of €139 million from first-half 2014. This change is explained by:

- a €87 million decrease in interest expenses due notably to the positive impact of campaigns to convert the debt to floating rates using interest rate swaps;
- a €86 million decrease in discount expenses, mainly related to the lower discount rates than in first-half 2014;
- a €34 million downturn in other financial income and expenses, as the increase in capital gains on divestment of dedicated assets was more than outweighed by the financial interest associated with the European Commission's decision of 22 July 2015 concerning the tax treatment of provisions for renewal of French general electricity network facilities ("RAG") (see section 2.2.1.2).

### 3.5. INCOME TAXES

Income taxes amounted to -€985 million in the first half-year of 2015, corresponding to an effective tax rate of 29.1% (compared to an expense of €1,274 million corresponding to an effective tax rate of 33.4% for the first half-year of 2014).

The main explanation for the lower effective tax rate observed in first-half 2015 compared to first-half 2014 is the cancellation of the "Robin Hood" tax in Italy.

## 3.6. SHARE IN NET INCOME OF ASSOCIATES AND JOINT VENTURES

The Group's share in net income of associates and joint ventures was a positive €201 million in first-half 2015, an increase of €98 million compared to first-half 2014. This rise results from higher year-on-year net income at RTE, Taishan and CENG and impairment of €83 million on the investment in the joint venture Estag in first-half 2014, which had no equivalent in 2015. These effects counterbalanced the impairment of €108 million booked in respect of Alpiq's Swiss assets.

## 3.7. NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Net income attributable to non-controlling interests amounted to €90 million at 30 June 2015, €34 million lower than at 30 June 2014.

## 3.8. NET INCOME – GROUP SHARE

Net income – Group share totalled €2,514 million at 30 June 2015, stable in comparison to first-half 2014 (-0.2%).

## 3.9. NET INCOME EXCLUDING NON-RECURRING ITEMS

The Group's net income excluding non-recurring items[17] stood at €2,928 million for first-half 2015, up by €374 million or 14.6% compared to first-half 2014.

[17] Group net after-tax income excluding non-recurring items and net changes in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax.
Non-recurring items and net changes in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax:

- -€429 million for miscellaneous risks and impairment in first-half 2015, compared to -€104 million in first-half 2014.
- +€15 million of net changes in fair value on Energy and Commodity derivatives, excluding trading activities, net of tax in first-half 2015, compared to +€68 million for first-half 2014.

## 4. NET INDEBTEDNESS, CASH FLOWS AND INVESTMENTS

Net indebtedness comprises total loans and financial liabilities, less cash and cash equivalents and liquid assets. Liquid assets are financial assets consisting of funds or securities with initial maturity of over three months that are readily convertible into cash and are managed according to a liquidity-oriented policy. It also includes the Group's loan to RTE.

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

| In millions of Euros | H1 2015 | H1 2014 restated | Variation | Variation (%) |
|---|---|---|---|---|
| **Operating profit before depreciation and amortisation (EBITDA)** | **9,147** | **8,833** | **314** | **3.6** |
| Cancellation of non-monetary items included in EBITDA | (942) | (1,048) | 106 | |
| Net financial expenses disbursed | (911) | (859) | (52) | |
| Income taxes paid | (781) | (1,264) | 483 | |
| Other items including dividends received from associates and joint ventures | 225 | 631 | (406) | |
| **Operating cash flow** (1) | **6,738** | **6,293** | **445** | **7.1** |
| Change in working capital | (588) | (54) | (534) | |
| Net investments excluding strategic operations (2) | (6,401) | (5,615) | (786) | |
| **Cash flow after net operating investments (excluding strategic operations) and changes in working capital** | **(251)** | **624** | **(875)** | |
| Net investments in strategic operations (3) | (44) | (27) | (17) | |
| Dedicated assets | 213 | 110 | 103 | |
| **Cash flow before dividends**(4) | **(82)** | **707** | **(789)** | |
| Dividends paid in cash | (1,806) | (1,584) | (222) | |
| **Cash flow after dividends** | **(1,888)** | **(877)** | **(1,011)** | |
| Issuance of perpetual subordinated bonds | - | 3,970 | (3,970) | |
| Other monetary changes | (330) | (14) | (316) | |
| **(Increase) / decrease in net indebtedness, excluding the impact of changes in exchange rate** | **(2,218)** | **3,079** | **(5,297)** | |
| Effect of change in exchange rate | (1,229) | (310) | (919) | |
| Effect of other non-monetary changes | 153 | 49 | 104 | |
| **(Increase)/Decrease in net indebtedness** | **(3,294)** | **2,818** | **(6,112)** | |
| **Net indebtedness at beginning of period** | **34,208** | **33,433** | | |
| **Net indebtedness at end of period** | **37,502** | **30,615** | | |

The notes to this table are on the next page.

[1] Operating cash flow is not an aggregate defined by IFRS as a measure of financial performance, and is not directly comparable with indicators of the same name reported by other companies. This indicator, also known as Funds From Operations ("FFO"), is equivalent to net cash flow from operating activities excluding changes in working capital after adjustment where relevant for the impact of non-recurring effects, less net financial expenses disbursed and income taxes paid.

[2] Net investments excluding strategic operations are operating investments (excluding Linky) and financial investments for growth, net of disposals. They also include net debts acquired or transferred in acquisitions or disposals of securities, investment subsidies received, and non-Group partner investments.

[3] Net investments in strategic operations are operations related to Linky and changes in the Group's portfolio of businesses.

[4] Cash flow before dividends is not an aggregate defined by IFRS as a measure of financial performance, and is not comparable with indicators of the same name reported by other companies. It is equal to the operating cash flow defined in note (1) after the changes in working capital, net investments excluding strategic operations (see note (2)), net investments in strategic operations (see note (3)) and allocations from dedicated assets.

## 4.1. OPERATING CASH FLOW

The operating cash flow amounted to €6,738 million in first-half 2015 compared to €6,293 million in first-half 2014, an increase of €445 million (+7.1%).

