EDF

2021 Half-Year Results

29 July 2021

2021 HALF-YEAR RESULTS

Jean-Bernard Lévy
Chairman and Chief Executive Officer

First of all, let review some of the highlights of the last few months.

The first half of 2021 marks the return to growth in our sales and our margins after 2020, which of course was affected by the sanitary crisis. Our teams are resolutely continuing to deploy our CAP 2030 strategy. In this respect, let me highlight the significant growth of our renewable projects' portfolio, a strong commercial momentum, and significant progress in all our main industrial projects.

HIGHLIGHTS (1/2)

On the first slide, you will see our major highlights, and if I start with nuclear. We have raised, as you know, our nuclear output estimate for the whole of 2021. The new range is from 345 TWh to 365 TWh. This new estimate shows the successful rollout of our activities scheduled for the first half of the year.

Let me also highlight the success of the fourth ten-yearly outage of the Tricastin 2 reactor. We completed this outage 10 days ahead of the initial schedule. Tricastin 2 is therefore the fourth 900 MW reactor to have received authorisation to operate beyond 40 years and it shows how we have now good control of these very complex operations of the VD4 10-year outage.

Let me also remind you that last February, the French Nuclear Safety Authority, the ASN, issued its generic decision on the conditions for the continued operations of 900 MW reactors beyond 40 years. This ruling confirms the prospect of continued operations for a further 10 years for the whole fleet.

Regarding the 1300 MW reactors, and we have 20 such reactors, time has come to bring their accounting depreciation period into line with EDF's industrial strategy of pursuing the operations of certain units beyond 40 years in accordance with France's Multiannual Energy Programme, what we call the PPE.

The technical, economic and governance conditions are now in place to extend the depreciation period of 1300 MW reactors to 50 years, as we did in 2016, five years ago, for the 900 MW fleet. This accounting change applies from 1 January 2021, but in no way it prejudges the ASN's position regarding the industrial programme that EDF will have to submit as part of the fourth 10-yearly inspections for such reactors, which will start in 2026. So, very similar to what we did for the 900 MW reactors back in 2016.

Regarding Flamanville 3, repair operations on the eight penetration welds of the main secondary circuit are underway following the ASN's approval for the intervention by remotely operated robots. In June, we submitted to the ASN a summary of our studies on the handling of the nozzles on the main primary circuit. We are opting for the scenario of fitting a retainer clamp around the three concerned nozzles. The dossier is currently in the hands of ASN.

Flamanville 3 has already received all the fuel assemblies required for the loading of the fuel, which is scheduled for the fourth quarter of next year.

Regarding nuclear new built, in May, we submitted to the French government the study that had been requested concerning the feasibility and the conditions for the success of such a programme of building three pairs of EPR2 reactors in France.

And in the UK, we are discussing currently with the British government on the financing scheme for two EPRs on the Sizewell site. This project is clearly identified in the Energy White Paper, which was released by the British government at the end of 2020.

The reaffirmation of the role of nuclear power in achieving carbon neutrality by 2050 in the UK comes at a key moment. As we know, several of the UK's nuclear power plants are approaching their closure dates. All of them have already had their operating life extended thanks to the investments made 10 years ago or more by EDF Group. This is also the case for Dungeness B, the final shutdown of this station was confirmed in June – but I'd like to stress that this plant was in operation for 10 years longer than what was the initial closure date when we acquired British Energy.

At the same time, at Hinkley Point, where I was on Tuesday, civil engineering work and the installation of equipment on the nuclear islands of the EPR reactors are making strong progress. Currently, close to 7,000 people work every day on the site in full compliance with health regulations in place.

The first six months of the year confirm the growth momentum of our renewable activities. Our project portfolio has increased by 10% since end 2020 and now reaches 66 GW and these are gross numbers. In the same period, capacity under construction has also increased by 8%. So, we are on track to achieve our ambition of 60 GW net renewable capacity, so this is net 60 GW, including hydro, by 2030. You may remember that we revised this ambition upwards earlier this year.

Our renewable projects are growing in many regions across the world. A month ago, we won a very important 1.5 GW offshore wind farm project off the coast of New Jersey, one of the most powerful in the United States. It will be produce the equivalent of the consumption every year of 700,000 homes. We have also in the US been awarded three solar projects, for in total 300 MW. In Brazil, we recently commissioned a 344 MW wind farm.

In France, we continue to implement our Solar Plan. This year, we have been awarded 13 ground-mounted solar projects with a total capacity of 75 MW.

On the hydro side, our Nachtigal dam project in Cameroon, which when it is finished will provide 30% of the country's energy needs. This project is making good progress. More than 40% of the civil engineering works have been completed.

HIGHLIGHTS (2/2)

If I turn to the next slide, in terms of customers and services, we have many reasons to be satisfied. The number of our residential customers taking up market offers for electricity supply has increased almost 18% since the beginning of 2021 and is now close to 1.2 million. We are also growing in terms of the number of electricity, services and gas contracts per customer, in line with our goal of reaching 1.5 contracts per customer by 2030.

Our range of offers continues to expand, this time in the area of distributed solar and of energy efficiency for businesses. We have also been very active in the renewable Power Purchase Agreement market. Let me mention three such PPAs that we signed since the beginning of the year with major French Groups like Bouygues, RATP, which is the metropolitan transportation system in Paris area, and with SNCF, the French railways.

Also, I'm pleased to point out that our subsidiary Enedis is close to complete the deployment of the Linky smart meter programme. More than 32 million such Linky meters have been installed. We are at 95% of the global target.