This change was mainly driven by the rise in EBITDA (+€314 million), and lower eliminations of non-monetary items included in EBITDA (-€942 million in first-half 2015, compared to -€1,048 million in first-half 2014), notably due to the closing of favourable positions on trading activities recorded in late 2014.

Other factors were a decrease in income taxes paid (-€781 million in first-half 2015 versus -€1,264 million in first-half 2014), essentially as a result of differences in France in the balance of income tax due for previous years.

These rises were partly offset by the lower amount of dividends received (-€406 million), primarily explained by the exceptional dividend received from CENG in 2014 which had no equivalent in 2015.

## 4.2. CHANGE IN WORKING CAPITAL

The change in working capital over the first half-year of 2015 amounted to -€588 million, and is mainly explained by:

- an unfavourable weather effect in France (cold weather in the first half of 2015) resulting in an increase in trade receivables (approximately -€850 million);
- a seasonality effect, reflected in France by the lower level of trade receivables and payables; the two impacts cancelled each other out overall;
- an increase in inventories of green certificates in the United Kingdom, which was partly counterbalanced by the surrender of $CO_2$ quotas (-€191 million);
- an increase in tax liabilities in France, principally associated with application of IFRIC 21 (approximately +€700 million);

The change in working capital compared to first-half 2014 (-€534 million) essentially relates to volumes driven by weather factors in France, as the first half of 2015 was marked by colder temperatures than the corresponding period of 2014. The differential on the change in trade receivables is mitigated by the variation in sales taxes collected.

## 4.3. NET INVESTMENTS EXCLUDING STRATEGIC OPERATIONS

Net investments excluding strategic operations amounted to €6,401 million at 30 June 2015 compared to €5,615 million at 30 June 2014, an increase of €786 million (+14%). Details are as follows:

| In millions of Euros | H1 2015 | H1 2014 restated | Variation | Variation (%) |
|---|---|---|---|---|
| Generation and Supply (deregulated activities) | 2,839 | 2,820 | 19 | 0.7 |
| Network activities | 1,501 | 1,384 | 117 | 8.5 |
| Island activities | 221 | 208 | 13 | 6.3 |
| **France** | **4,561** | **4,412** | **149** | **3.4** |
| United Kingdom | 951 | 677 | 274 | 40.5 |
| Italy | 298 | 144 | 154 | n.a |
| Other International | 336 | 276 | 60 | 21.7 |
| **International** | **1,585** | **1,097** | **488** | **44.5** |
| **Other activities** | **255** | **106** | **149** | n.a |
| **Net investments excluding strategic operations** | **6,401** | **5,615** | **786** | **14.0** |

In France, net investments excluding strategic operations were up by €149 million or +3.4% compared to first-half 2014:

- In Generation and Supply (deregulated activities), the increase in net investments (+€19 million) mainly concerned nuclear maintenance activities;
- In the network activities, the rise in net investments (+€117 million) primarily resulted from payments made during the first half-year of 2015 for investments undertaken in late 2014;
- In the island activities, the rise in net investments (+€13 million) related to thermal power generation, notably the investments made in first-half 2015 for commissioning of the Pointe Jarry plant in Guadeloupe in April.

In the International segment, net investments excluding strategic operations were up by €488 million or +44.5%.

- In the United Kingdom, the increase of €274 million is largely explained by an unfavourable foreign exchange effect, higher expenditure on new nuclear facilities, and maintenance investments for the existing nuclear fleet;
- In Italy, the rise of €154 million was principally due to development of projects already launched, mainly concerning exploration-production, and sales of assets during the first half of 2014 which had no equivalent in 2015;
- The increase in the Other International segment's net investments (+€60 million) is essentially explained by investments for modernisation of coal-fired and cogeneration plants in Poland, and investments in renewable energies in Belgium.

In the Other activities segment, net investments excluding strategic operations were up by €149 million. The increase was primarily due to:

- the higher operating investments by EDF Énergies Nouvelles, essentially for construction of wind farms in the United States and South Africa;
- consolidation of Dalkia France's investments from the second half-year of 2014.

### 4.4. NET INVESTMENTS IN STRATEGIC OPERATIONS

Net investments in strategic operations concerned operations relating to Linky smart meters and changes in the Group's portfolio of businesses. In first-half 2015 as in first-half 2014, these amounts related entirely to the Linky project.

### 4.5. DEDICATED ASSETS

In compliance with the French Law of 28 June 2006 on the sustainable management of radioactive materials and waste, EDF has built up a portfolio of dedicated assets for secure financing of its long-term nuclear obligations. This portfolio amounted to €23,415 million at 30 June 2015 (see section 5.1.6).

Overall, the changes in dedicated assets comprise:

- allocations to reach full coverage of obligations;
- reinvestment of financial income (dividends and interest) generated by these assets;
- withdrawals of assets corresponding to the costs incurred over the period in application of long-term nuclear obligations falling within the scope of the Law of 28 June 2006;
- exceptional withdrawals proposed to the governance bodies in charge of managing dedicated assets when the value of the portfolio exceeds the amount of the obligations to be financed; such withdrawals must be validated by these bodies.

The net movement of €213 million in first-half 2015 corresponds to the second and third types of change described above.

### 4.6. CASH FLOW BEFORE DIVIDENDS

Cash flow before dividends in first-half 2015 was negative at -€82 million (compared to +€707 million at 30 June 2014) and is mainly explained by the following factors:

- operating cash flow of +€6,738 million (see section 4.1);
- a change in working capital of -€588 million (see section 4.2);
- net investments excluding strategic operations of -€6,401 million (see section 4.3).

The -€789 million difference from first-half 2014 is essentially due to the rise in net investments (including strategic operations) (€786 million) and the unfavourable change in working capital (-€534 million); these effects were partly offset by a €445 million increase in operating cash flow.

### 4.7. DIVIDENDS PAID IN CASH

Dividends paid in cash during first-half 2015 (-€1,806 million) comprise:

- the balance of the 2014 dividends (€1,268 million);
- payments made to bearers of perpetual subordinated bonds for the "hybrid" bond issues of January 2013 and January 2014 (€397 million);
- dividends paid by Group subsidiaries to their minority shareholders (€141 million).