Our sense of innovation in the fields of mobility and green hydrogen leads to several promising developments. By the end of June, we have already rolled out 144,000 charging points in Europe. Our subsidiary Pod Point, which active in the UK and also in Norway, saw a 28% growth in the number of charging points deployed since the beginning of the year. So, we are one of the great providers of charging stations.

In Oxford, the consortium led by our subsidiary called Pivot Power has already installed 50 MW of batteries as part of a Superhub project: the largest fast and ultra-fast charging network in the UK, which will be completed in 2022.

We are also making headway on the hydrogen front. As an example, in Germany, Hynamics our subsidiary is participating in the large renewable hydrogen production project of 300 MW for industrial applications. The project is shortlisted as Important Projects for Common European Interest (IPCEI) in Brussels.

Let me conclude this part with two major international projects. In the Ivory Coast, we have signed the financing agreements for Biovea, the largest biomass power plant in West Africa with a capacity of 46 MW. This is an exemplary project, it will have a transformative effect on the local economy, and the construction is due to start before the end of the year.

In Laos, EDF signed a development agreement for a 240 MW hybrid floating solar project located on the reservoir of the Nam Theun dam, a dam which we designed several years ago, and which is operated by our subsidiary NTPC.

ENVIRONMENTAL & SOCIAL ACHIEVEMNTS AND TARGETS (1/2)

On the next slide let me highlight some of our major achievements on our environmental and social targets. As you know, a little over a year ago we adopted a "*raison d'être*" purpose, that permeates all our activities. It is at the heart of our social and environmental responsibility policy. We are pursuing ambitious objectives with determination.

Firstly, our carbon intensity. As you know it is already five times lower than the European average, but is still falling when compared to the first half of 2019 and remains almost stable compared to the first six months of 2020, which were impacted by the health crisis. We are therefore well on the way to our objective to only have 35g/kWh of carbon in 2030 and to full carbon neutrality in 2050 on all three scopes of carbon dioxide emissions.

Another example is the presence of women in the Group at the end of 2020. Women were 29% of the members of our management bodies. This is a level significantly higher than the average for companies on the major French index, CAC 40, and have achieved this target three years ahead of schedule. We have now raised our targets. The new target is 33% women in major management bodies by 2026 and a number between 36% and 40% in 2030.

ENVIRONMENTAL & SOCIAL ACHIEVEMNTS AND TARGETS (2/2)

We also continue to innovate in the field of sustainable finance, a key driver for the energy transition and another facet of our CSR policy. In May, we achieved a double world "first". We issued Social Hybrid Bonds for an amount of 1.25 billion euros. First, it is the first ever social hybrid bond in the world to be issued by a corporate player and at the same time it is the first social bond issued by any company in the "utility" sector.

This allows us to finance our eligible investments and at the same time guarantee that the purchases related to these investments will be a 100% made among SMEs and SMIs, thus safeguarding regional employment areas in France and in the United Kingdom.

We are also very proud that earlier in the year we entered CAC 40 ESG index, which is a new stock market index of 40 companies that have demonstrated best practice in Corporate Social Responsibility.

At EDF, "commitment" goes hand in hand with "results-oriented culture". And this is particularly important in the case of CSR, where common evaluation standards only begin to emerge. So, I am pleased to announce the publication, today, of our first impact report. This publication provides a global picture of the externalities of our actions. It highlights the contribution of our CSR policy to the achievement of the priority sustainable development goals as defined by the United Nations. This is a further proof of the seriousness of our commitments that stem from our *raison d'être*.

Let me now turn to our main performance indicators.

H1 2021 KEY FIGURES

On the slide H1 2021 Key Figures, we have seen a clear upturn in our performance when compared to the first half of 2020. Our sales and EBITDA have both increased strongly, respectively by 14% and 30% compared to the first half of last year.

The increase in the EBITDA is mainly due to the increase in nuclear output in France, in a context of rising electricity and gas prices, of slightly colder weather, and of the growth in connection operations of our subsidiary Enedis.

Our net income, excluding non-recurring items, has tripled when compared to the first half of 2020. It stands at €3.7 billion. This increase mainly reflects the growth in EBITDA and in recurring financial result, as well as lower depreciation in connection with the extension of the depreciation period for the 1,300 MW plants, which I mentioned a few minutes ago.

Net income - Group share stands at nearly 4.2 billion euros.

Our net financial debt to EBITDA ratio has improved compared to the end of 2020 and stands at 2.21 times, confirming the robustness of our financial structure.

2019-2021 EVOLUTION

On the next slide you can see that this upturn cannot be explained solely on the basis of a comparison with a period marked in 2020 by the health crisis. Indeed, as we mentioned at the time of the annual results, the impact of the health crisis on EDF’s finances was contained. Hence, the increases in our EBITDA and our net income excluding non-recurring items are also very strong when compared to the first half of 2019, as you can see on this slide. I therefore see in this positive trend - 19 to 21 - a return to growth that we all hope will be sustainable.

Let me now thank you for your attention and hand over to Xavier Girre who will provide details for our financial results.

Xavier Girre

Group Senior Executive, Vice President, Group Finance

I will now detail our 2021 half year results.

GROUP EBITDA BY SEGMENT

First, as regards our performance plan launched one year ago with a target of €500 million reductions in operating cost in 2022 compared to 2019 and approximately €3 billion of divestments over the period 2020 to 2022, we are on track.

At the end of June 2021, we achieved 251 million euros of cost reductions, excluding inflation. And as of today, we have either signed or completed asset disposals impacting positively our net financial debt for a value of circa 1.2 billion euros, and our economic debt for a value of circa 1.9 billion euros, according to S&P's definition.

Let's now analyse the Group's EBITDA by segment.

EBITDA FRANCE – GENERATION AND SUPPLY ACTIVITES

First, **France – Generation & Supply** activities: +944 million euros, a 24% organic increase.

The energy volume effect had a positive contribution for 325 million euros. Nuclear output increased by 7.7TWh year-on-year, led by first a higher demand compared to H1 2020, when demand decrease due to COVID required a high level of modulation, and second a good level of operations.

All that despite a heavier maintenance shutdown programme in H1 2021, including four plants performing their fourth 10-year visit inspections, and despite the absence of production of the two Fessenheim reactors in 2021, as they closed in the first half of 2020.

Second element, energy prices had a positive impact estimated at only 30 million euros due to two different impacts. First impact, the rise in prices had a favourable effect on energy sales, but second impact, at the same time, the cost of energy purchases increased also, as spot prices were particularly low during the peak of the COVID crisis last year. As a whole the impact is quite limited.

As regards the supply activities, they improved by around 234 million euros, as the increase in the capacity price invoiced to the customers was much more significant than the loss of customers estimated at -6.6TWh.

OPEX remained almost flat, action plans allowing to absorb the inflation.

As announced last February, the Group benefitted from the special relief on production tax allowed by "France Relance", the French government stimulus package. The positive yearly impact, mostly booked in H1, represented a positive 257 million euros on this segment.

EBITDA FRANCE – REGULATED ACTIVITIES

Second block is **France – Regulated** activities for +750 million euros, a 30% organic growth.

This is the result of: a positive price effect for 220 million euros following the TURPE 5 indexation of 2.75% on 1 August 2020;

Colder weather conditions in H1 2021 vs. H1 2020, representing an increase in distributed volumes of +10.8TWh. It contributed positively for 204 million euros;

Third point, new grid connections, which had been slowed-down last year because of the COVID crisis, representing a positive impact of 174 million euros. Compared to 2019, grid connections increased also very significantly.

Fourth point, the positive impact of the decrease of the production tax for 74 million euros.

And last point, OPEX remained almost flat, action plans allowing to absorb the inflation.

RENEWABLE ENERGIES

As regards **renewables**, renewables for the Group increased organically by 91%. This is the combination of: the positive effect of the 34.8 €/MWh year-on-year increase in spot prices benefiting to hydro generation, and the negative impact of the extreme cold snap in Texas on EDF Renewables. I will come back to that.

If we focus on **EDF Renewables**, its EBITDA decreased by 109 million euros. The extreme cold weather in Texas had a negative impact on the production EBITDA estimated at -94 million euros. During this event, four wind farms could not produce electricity, and EDF Renewables had to buy back power at extremely high prices to cover its contractual commitments.

If we look at the other elements for EDF Renewables: Generation increased by 10.6%, driven by the commissioning of new capacities. And contribution to EBITDA of DSSA activities was more limited compared to last year.

EXTREME COLD SNAP IN TEXAS – ESTIMATED IMPACT AS OF END-JUNE 2021

Let’s now review the impacts of the cold snap in Texas at Group level: this event had as a whole a non-significant impact on the Group financials due to two different consequences. First, as I just explained, EDF Renewables, had a negative impact estimated at -94 million euros at EBITDA level. EDF Renewables had in addition recorded an impairment on one of the impacted wind farms accounted for in equity method, which impacted Group net result.

On the other hand, the performance of the trading activities related to this event compensated in H1 2021 the negative impact on the renewable assets.

GROUP EBITDA BY SEGMENT

Let’s go back to the main waterfall to review the other segments.

Dalkia was up by 49 million euros, a 30% organic increase. It is explained by the recovery of the services and works activities after a first half of 2020 marked by the closure of numerous client sites and the postponement of worksites, colder weather in H1 2021, and commercial activity in the UK.

Framatome’s EBITDA improved by 93 million euros. It reflects an improved production in the "Fuels" and "Components Manufacturing" plants, and higher sales volumes in the "Large Projects" and "Installed Base" businesses, mainly in the US.

The action plan on overheads continued. Order intake amounted to around 2 billion euros at end of June 2021, a significant improvement versus 2020.

Last, Framatome has completed the acquisition of Valinox, a French specialist in tubes for nuclear reactor steam generators.

UK was down by -174 million euros. It was mainly explained by first a decrease in nuclear generation of -1.8TWh, in relation to the outage schedule, in particular the extension of the outage of Sizewell B, and in addition the prolonged outage of Sizewell B required market buybacks of electricity in a context of high market prices.

On the other hand, the profitability of the supply activities recovered especially in B2B.

In **Italy**, the EBITDA increased by 158 million euros, a 41.6% positive variation. It reflects the recovery in supply and services activities, a colder weather in 2021, and the capital gains on the sale of IDG, the former gas distribution network of Edison.

Electricity activities increased thanks to better availability of the CCGTs, optimisation of services to the electric system, and increased renewables generation.

Other international was almost stable. In Belgium, the decrease in EBITDA was mainly explained by a decrease in the production of wind farms, due to less favourable wind conditions than in 2020. Nuclear production was also down, leading to electricity buybacks at high prices. On the other hand, improved availability of thermal power plants resulted in good production and increased services to the electric system.