### 4.8. CASH FLOW AFTER DIVIDENDS

The cash flow after dividends amounted to -€1,888 million, €1,011 million below first-half 2014. This decrease principally reflects the change in cash flow before dividends (see 4.6).

### 4.9. "HYBRID" BOND ISSUE

In January 2014 EDF launched a perpetual subordinated bond in Euros, US dollars, and sterling ("hybrid" bond issue) in several tranches. This €3,970 million bond issue is the second phase in the financing programme launched in January 2013, with the aim of building up an amount of subordinated instruments coherent with the portfolio of industrial assets in development.

### 4.10. FOREIGN EXCHANGE EFFECT

The foreign exchange effect (rise of the pound sterling and US dollar against the Euro[18]) had an unfavourable impact of -€1,229 million on the Group's net indebtedness at 30 June 2015.

### 4.11. NET INDEBTEDNESS

The Group's net indebtedness stood at €37,502 million at 30 June 2015 compared to €34,208 million at 31 December 2014. The €3,294 million increase is principally explained by a negative cash flow after dividends (-€1,888 million – see section 4.8) and an unfavourable foreign exchange effect (-€1,229 million – see section 4.10).

### 4.12. FINANCIAL RATIOS

| | 30 June 2015 | 31 Dec 2014 restated | 31 Dec 2013 restated (1) |
|---|---|---|---|
| Net indebtedness / EBITDA | 2.1 (2) | 2.0 | 2.1 |
| Net indebtedness / (Net indebtedness + equity) (3) | 47% | 46% | 46% |

(1) The ratio at 31 December 2013 includes the restatements following application of IFRS 10 and 11.

(2) The ratio at 30 June 2015 is calculated based on cumulative EBITDA for the second half-year of 2014 and the first half-year of 2015, with comparable scopes for the numerator and denominator.

(3) Equity including non-controlling interests.

[18] *The pound sterling rose by 9.5% against the Euro, from €1.284/£1 at 31 December 2014 to €1.406/£1 at 30 June 2015*
*The US dollar rose by 8.5% against the Euro, from €0.824/$1 at 31 December 2014 to €0.894/$1 at 30 June 2015*

# 5. MANAGEMENT AND CONTROL OF MARKET RISKS

This section sets forth the policies and principles for management of the Group's financial risks defined in the financial management framework (liquidity, interest rate, foreign exchange rate and equity risks), and the Group counterparty risk management policy set up by the EDF group. These principles apply only to EDF and operationally controlled subsidiaries or subsidiaries that do not benefit by law from specific guarantees of independent management such as ERDF. In compliance with IFRS 7, the following paragraphs describe the nature of risks resulting from financial instruments, based on analyses of sensitivities and credit (counterparty) risks.

Since 2002, a dedicated body – the Financial Risks Control department *(département Contrôle des Risques Financiers et Investissements* – CRFI) – has been in charge of financial risk control at Group level by ensuring correct application of the principles of the Financial Management Framework. This department, which reports to the Group's Risk Control Division, is an independent unit that also has the task of carrying out a second-level check (methodology and organisation) of EDF entities and operationally controlled Group subsidiaries (excluding ERDF), and a first-level check of trading room activities.

The CRFI issues daily monitoring reports of risk indicators relevant to the activities of EDF's Trading room.

Regular internal audits are carried out to ensure controls are actually applied and are effective.

## 5.1. MANAGEMENT AND CONTROL OF FINANCIAL RISKS

### 5.1.1. LIQUIDITY POSITION AND MANAGEMENT OF LIQUIDITY RISKS

#### 5.1.1.1. Liquidity position

At 30 June 2015, the Group's liquidities, consisting of liquid assets, cash and cash equivalents, totalled €15,367 million and available credit lines amounted to €11,544 million.

At 30 June 2015, no Group company was in default on any borrowing.

#### 5.1.1.2. Management of liquidity risk

There were no bond issues by EDF SA during first-half 2015.

No drawings were made on EDF SA's syndicated loan or bilateral credit lines during the first half-year of 2015.

EDF's controlled subsidiaries are managed in compliance with EDF's Financing and Treasury Guide. Their cash is included in the Group's cash pooling. They may benefit from a stand-by credit line from the parent company EDF SA to cover intrayear liquidity requirements. They may also benefit from long-term credits from EDF IG to finance investments.

EDF Energy has an external credit line of £500 million which was fully drawn at 31 December 2014.

EDF IG has an external credit line of €150 million (maturing in April 2016) and syndicated credit lines amounting to €600 million (maturing in April 2016). No drawings had been made on these credit lines at 30 June 2015.

Edison has an external credit line of €500 million with a pool of banks (maturing in November 2016). No drawings had been made on this credit line at 30 June 2015.

### 5.1.2.CREDIT RATINGS

The financial ratings agencies Standard & Poor's, Moody's and Fitch Ratings attributed the following long-term and short-term ratings to EDF group entities at 30 June 2015:

| Company | Agency | Long-term rating | Short-term rating |
|---|---|---|---|
| EDF | Standard & Poor's | A+, negative outlook (1) | A-1 |
| | Moody's | A1, negative outlook (2) | P-1 |
| | Fitch Ratings | A+, negative outlook | F1 |
| EDF Trading | Moody's | Baa1, negative outlook (3) | n.a |
| EDF Energy | Standard & Poor's | A-, negative outlook (4) | A-1 |
| Edison | Standard & Poor's | BBB+, stable outlook | A-2 |
| | Moody's | Baa3, stable outlook | n.a |

n.a : Not applicable
(1) S&P downgraded EDF's outlook to "negative" on 7 May 2015.
(2) Moody's downgraded EDF from from Aa3 to A1 on 16 April 2015.
(3) Moody's downgraded EDF Trading from A3 to Baa1 on 16 April 2015.
(4) S&P downgraded EDF Energy from A to A- on 7 May 2015.