And, as regards supply, after a slowdown in 2020 due to the health crisis, activities have grown. In this business, Luminus has completed the acquisition of the portfolio of approximately 330,000 customers of Essent Belgium, a gas and electricity supplier.

As for Brazil, it benefitted from a positive yearly revision in November 2020 of EDF Norte Fluminense's electricity sales contract tariff, partially offset by the depreciation of the Brazilian Real against Euro.

Other activities increased from 135 million euros to 854 million euros, a very strong organic improvement of 723 million euros.

The growth in the EBITDA of gas activities was explained by the significant improvement in US/European medium and long-term spreads and this explains most of the improvement of this activity for 484 million euros.

As regards EDF Trading, EDF Trading registered a great performance with positive impact of 220 million euros.

GROUP EBITDA – SYNTHESIS

This slide now presents another view of the positive variation of the EBITDA, focusing on the main effects: A volume effect for 678 million euros, composed of higher generation in France and lower generation in the UK, increased distributed volumes for Enedis, and a recovery in the supply business.

Realised prices for 607 million euros, mainly related to a favourable revision of the distribution tariff, and higher capacity remuneration. Realised prices in the UK were to the contrary down. Long-term improvement of gas and other commodities prices had a positive impact of 468 million euros. And reduction in production tax linked to the French stimulus package represented a positive 349 million euros for the Group.

EBIT

Let’s now move to the other items of the P&L.

EBIT was up by 2.6 billion euros, to 4.3 billion euros.

This improvement is first explained by the increase of the EBITDA for 2.4 billion euros.

Volatility on commodities had a year-on-year unfavourable impact of 0.2 billion euros. This element recorded the net changes in fair value on energy and commodity derivatives (excluding trading activities), mainly due to the high volatility of prices observed on the commodities market and in particular electricity, as well as in connection with Edison’s gas positions.

D&A decreased by 0.2 billion euros. As Jean-Bernard Lévy just explained, the necessary conditions to allow for the depreciation period of the 1300MW reactors to be aligned with the Group’s industrial strategy were met over the first half of 2021. The Group’s consolidated financial statements at 30 June 2021 thus include the extension from 40 to 50 years of the depreciation period of the 1,300MW reactors. This accounting change, implemented as of 1 January 2021, carried certain impacts on the Group’s P&L and balance sheet.

Let's consider the main impacts. Looking first at the balance sheet impacts. With the life extension, disbursement of certain future charges related to nuclear generation is pushed back in time. As a result, the corresponding provisions went down by 1,016 million euros, out of which 848 million euros are in the scope of the Dedicated Assets.

This reversal of provision had no P&L impact but – as I said – came in deduction of the asset value. However, the reversal is largely taxable and will trigger a one-off cash tax payment of 184 million euros.

Looking second at the P&L. With depreciation spread over an additional ten years and a lower asset value related to the reduction in nuclear provisions, depreciation charges were down 274 million euros in H1 2021 compared to what they would have been with a depreciation period kept at 40 years. This was the main impact.

Overall, combined effects of the extension had a positive impact of 264 million euros on profit before tax and of 194 million euros on Net Income. The effects I just described are explained in details in note 1.6.2 of our consolidated financial statements.

Impairments amounted to 0.5 billion euros in H1 2021 coming from the decision made last month to anticipate the closure of Dungeness B in the UK. I remind you that the existing nuclear fleet in the UK was impaired last year by 0.6 billion euros.

Other operating income and expenses amounted to -0.1 billion euros. It includes first the proceeds of +505 million euros corresponding to the transactional indemnity in the agreement with Areva after deduction of amounts received on behalf of third parties, and assets previously recognised in the balance sheet. It includes also the additional repair costs for reworking the welds at Flamanville 3 for -278 million euros. It includes also the impact related to the anticipated closure of Dungeness B for inventory depreciation and provision for penalties related to the capacity mechanism, for a total of -161 million euros. The P&L impact of the anticipated closure of Dungeness was therefore of 600 million euros including the impairment of the plant.

NET INCOME - GROUP SHARE

Net income – Group share came to 4.2 billion euros, a 4.9 billion euros improvement versus H1 2020. As detailed previously, EBIT increased by 2.6 billion euros.

Financial result amounted to a positive 0.9 billion euros in the first half of 2021, to be compared to a negative -2.3 billion euros in H1 2020.

This significant 3.2 billion euros improvement is mainly explained by first the dedicated assets, with a strong performance in H1 2021 in a context of favourable market conditions; yield assets, comprising real estate and infrastructure assets, generated a solid performance of +7.5; growth assets benefitted from the performance of the listed markets, with a global performance of +14.4%; and fixed-income assets decreased by 0.5% in a context of rising rates.

The change in the fair value of the portfolio booked a positive 1.8 billion euros this semester, versus a negative -0.9 billion euros one year ago. Coverage ratio of the dedicated assets has been pushed up by dedicated assets performance and by the reduction of the provisions due to the extension from 40 to 50 years of the depreciation period of the 1,300 MW reactors. This ratio stood at 111.8% end of June 2021, compared to 101.8% end of June 2020 and 103.6% end of December 2020. As a reminder, the fair value variation is not included in the calculation of the net income excluding non-recurring items.

The decrease in the accretion expense for post-employment benefit provisions at the end of June 2021 is explained by the decrease in the discount rate applicable in the first half of 2021, partially offset by an increase in the volume of commitments on 1 January 2021.

The decrease in the accretion expense on nuclear provisions is explained in particular by the extension of the depreciation period to 50 years for 1,300 MW nuclear power plants.