### 5.1.3.MANAGEMENT OF FOREIGN EXCHANGE RISK

The Group's gross debt at 30 June 2015 breaks down as follows by currency after hedging as defined by IFRS: 69% in Euros, 4% in US dollars and 23% in pounds sterling. The balance of 3% includes the Swiss franc, the Hungarian forint, the Polish zloty, the Canadian dollar, the Brazilian real, and the Japanese yen.

#### Gross debt structure by currency, before and after hedging

| 30 June 2015 *(In millions of Euros)* | Initial debt structure | Impact of hedging instruments (1) | Debt structure after hedges | % of debt |
|---|---|---|---|---|
| EUR | 28,958 | 10,482 | 39,440 | 69 |
| USD | 14,252 | (11,902) | 2,350 | 4 |
| GBP | 11,929 | 1,175 | 13,104 | 23 |
| Other currencies | 1,651 | 245 | 1,895 | 3 |
| **TOTAL DEBT** | **56,791** | | **56,791** | **100%** |

(1) Hedges of liabilities.

The table below presents the impact of an unfavourable variation in exchange rates on the Group's gross debt at 30 June 2015.

## Sensitivity of the Group's gross debt to foreign exchange rate risks

| 30 June 2015 *(In millions of Euros)* | Debt after hedging instruments converted into Euros | Impact of a 10% unfavourable variation in exchange rates | Debt after a 10% unfavourable variation in exchange rates |
|---|---|---|---|
| EUR | 39,440 | - | 39,440 |
| USD | 2,350 | 235 | 2,585 |
| GBP | 13,104 | 1,310 | 14,414 |
| Other currencies | 1,895 | 190 | 2,085 |
| TOTAL DEBT | **56,791** | **1,735** | **58,526** |

The table below sets forth the foreign exchange position relating to net non-operating investments in foreign currencies of the Group's principal subsidiaries at 30 June 2015.

## Net asset position

| *(In millions of currency units)* | Net position after management (Assets) at 30 June 2015 [(1)] | Net position after management (Assets) at 31 December 2014 |
|---|---|---|
| USD | 2,870 | 2,241 |
| CHF (Switzerland) | 136 | 420 |
| HUF (Hungary) | 64,090 | 7,480 |
| PLN (Poland) | 2,006 | 1,967 |
| GBP (United Kingdom) | 7,234 | 6,390 |
| BRL (Brazil) | 1,027 | 833 |
| CNY (China) | 8,739 | 8,007 |

[(1)] Net asset positions as at 31 March 2015 (figures at 30 June 2015 were unavailable at the date of publication).

The assets in the above table are the net assets of the Group's foreign subsidiaries in foreign currencies at 31 March 2015, adjusted for changes in the fair value of cash flow hedges and available-for-sale financial assets recorded in equity, and changes in the fair value of financial instruments recorded in income at 30 June 2015.

### 5.1.4. MANAGEMENT OF INTEREST RATE RISK

The Group's gross debt after hedging instruments at 30 June 2015 was structured as follows: 58.4% of debt bore interest at fixed rates and 41.6% at floating rates (60% at fixed rates and 40% at floating rates at 31 December 2014).

A 1% uniform rise in interest rates would generate an increase of approximately €236 million in annual financial expenses at 30 June 2015, based on gross floating-rate debt after hedging.

The average coupon on Group debt (weighted interest rate on outstanding amounts after hedging) was 3.09% at 30 June 2015 against 3.29% at 31 December 2014.

The table below sets forth the structure of Group debt and the impact of a 1% variation in interest rates at 30 June 2015.

## Group debt structure and sensitivity to interest rate

| 30 June 2015 *(In millions of Euros)* | Initial debt structure | Impact of hedging instruments | Debt structure after hedges | Impact on net income of a 1% variation in interest rates |
|---|---|---|---|---|
| Fixed rate | 49,920 | (16,729) | 33,191 | - |
| Floating rate | 6,871 | 16,729 | 23,600 | 236 |
| **TOTAL DEBT** | **56,791** | **-** | **56,791** | **236** |

### 5.1.5.MANAGEMENT OF EQUITY RISKS

The equity risk is concentrated in the following areas:

#### Coverage of EDF's nuclear obligations

Analysis of the equity risk on coverage of EDF's nuclear obligations is presented below in section 5.1.6, "Management of financial risk on EDF's dedicated asset portfolio".

#### Coverage of employee benefit commitments for EDF, EDF Energy and British Energy

30.9% of the assets covering EDF's employee benefit obligations were invested in equities at 30 June 2015, corresponding to a total amount of €3.2 billion of equities.

At 30 June 2015, the two pension funds set up by EDF Energy (EEGSG: EDF Energy Generation & Supply Group and EEPS: EDF Energy Pension Scheme) were invested to the extent of 47% in equities, representing an amount of £555 million of equities.

34% of the British Energy funds were invested in equities at 30 June 2015, corresponding to an amount of £1,792 million.

#### EDF's long-term cash management

As part of its long-term cash management policy, EDF has continued its strategy to reduce the portion of equity-correlated investments, resulting in a non-significant position well below €1 million at 30 June 2015.

#### Direct investments

At 30 June 2015, EDF's investment in AREVA amounted to €64.8 million, with estimated volatility of 36.01% (annualised volatility of monthly returns observed over three years).

### 5.1.6.MANAGEMENT OF FINANCIAL RISK ON EDF'S DEDICATED ASSET PORTFOLIO

#### Content and performance of EDF's dedicated asset portfolio

At 30 June 2015, the total value of the dedicated asset portfolio was €23,415 million compared to €23,033 million at 31 December 2014. Details of portfolio content are shown below:

| | 30 June 2015 | 31 December 2014 |
|---|---|---|
| Equities sub-portfolio | 35.0% | 32.9% |
| Bonds sub-portfolio | 25.9% | 27.9% |
| Cash sub-portfolio | 1.8% | 2.8% |
| CSPE after funding | 22.1% | 22.3% |
| Unlisted assets (EDF Invest) | 15.1% | 14.2% |
| TOTAL | 100% | 100% |

The table below presents the performance by portfolio at 30 June 2015 and 31 December 2014:

| *(In millions of Euros)* | Realisable value | Performance at 30/06/2015 | | Realisable value | Performance at 31/12/2014 | |
|---|---|---|---|---|---|---|
| | | Portfolio | Benchmark index [1] | | Portfolio | Benchmark index [1] |
| Equities sub-portfolio | 8,191 | 8.9% | 8.1% | 7,574 | 11.8% | 14.1% |
| Bonds sub-portfolio | 6,073 | -1.0% | -1.4% | 6,419 | 9.9% | 11.2% |
| **Total financial portfolio** | **14,264** | **4.4%** | **3.2%** | **13,993** | **10.7%** | **12.6%** |
| Cash sub-portfolio | 428 | 0.7% | -0.03% | 640 | 0.7% | 0.1% |
| **Total financial and cash portfolio** | **14,692** | **4.3%** | **3.2%** | **14,633** | **10.3%** | **12.6%** |
| CSPE after funding | 5,185 | 0.8% | - | 5,136 | 1.7% | - |
| Unlisted assets (EDF Invest) [2] | 3,538 | -0.1%<br>*5.2%* [3] | - | 3,264 | 8.4% | - |
| - including: RTE shares allocated to dedicated assets | 2,440 | -1.1%<br>*5.5%*[3] | - | 2,555 | 4.4% | - |
| **Total Dedicated assets** [2] | **23,415** | **2.9%**<br>***3.6%***[3] | - | **23,033** | **7.9%** | - |

[1] Benchmark index: MSCI World AC DN hedged in Euros 50% (excluding emerging country currencies) for the equities sub-portfolio, composite index of 60% Citigroup EGBI and 40% Citigroup EuroBIG corporate for the bonds sub-portfolio, Eonia Capitalisé for the cash sub-portfolio, 49% equities index + 51% bonds index for the total financial portfolio.

[2] Performance for assets held at the start of the period. The RTE shares are included at their equity value in the consolidated financial statements (to the extent of their allocation to the dedicated asset portfolio) i.e they are not written-up to fair value. By limiting the value of certain investments in compliance with article 16 of decree 2007-243 concerning the calculation of the regulatory realisable value of dedicated assets which must be equal to or greater than long-term nuclear provisions, the amount of this regulatory realisable value has been reduced at 30 June 2015 to €3,447 million for EDF Invest assets and a total €23,324 million for all dedicated assets.

[3] Excluding the impact on the equity value of RTE shares associated with the European Commission's decision concerning the French General Network (see note 3.3 to the consolidated half-year financial statements).

### Change in unlisted assets

On 7 May 2015, EDF Invest and two other long-term investors finalised the acquisition of a minority shareholding in Madrileña Red de Gas (MRG). MRG was formed in 2009 after a spinoff of some of the assets of Gas Natural Fenosa, and is a regulated gas distribution network operator exclusively in the Madrid region. This investment has been allocated to EDF Invest's Infrastructures pocket alongside investments in TIGF, Porterbrook and RTE.

EDF Invest also continued to build up its real estate and investment fund portfolio.

In late 2014 Amundi and EDF Invest announced the creation of a non-exclusive real estate investment fund to invest at European level. This fund will raise EDF Invest's exposure to the real estate asset class, to complement its direct investment strategy. This initiative has already given rise to two real estate investments in Germany, in late 2014 and early 2015.

### Change in listed assets

In the first half-year of 2015, the developed countries' economies appeared to be on route for growth. Although the first quarter was disappointing in the USA, this was apparently only a temporary state of affairs. In Europe, the figures were substantially better than in recent years, and importantly the non-core countries (apart from Greece) were also part of the trend for once. The situation was less favourable in the emerging countries, however: Brazil and Russia are still feeling the strong impact of a fall in commodity prices, and in the case of Russia the consequences of the conflict in Ukraine. China is also seeing a marked slowdown in growth.

In Europe the economy appears to be recovering, but the situation in Greece remains a significant problem. The standoff between the new Greek government and its European partners had a strong impact on its economy, tipping it back into recession. Intervention by the European Central Bank was once again decisive, as it announced and introduced a large-scale quantitative easing policy. This action had a major impact on the interest rate and foreign exchange markets. The impact was all the more important as the central American bank announced its intention to tighten up its monetary policy at the same time.

Overall, there was good growth on the equities markets during the first half-year, despite the extensive readjustment of June, caused among other factors by uncertainties in Greece and the bursting of the Chinese stock market bubble. The world equities markets (MSCI World AC DN index hedged in Euros 50% excluding emerging country currencies) were up by 8.1%.

In contrast, European bond indexes (60% Citigroup EGBI and 40% Citigroup EuroBIG corporate) registered a performance of -1.4%. 10-year rates dropped very sharply until April in the Euro zone, with German rates reaching 0.05% at their lowest point. From then on, there was effectively a crash in the market for bond assets: German rates came close to 1% before falling back to 0.80% in late June. The spreads in surrounding countries were also very volatile, particularly due to fears of the knock-on effects of the potential "Grexit". For example, the differential between the Italian 10-year rate and the German 10-year rate doubled, from below 1.15% in mid-March to 2.30 at 30 June.

Against this background, the financial portfolio performance was positive at +4.4%. This should be compared with the composite benchmark, which rose by +3.2%. Half of the +120 bp difference is explained by the results of the bond/equities allocation, and the other half by the choice of exposure to exchange rates (underweighting of the Euro) and interest rates. The allocation options were as follows:

- Overweighting in equities, especially in Europe and Japan, with underweighting in North America;
- Underweighting in bonds, particularly in core Euro countries. Overweighting in non-core countries and High Yield investments.
- Overweighting in the Swiss franc, the pound sterling and the US dollar. Overweighting in the Swiss franc and pound sterling was significantly reduced from March onwards.

### Change in regulations

The decision of 24 March 2015 modifying the decree of 23 February 2007 on secure financing of nuclear expenses contains two new measures concerning dedicated assets:

- the annual allocation to dedicated assets must be positive or zero as long as their realisable value is below 110% of the amount of the provisions concerned;
- subject to certain conditions, land owned by the operators of nuclear facilities may be allocated to coverage of these provisions.