Please note that the discount rate for the nuclear provisions remained stable at 2.1% real. It was already stable in H1 2020.

Tax charge followed the evolution of the EBIT and the financial result, and increased by 1.5 billion euros. The effective tax rate amounted to 28.4%.

The Group's share in **net income of associates** increased by 0.3 billion euros, mainly in relation to an improvement in the net income of CENG and RTE.

As a result of the evolution of these elements, Net Income - Group share came to a positive 4.2 billion euros, compared to a negative -0.7 billion euros one year ago.

NET INCOME EXCLUDING NON-RECURRING ITEMS

As regards **net recurring income**, this slide shows the main elements leading from the Net Income – Group Share to the Net recurring income. Three elements explain most of the 2.4 billion euros increase in the non-recurring items.

First fair value adjustment of the dedicated assets improved by 2 billion euros after tax, in a context of much more favourable financial markets. Second, the closure of Dungeness impacted for 0.36 billion euros after tax. Third, the proceeds of the transactional indemnity agreement with Areva contributed positively for 0.37 billion euros after tax.

The Group's net income excluding non-recurring items stood at 3.7 billion euros in H1 2021, an increase of 2.5 billion euros vs H1 2020.

NET FINANCIAL DEBT

Let's now highlight the main elements explaining the evolution of the **net financial debt**, which decreased by 1.3 billion euros versus end of 2020.

First, the **cash-flow** of the Group is broadly neutral, -0.2 billion euros, while the investments are significantly higher demonstrating the will of the Group to deploy its strategy. And this is a significant improvement vs H1 2020, when it came out at -1.8 billion euros.

Second, the **net debt** is decreasing.

On the cash-flow side, cash EBITDA contributed for 10.2 billion euros.

Working capital requirements increased by 1.9 billion euros. This change is mainly explained by two points: the trading activities for 1.1 billion euros, in relation to the very high level of EBITDA in H1 2021 and an increase in margin calls. The global EDF Trading operating cash is improving by roughly 100 million euros vs end of June 2020. It is also explained by the seasonal nature of payables for 0.9 billion euros.

Net investments amounted to 7.7 billion euros, an increase of 0.7 billion euros compared to H1 2020, which had been hit by the COVID crisis. Activity has recovered since then for all of our segments. Net investments of EDF Renewables were nevertheless down, as it benefitted from some subsidies in H1 2021 with no comparison in H1 2020.

The **social hybrid bond issuance** contributed positively for 1.2 billion euros. As a consequence, the net financial debt established itself at 41 billion euros at the end of June 2021.

To put in a nutshell my key messages: Activity was very strong in H1 2021 sustained by good performance per se, hence the comparison also with H1 2019, and a return to almost normal business conditions post-COVID. This is well reflected in our H1 numbers and makes us confident for the rest of the year.

HALF-YEAR RESULTS 2021

Jean-Bernard Lévy
Chairman and Chief Executive Officer

Before we answer your questions, I would like to remind you of our major 2021 objectives and ambitions for 2022.

2021 GUIDANCE UPGRADED AND 2022 AMBITIONS CONFIMED (1) SUBJECT TO ADDITIONAL REINFORCED SANITARY RESTRICTIONS IMPACTS

First of all, for 2021, as announced on the 7th of July, we are aiming for an EBITDA for the 2021 for the full year of above €17.7bn. We are upgrading our target in terms of net financial debt to EBITDA, the ratio being from less than three times, which is what we announced earlier in the year in February, and we now say this will be less than 2.8 times, better than less than three times.

Our ambitions for 2022 remain unchanged for the time being in terms of OPEX reductions, of disposal plan, and in terms of the net financial debt to EBITDA ratio, which are our three major guidelines for 2022.

As you know, the rise in CO_2 and electricity prices that we have seen over the last few months will, if they remain at a sustained level over the next few months, have a positive influence on our EBITDA next year.

As you can see, ladies and gentlemen, despite the challenges and uncertainties we have faced and continue to face, we do achieve our ambitions.

The fact remains that in order to fully play our role in the French and European energy transition scene, structural reforms remain necessary.

I am referring primarily of course to the reform of the ARENH price-mechanism and the reorganisation of our Group that this reform could allow.

Yesterday, the French Government indicated that the discussions with the European Commission on the ARENH reform, the hydro concessions and the overall reorganisation of EDF, have not yet allowed a full agreement to be reached. These discussions will have to continue with the aim to find a satisfactory outcome for all involved parties.

The strong results we have just presented mean that we can look forward with confidence to the rest of 2021 and going into 2022. Our teams are fully committed to deploy our CAP 2030 strategy for the benefit of our customers and to achieve carbon neutrality, and this is the time for me to express my sincere gratitude to all the teams within EDF Group.

QUESTIONS AND ANSWERS

Vincent Ayral (JP Morgan): A few questions here. Obviously starting with the reform. As you said, the government communicated that they have not reached an agreement with the Commission, but it's been reported as well that discussions are still ongoing, it's just that this is not in time for an implementation before the 22 elections.

So it's just for us all here to understand - a full implementation of what was dubbed the Hercule project that could be renamed, which included an IPO of the Green seems unrealistic given the timeline now, but could we have given the continued commitment of the government to try to push through this reform, could we have an agreement reached before the 22 elections? And I would add to that the power price increasing fast and that's something which is probably adding further pressure.