### Dedicated assets' exposure to risks

EDF is exposed to equity risks, interest rate risks and foreign exchange risks through its dedicated asset portfolio.

The market value of the equities sub-portfolio in EDF's dedicated asset portfolio was €8,191 million at 30 June 2015. The volatility of the equities sub-portfolio can be estimated on the basis of the volatility of its benchmark index, which at 30 June 2015 was 13.6% based on 52 weekly performances, compared to 12.4% at 31 December 2014. Applying this volatility to the value of equity assets at the same date, the Group estimates the annual volatility of the equities portion of dedicated assets at €1,114 million. This volatility is likely to affect the Group's equity.

At 30 June 2015, the sensitivity of the bond sub-portfolio (€6,073 million) was 5.69, i.e. a uniform 100 base point rise in interest rates would result in a €346 million decline in market value which would be recorded in consolidated equity. The sensitivity was 5.38 at 31 December 2014. The sensitivity of the bond sub-portfolio was below the sensitivity of the benchmark index (6.95).

## 5.1.7. MANAGEMENT OF COUNTERPARTY / CREDIT RISK

Counterparty risk is defined as the total loss that the EDF group would sustain on its business and market transactions if a counterparty defaulted and failed to perform its contractual obligations.

The Group has a counterparty risk management policy which applies to the parent company and all operationally controlled subsidiaries. This policy, updated in September 2014, sets out the governance associated with counterparty risk monitoring, and organisation of counterparty risk management and monitoring (including definition of limits and Group indicators). The policy also involves monthly consolidation of the Group's exposures, updated monthly for financial and energy market activities and quarterly for other activities. The Financial risk control department closely monitors Group counterparties (with a daily review of alerts and special measures for certain counterparties).

The table below gives details, by rating, of the EDF group's consolidated exposure to counterparty risk. At 31 March 2015, 85% of the Group's exposure concerns "investment grade" counterparties, mainly as a result of the predominance of exposures generated by the cash and asset management activity, with most short-term investments in low-risk assets:

| | AAA | AA | A | BBB | BB | B | CCC/C | Unrated | Total |
|---|---|---|---|---|---|---|---|---|---|
| 30/09/2014 | 2% | 19% | 43% | 26% | 1% | 1% | 0% | 8% | 100% |
| 31/03/2015 | 2% | 20% | 41% | 22% | 4% | 1% | 0% | 10% | 100% |

The exposure to counterparty risk by nature of activity is distributed as follows:

| | Purchases | Insurance | Distribution and sales | Cash and asset management | Fuel purchases and energy trading | Total |
|---|---|---|---|---|---|---|
| 30/09/2014 | 6% | 1% | 8% | 75% | 10% | 100% |
| 31/03/2015 | 6% | 1% | 8% | 74% | 11% | 100% |

Exposure in the energy trading activities is concentrated in EDF Trading. Each counterparty of this subsidiary is assigned a limit, depending on its financial robustness. A range of means are used to reduce counterparty risk at EDF Trading, primarily position netting agreements, cash-collateral agreements and guarantees from banks or affiliates.

For counterparties dealing with EDF's Trading room, the Financial risk control department has drawn up a framework specifying counterparty authorisation procedures and the methodology for calculation of allocated limits. The level of exposure can be consulted in real time and is systematically monitored on a daily basis. The suitability of limits is reviewed without delay in the event of an alert or unfavourable development concerning a counterparty.

As the situation in the Euro zone was still unstable, the EDF group continued to apply a prudent management policy for its cash investments in non-core countries. Excluding dedicated assets, purchases of sovereign debt are restricted to Italy and Spain (no exposure in Portugal, Greece, Cyprus, etc) for maximum maturities of three years. Only "investment grade" banking counterparties are authorised, for limited amounts and maturities.

## 5.2. MANAGEMENT AND CONTROL OF ENERGY MARKET RISKS

This section presents the main changes in energy market risks affecting the Group since 31 December 2014.

The principles for management and control of energy market risks are presented in section 9.5.2 of the 2014 reference document. They have not been changed since 31 December 2014.

For operationally controlled entities in the Group, positions on the energy markets are taken predominantly by EDF Trading, the Group's trading entity, which operates on the markets on behalf of other Group entities and for the purposes of its own trading activity, backed by the Group's industrial assets. EDF Trading is therefore subject to a strict governance and control framework in compliance with European regulations on trading companies.

At Dalkia and Edison, the principles of the energy market risk policy are currently being rolled out. These entities are managed under a risk management framework approved by the Group's Executive Committee (Comex) and their respective Boards of Directors.

At entities not operationally controlled by EDF, the risk management framework is reviewed by the governance bodies.

In 2014, EDF Trading's commitment on the markets was subject to a daily VaR limit of €36 million (with a daily confidence interval of 97.5%), and a stop-loss limit of €180 million. The VaR and stop-loss limits were not exceeded during 2014 or the first half of 2015, and EDF Trading's risks remained within the limits of the mandate from EDF at all times. The stop-loss limits have never been exceeded.

## 6. TRANSACTIONS WITH RELATED PARTIES

The types of transaction undertaken with related parties are detailed in note 25 to the condensed consolidated half-year financial statements at 30 June 2015.

## 7. PRINCIPAL RISKS AND UNCERTAINTIES FOR THE SECOND HALF-YEAR OF 2015

The principal risks and uncertainties to which the EDF Group considers itself exposed are described in section 4.1 of the 2014 Reference Document.

The Group's policies for risk management and control are described in section 4.2 of the 2014 Reference Document.

This presentation of the major risks remains valid at the date of publication of this report for assessment of the principal risks and uncertainties for the second half-year of 2015, and the Group remains subject to the usual risks specific to its business.

## 8. SIGNIFICANT EVENTS RELATED TO LITIGATION IN PROCESS

Litigations concerning the EDF group are described in section 20.5 of the 2014 reference document. This chapter reports on litigations which have seen significant developments since the release of the 2014 reference document.