Talking about power prices comes the second question. They're up 50% year to date. I think they were at like the 100 pounds mark for this winter in the UK. This clearly boosted profitability on your incremental nuclear volumes, but going forward that could lead to a substantial tariff increase next January. So, what exposure should we factor for EDF at this stage? How should we look at it? There has been an article talking about the Government looking at doing a tax offset, which would be absolutely neutral for EDF, so it gets the benefit. Or increasing ARENH volumes, and I think this would be not taken as well and decrease the upside potential for EDF, quite clearly.

And the third question, looking at the consensus. You started the presentation by talking about the accounting recognition of the life extension of the 1.3 GW fleet. When I look at the consensus net income it's at 2.9 billion euros in 21 and 3.3 billion euros in 22. It may not factor all the power price upside at this stage – point one - but importantly, it's unlikely to include any lower D&A from this life extension change in accounting.

So, could you give us an estimate of where it would be if these two elements were included properly or said otherwise, if you prefer the impact on both elements.

And finally, leverage. You were cash flow neutral in H1. The provisions are down on the pensions, which are mark to market. Nuclear provisions are slightly down, that thanks, among other things, to the change in the reporting life extension. But that's also probably helped by the nuclear discount rate. Could you confirm that we should not expect any more material decrease in the nuclear discount rate, thanks to the application of the Decree, which was issued one year ago, and give you indeed some room to avoid this?

Jean-Bernard Lévy (EDF): Maybe I will answer the first one and I will let Xavier try to answer the other ones because we may enter into a dialogue making sure we really understood what were your questions, what were the comments, and what were the questions. We're not really sure that we could really understand how to split between comments and questions.

On the first point, which is regarding the major reform that has been prepared. Indeed, the government has indicated many times and we have also read that yesterday in a press release where government officials were quoted, anonymous government officials were quoted, that the government has indeed said that they are convinced that there is a need for a major reform on the regulation of the nuclear power prices in France, meaning the ARENH, and that will imply some changes in the organisation of EDF.

They have also implied that they would like to find a solution for the hydro concessions. So, there is no doubt in my mind that while there is obviously a few weeks break in August, both in the city of Brussels and in the city of Paris, after the summer break there is no doubt in my mind that conversations will resume in order to find the adequate solution for these matters.

And obviously I think nobody has a crystal ball regarding what could be the outcome in terms of content and what could be the outcome in terms of scheduling. And certainly it is not up to me to enter into any forecast regarding what could be the deadline or not and I will leave that to your own thoughts.

Xavier Girre (EDF): So, I understand that your two last questions are about the guidance and the impact of the lifetime extension and of the discount rate. So, as regards the lifetime extension to 50 years of the 1,300 MW fleet, it has an impact on the yearly basis of around 0.4 billion euros at net result level. And this has of course to be taken into consideration in your calculations for our yearly net result.

Second point, as regards the discount rate, you asked me to confirm. I would like first to say and to repeat that we do not give any forecast about discount rate. We will see at the end of the year where are the interest rates and where is the inflation rate and if – and it's only a hypothesis - if the net discount rate remains stable at 2.1%, this would have a positive impact on the net result compared with last year, which had been penalised by the fact that in 2020 the discount rate had been reduced by 20 bps.

And you know, we always give sensitivity. 20 bps downward trend has an impact on the post-tax net result of 0.6 billion. And so if there is not such a change this year, of course this will sustain also the net result for 21.

So, of course, for your calculations for this year you have to take into consideration our EBITDA guidance, which is higher than 17.7 billion euros, and as we said we are confident or very confident that we will reach this guidance as regards the EBITDA.

You have also to take into consideration this lifetime extension impact and then you have to make your assumptions. We do not give any forecast as regards the discount rate, but I gave you the sensitivity.

As regards 2022, I didn't understand if you asked about 22 versus 21 or if you asked about the UK output. So, I will give two answers maybe so I will be sure that I will answer yours. So, first as regards 22, the market price trend is quite high, as we have all noticed, and I think it's important to keep in mind that as for 22, we started hedging our positions in 20 when base load prices were well below 50 euros per MW hour. In fact, it was in the range of 46 on average for calendar 22 baseload in 20. And we continued progressively to hedge over the course of 21.

Now, if we consider that the prices remain where they are today, of course this would have a significant impact on our 22 financials compared with 21, if everything is for the rest equal, and in particular if the price increase is sustainable, which is of course a sensitivity point.
And as regards UK, I understand that your question was also about the UK generation. So, UK generation is going down as we explained due to long term outages due also during the years to come due to the fact that we had to stop Dungeness. So, as a consequence, we are short, and we need to buy back TWh on the market at high price. And this was the impact for this half of the year.

So, this is why when we say that in the UK realised nuclear prices were down, it is a mix as we always do, between higher prices on the sales but also higher prices on the buybacks. And as a whole, it had a negative impact in the UK during this first half of the year. And for the years to come, you have to take into consideration the fact that the closure of Dungeness will have a negative impact in the range of 5 TWh.

Sam Arie (UBS): Thanks for a great presentation today and very strong set of results. Just I think two very simple questions from my side.

Firstly just to follow up on that discussion on generation prices. I think you said at the end of last year you'd hedged 2021 at 45 euros roughly. Are you able to give us a number for what those hedges look like now for 2022, averaging out kind of everything that you explained in your comment just now? It would be very helpful if you could do that.