### 8.1. PROCEDURES CONCERNING EDF

#### French general electricity network

In October 2002, the European Commission initiated proceedings against France, claiming that State aid had been granted to EDF when its balance sheet was restructured on 1 January 1997. By a decision of 16 December 2003, the Commission set the principal amount of aid to be repaid at €889 million. On 11 February 2004, the French State issued a collection note for €1,224 million, consisting of the principal amount and interest. This amount was paid by EDF. On 27 April 2004, EDF initiated an action before the European Union General Court, at the time known as the European Court of First Instance, to annul the European Commission's decision. On 15 December 2009 the European Union General Court issued a ruling annulling the European Commission's decision of 16 December 2003, holding that when making its decision, it should have applied the informed market economy investor test to determine whether or not the action constituted State aid. As this ruling was immediately enforceable, the State repaid €1,224 million to EDF on 30 December 2009. On 26 February 2010, the European Commission filed an appeal against the European Union General Court's ruling before the Court of Justice of the European Union. In a decision of 5 June 2012, the Court of Justice rejected the appeal by the European Commission and confirmed the European Union General Court's ruling of 15 December 2009.

On 2 May 2013, the European Commission decided to reopen its investigation to examine whether the French state had acted as an informed market economy investor under the criteria laid down by the European courts. On 22 July 2015 the European Commission issued a new decision classifying the tax treatment of provisions established between 1987 and 1996 for renewal of French general electricity network facilities as incompatible State aid, ruling that the tax relief granted to EDF could not be considered as an investment driven by economic motives. As a result of this decision, the State will have to order EDF to reimburse the amount of the alleged aid, plus interest calculated as determined by the Commission, giving a total estimated at €1.37 billion.

Subject to examination of the decision, EDF intends to bring an action for annulment before the European Union General Court. This action will not suspend execution of the decision and will not therefore prevent EDF from repaying the amount corresponding to the alleged aid.

## Solaire Direct

On 17 December 2013, France's Competition Authority (*Autorité de la Concurrence* - ADLC) imposed a €13.5 million fine on EDF for practices constituting abuse of a dominant position which in the ADLC's view enabled EDF to favour its subsidiaries operating in the photovoltaic sector, to the detriment of other market actors. The Authority criticised EDF for having provided its subsidiaries with tangible and intangible resources that were non-reproducible by competitors (notably the Bleu Ciel® brand, the EDF brand and logo, the customer file), thus maintaining confusion in the minds of consumers between its business as an electricity supplier subject to regulated sales tariffs and the business of its subsidiaries operating in the photovoltaic sector. EDF filed an appeal against this decision before the Paris Court of Appeal.

On 21 May 2015, the Paris Court of Appeal partly amended the ADLC's decision. It cancelled the sanction for use of the EDF brand and logo for the period 2009-2010 and the increased penalty for having committed a second offence. The initial amount of the fine was reduced by some 42%, from €13.5 million to €7.9 million.

The ADLC appealed against this ruling on 16 June 2015. EDF also lodged its own appeal on 19 June 2015.

## SUN'R

On 21 June 2012, SUN'R filed a complaint and an application for interim protective measures with the ADLC. SUN'R accused ERDF of delays in the procedure for the connection of its photovoltaic facilities, and EDF of delays in implementation of purchase obligation contracts and payment of the related invoices. In addition, SUN'R alleged that EDF ENR benefited from special treatment for the connection of its facilities by ERDF and payment of its invoices by EDF. The inter partes proceedings were opened on 16 November 2012. The discussions with the ADLC regarding the admissibility of the action and the possible granting of protective measures took place on 23 January 2013.

In a decision of 14 February 2013, the ADLC rejected all the applications for protective measures made by SUN'R but decided to continue the investigation. This decision in no way indicates the outcome of the proceedings. If the ADLC's investigation concludes that EDF's practices were anti-competitive, it could among other penalities impose a financial sanction in accordance with Article L. 464-2 of the French Commercial Code. Any fines would be proportional to the seriousness of the offence, the extent of the prejudice to the economy, and the company's situation, up to a maximum of 10% of the company's global sales excluding taxes.

Meanwhile, SUN'R made an emergency application before the Paris Administrative Court on 29 August 2012 for an independent expert assessment and advance on indemnity, claiming provisional indemnities of €1 million from EDF and €2.5 million from ERDF. This application was refused in an order of 27 November 2012 by the urgent applications judge of the Paris Administrative Court.

On 30 April 2015 SUN'R brought an action against ERDF and EDF SA before the Paris Commercial Court, claiming compensation for the prejudice allegedly caused by the delays in the process for connecting its proposed solar power plants to the electricity distribution network.

## Vent de Colère

Following an appeal by the association "Vent de Colère" against the decision of 17 November 2008 setting the purchase tariffs for wind power, the French Council of State suspended judgment and submitted a preliminary question to the Court of Justice of the European Union, on the point of whether the purchase obligation financing system based on the CSPE should be considered as intervention by the State or through State resources, as defined by the EU treaty provisions on State aid for the purposes of application of the treaty.

On 11 July 2013, the Advocate General at the Court of Justice issued his Opinion in response to the Council of State question, stating that this financing mechanism did indeed qualify as "intervention by the State or through State resources".

On 19 December 2013, the Court ruled that "a new mechanism for offsetting in full the additional costs imposed on undertakings because of an obligation to purchase wind-generated electricity at a price higher than the market price that is financed by all final consumers of electricity (…) constitutes an intervention through State resources".

On 28 May 2014 the Council of State cancelled the decision of 17 November 2008 on the grounds that the tariffs set by that decision constituted State aid that had not been notified to the European Commission before taking effect. To replace this decision, the ministry for Ecology, Sustainable Development and Energy signed a decision on 17 June 2014 setting the terms for purchases of electricity from onshore wind farms. This new decision adopted the wind power purchase terms of the 2008 decision and the impact on the CSPE was unaffected.