And secondly, I think coming back to the reform process, I think your comments are very clear just now that the discussions are ongoing and we have to wait and see where we end up, but there was a comment reported on The Wire this morning. I think a quote attributed to you guys saying 'unfortunately, the reform, which is indispensable to EDF, cannot happen now.' Which seems to a little bit in conflict with your comments just now that the discussions are still ongoing, and we will see where we end up. So, I just want to give you the opportunity to clarify for us and maybe set that earlier comment on The Wire to one side. In other words, a comment that was saying that perhaps a reform can't happen now.

Jean-Bernard Lévy (EDF): I will let Xavier respond to the first question, but maybe beforehand I will just tell you that there is a full consistency between the fact that the discussions are expected to resume after the summer break and with the fact that as you know the government is flagging that it is not possible at this stage to deliver a draft law towards our parliament in order for the reform to be implemented. So we do regret that it has not been possible after quite a long set of negotiations for many months, if not quarters, between the European Commission and the French Government.

At the same time it is true to say that the government is convinced that there is an absolute need for an evolution and that there will be more discussions after the summer break. But yes, my regret does come from the fact that the government is not in a position to deliver a draft law to Assemblée Nationale and Sénat to our Parliament houses at this stage.

Xavier Girre (EDF): So, we hedge our volumes two years ahead, so we started to hedge 22 in 20 at a time when the calendar 22 was in the range of 46 euros per MW hour. Today it's a range of 70 these days with the volatility that you see on the market.

So, just to make some maths and not forgetting to highlight the uncertainties, and I insist upon that, if you assume that forward prices would stay above 60 euros for the remaining part of the year for base load power prices, and including the portion corresponding to the cropping effect in December, then you can estimate that a positive price effect for 22 compared to 21 could be in the magnitude of 1 billion euros. But I insist once more on the uncertainties about the prices, about also the fact that it would be necessary for that to be in a position to benefit fully of the impact of such prices on the regulated tariffs next year.

And once more also keep in mind that as regards France, around 30% only of EDF electricity sales are exposed to market prices.

Ajay Patel (Goldman Sachs): So, couple of questions. Maybe a little bit of extension from some of the reform questions that have been asked, but I just wondered with potentially delays happening on the reform or maybe that this reform could happen post elections or even maybe longer, how do you as a company change or is there any changes that we should expect? As in, you have a huge amount of investment opportunity. Could you sort of be increasing your amount of asset rotation to take advantage of those Capex opportunities as an example of maybe how you progress until reform comes through?

And then secondly just on numbers. If you take what you delivered over H1 and then just take what you delivered H2 last year, you end up with quite meaningful numbers above your guidance, and I just wanted to see if you could walk us through the negatives that you would expect in H2 2021 versus 2020, especially in the context that there were still COVID costs of around 500 million last year?

Jean-Bernard Lévy (EDF): Regarding our strategy. As you know we are working on a CAP2030 strategy which has been established for several years and which includes a significant amount of Capex. Yes, indeed. It is true to say that if and when the big reform is implemented, we will have more ability for more Capex, and we have given a very precise number that we believe that by 2030, instead of having a 60 GW renewable portfolio - and these are net numbers by the way, 60 GW net, because some of our competitors are playing with numbers and talk about gross numbers, which in our view is not very meaningful because if you own 10% of a renewable infrastructure or 100%, it's not really the same thing, so I don't think it is fair to mix a 10% ownership and 100% ownership.

If I look at what we feel we are able to do in 2030 with the reform we think we can achieve 100 GW, and without the reform we believe we can achieve 60, and we are currently today at 34. So, if you subtract the 34 from 60, it's 26 with the current situation of EDF, and if you subtract 34 from 100 then you achieve 66.

And so during these say eight or nine years, whatever, doing 26 or 66 is really not the same thing. In fact it's 2.5 times more if we can implement the reform and if we don't. And I do not believe you will do that with increased asset rotation, although we do try to create shareholder value by asset rotation and we do some asset rotation, either because we do sell a lot of what we build in renewables at the time of the delivery of the infrastructure, or maybe even at the time of the FID from time to time, or because we have a divestment programme which, as you know, is already very, very important because we have already sold something like 12 billion since we started to implement the divestiture programme and we still have 3 billion or maybe it's only two to go - whatever, we are talking of 14 to 15 billion overall.

So, we're not going to change these numbers because what we would achieve if we did sell a few more assets would really not be meaningful in terms of getting towards 100 GW or getting towards 60 GW. The difference is really huge, and this is why the reform is so important.

Where do we play? Do we play with the people that in the next few years will achieve 26 GW of additional renewable capacity? And still these are net figures. Or 66? This is not the same league once again.

Xavier Girre (EDF): So, first, of course, as you remember, we extended our guidance at higher than 17.7 billion euros based on the improvement of our French nuclear output perspective at 345 to 365 TWh, which was an additional 0.6 billion euros. You can add also solid trading activity for around 0.2 for the time being. Strong performance in Italy, also including capital gains on the sale of IDG for around 0.2 billion euros.

So this is the basis of our current guidance. And as we said, and as I will repeat, we are very confident in our ability to reach this guidance higher than 17.7 billion euros.

You asked me about potential negatives during the second half of the year. We may have or we might have some tension in the UK due to the nuclear fleet in the UK, which is ageing, and so we face uncertainties in terms of output.

In particular when we take into consideration the extended outage of Sizewell B and the early closure of Dungeness, and as I explained previously the fact that in such a context, being short, we have to buy back electricity at high prices. But as a whole, I repeat I am very confident in our ability to reach an EBITDA higher than 17.7 billion euros this year.