In the "Praxair" opinion issued on 22 July 2015, the Council of State considered that CSPE income did not directly influence the extent of aid granted to producers using renewable energies, leading it to conclude that the CSPE cannot be considered an integral part of the support mechanism for wind power which was judged illegal by the *Vent de Colère* ruling of 28 May 2014, or of any other mechanism to support renewable energies. Consequently, the applications for reimbursement of the CSPE on the grounds of that ruling should be rejected.

## 8.2. PROCEDURES CONCERNING ERDF

### Litigation with photovoltaic producers

Announcements made and rapid successive changes in regulations and photovoltaic energy purchase tariffs during 2010 caused an upsurge in the volume of applications for connection received by ERDF. Despite the company's best efforts, it was sometimes impossible to meet the connection deadlines and this led to a number of litigation proceedings initiated by photovoltaic electricity producers. The first instance and Appeal Court rulings have varied, in some cases rejecting all claims and in others awarding compensation, generally in much smaller amounts than the initial claims.

ERDF considers that it cannot be held liable, and has filed appeals against all the unfavourable first instance rulings issued since 2011.

The Court of Cassation issued its first decision in 2015, in which it (i) rejected two appeals by ERDF and (ii) confirmed that ERDF's insurers should cover ERDF's liability above and beyond the insurance contract excess. This decision does not affect the competence of the trial judges (in commercial courts and appeal courts) to assess in each litigation the factual aspects specific to each case, the causal link if any between possible misconduct by ERDF and the prejudice suffered by the producer, and the reality of such prejudice.

### Appeal against the TURPE 4 tariff decisions

In a deliberation of 12 December 2013, the CRE adopted the TURPE 4 decision. Direct Energie lodged an appeal against this decision before the Council of State on 17 February 2014.

Direct Energie is seeking cancellation of the CRE's decision on the main grounds that (i) the remuneration method for RAB, which is paid in addition to the return on regulated equity, is allegedly unjustified and leads to overestimation of the tariff; (ii) the system gives customers no incentive to limit consumption in peak consumption periods; (iii) the decision was allegedly preceded by an irregular procedure (insufficient consultation with market actors).

### 8.3. PROCEDURES CONCERNING OTHER GROUP SUBSIDIARIES

## RTE

### Sale of SNCF's high voltage electricity transmission network

The French law of 9 August 2004 on the public electricity and gas service and electricity and gas companies set out the principle that SNCF's high voltage electricity transmission network facilities should be sold to RTE. On 9 July 2009 a specially-formed commission issued its decision on the transfer value of the network, estimating it at €140 million. SNCF filed an appeal against this decision with the French Council of State on 20 August 2009, considering the transfer value of the facilities to be much higher. While awaiting the French Council of State's ruling on the appeal, SNCF transferred its electricity facilities to RTE and the sale took place on 26 May 2010 for an amount of €140 million, of which only €80 million have been paid by RTE as a downpayment. The Council of State appointed an expert in February 2014 to value the assets. The expert filed his report at the end of December 2014, valuing the assets at a price of €129 million. On 3 July 2015, the Public rapporteur accepted this amount of €129 million and rejected SNCF's other claims, and the matter is now under deliberation pending issuance of judgement.

## EDF International

### Tax litigation

EDF International's tax audit relating to the 2008 to 2011 financial years led to proposed corrections being issued in late 2011 and late 2013. The two main adjustments relate firstly to the capital loss recorded at 31 December 2009 which was deducted from EDF International's net income following the contribution of CEG shares to its American subsidiary, EDF Inc. for an amount of €122 million, and secondly the valuation of the convertible bond issued to refinance the acquisition of British Energy for an amount of €143 million. EDF International contested these adjustments in 2012, and considers it has good chances of success in this litigation. The procedure initiated in 2012 for an amicable settlement in France and the US regarding the value of the CEG shares recorded at the time of the contribution ended in June 2015 when the proposed adjustment was dropped.

## EDF Énergies Nouvelles

### SOCODEI

The low-level waste processing and conditioning centre (Centraco) operated by SOCODEI, a subsidiary wholly owned by EDF, is used to process low-radioactivity waste either by melting or incineration. On 12 September 2011, the explosion of a waste melter caused a fire, killing one person and injuring four. The accident did not cause any chemical or radioactive discharge. The ASN rated the accident as an INES level-1 accident and decided on 27 September 2011 to require prior authorisation for restarting the melters and incinerators shut down shortly after the accident. On 29 June 2012, the ASN authorised SOCODEI to restart the incinerator subject to prior submission to the ASN of a full report on the compliance inspection of the equipment required for furnace safety.

Following this accident, several investigations were opened. On 16 September 2011, the Public Prosecutor's Department in Nîmes began an inquiry against persons unknown for manslaughter and unintentional injury, and the investigation is ongoing. The results of inquiries by the Labour Inspectorate and the ASN were sent to the Public Prosecutor's Department and a court expert was appointed. Once the court-ordered expert assessment operations had been completed, the examining magistrate authorised removal of the seals on the melter, which meant that repairs could commence.

Following its decision of 14 January 2014 setting new technical requirements for resumption of operations, the ASN authorised EDF to restart the melting furnace on 9 April 2015.

## 9. SUBSEQUENT EVENTS

Events arising since 30 June 2015 are described in note 26 to the condensed consolidated half-year financial statements at 30 June 2015.

## 10. OUTLOOK

From the second half of 2015, in accordance with EDF's new strategic plan "CAP 2030" and in view of the energy transition, the Group will initiate a strategic review of its fossil-fired generation assets in Continental Europe as well as of its fossil fuel production and marketing activities that are not directly linked to the core businesses of the Group.

The Group confirms its financial targets for 2015:

- Group EBITDA[19]: Organic growth of 0 to 3%
- Net financial debt/EBITDA: Between 2x and 2.5x
- Payout ratio of net income excluding non-recurring items post hybrid[20]: 55% to 65%

The Group also reiterates its ambition of generating positive cash flow after dividends excluding Linky in 2018.

[19] At constant scope and exchange rates, and excluding impacts of the catch-up of 2012-2013 regulated sales tariffs
[20] Net income excluding non-recurring items, adjusted for the remuneration of hybrid issues accounted for in shareholders' equity