Ajay Patel (Goldman Sachs): Xavier, thank you for that but can I just follow up a little bit? I'm just kind of thinking - well look second half of the year last year was 8 billion euros. The COVID impacts that you highlighted for last year I think were about 500 million. That would sort of implied just that last year taking out COVID may be about 8.5 billion.

So I understand conservatism, but the numbers do seem quite wide, and I understand that nuclear output may be weaker in the UK. Is it really just maybe output on France that leads to that sort of conservatism? I just want to make sure that I'm not missing a dynamic.

Xavier Girre (EDF): As regards COVID, this year the COVID impact is really widespread, not specific to this or that activities. So, this is why we do not give a detailed analysis on COVID impact as we did last year because it was really significant last year. It is not at all in the same order of magnitude this year, even if we have some impact on the nuclear generation in France.

And for the rest, I do not think you are missing any dynamic. I mean, we are in a very positive trend with some risk in the UK, as I explained. We could also consider that we have also some risk in France because we have a very loaded, very important, very significant industrial maintenance programme as we highlighted with the fourth 10-years visits. They are very significant this year. But what's more, as a whole the dynamic is there, both on the operational side and on the price side.

So, this is why we are once more very confident. We upgraded our guidance just some weeks ago on the basis of the update of our nuclear generation. And of course we will follow up on that.

Emmanuel Turpin (Société Générale): My first question will relate to the reform. A conclusion to this reform is now unlikely before next year's election. That's what was made clear this morning. As such the reform will depend on what the new President under the new government will think after the elections.

Looking at the main parties or the main candidates, it looks like - I have not spotted any outright opposition to the reform, or at least to the nuclear re-regulation. I would like to get your view about the political spectrum in France. Not presuming about the outcome of the election, but looking at the general political support that there would be for a nuclear reform.

Number two. So, you've got a few months to go until the elections. You've mentioned the great Capex opportunities, and despite the fact that cash flow is really improving because of the operating environment, you could still do with more capital to deploy. My question is, will you wait for the outcome of the reform, let's say, in a year’s time before potentially moving on with the plan to free up some capital as was planned with the idea of EDF Green? Or could you consider maybe an alternative plan, i.e. maybe an IPO of EDF Renewable as a way to finance growth? Or is such an alternative plan completely ruled out today?

My next question is just a clarification of on what Xavier mentioned on the 30% of French sales exposed to market prices. Should we apply this 30% to the nuclear and hydro output of EDF? Is that the way to look at it?

And last point, the EBITDA cash conversion seemed very good this year and I'm referring to relatively low amount of non-cash EBITDA in H1 compared to long term average. I'm wondering what's behind that and whether we should assume a normalisation, i.e. a higher non-cash EBITDA in the full year or next year. Thank you.

Jean-Bernard Lévy (EDF): On your first questions, I will not make any comments on the political scene. I've never done so, and I will not start today. So, I'm sorry that I cannot respond to your questions regarding what are the views of potential candidates and this could get me way, way out of what I think the CEO of EDF should be doing in his public communications.

Regarding the strategy we can say today that the best way to create value is to keep full control of our major assets, such as the one that you mentioned. We are not going to trade the lack of remuneration for our nuclear fleet in France for a short term cash input from selling part of our jewels. So, we will not enter into that process.

Xavier Girre (EDF): First, as regards this ratio - 30% of our volumes driven by market prices. It refers to our global generation in France. Maybe you would be in a position to refer to the appendix on page 62 when it's presented as we do it on a regular basis now since the last years, and this 30% is linked to the part of regulatory tariffs at market prices. Of course the part of market offers at market prices also, both of which for 60 terawatt hours, roughly speaking, and so it's 120 out of 400 terawatt hours total generation estimate for this year.

And as regards the EBITDA, in fact the difference between the cash and non-cash EBITDA is mostly linked to trading operations for operations which are ongoing. And this year with the difference between the non-cash effect on EBITDA is minus 391 end of June versus minus 304 last year. So, it's comparable with last year’s figure. It was much significant the previous year in 2019 in the range of 1.3 billion euros, but in 2020, first half and 2021, first half, it's very similar, between 300 and 400, as you will see in the cash flow statement.

Peter Bisztyga (Bank of America): So, just two questions from me. First of all, we've been hearing a lot across many industries about raw material price inflation and global supply chain bottlenecks. So, I'd be interested to hear what your experience has been across your different activities. I guess, particularly in new nuclear and renewables, and how you've been managing those issues.

And then, secondly, can you explain it a little bit more detail what changed to allow you to increase the bottom end of your nuclear output guidance for this year by 15 terawatt hours? And is there any positive read across here for 2022?

Jean-Bernard Lévy (EDF): So, on the second question indeed we have done a good job managing our fleet and managing the outages in France for the first half. It looks like the second half is off to a good start also. And so we are confident that we will be within our new range of 345 to 365, which we have upped from what we expected earlier in the year.

So, we are happy with that performance, but we're not making any long term deduction regarding the amount of constraints that we do have with many, many outages right now, especially the 40 year 900 MW reactor programme, which is very important.

I'm pleased to say that, as I said earlier on the call, what we just achieved in Tricastin gives us a lot of pride, but we do not want at this stage to consider that we can reiterate always this kind of great performance. So, we have to be cautious regarding what we can achieve.

You have in the appendix our programmes for 10-year inspections of the nuclear fleet. You can see that 2022, we have five 900 MW inspections whereas we had four in 2021. So, these are longer inspections, longer outages than the normal one where you just replace the fuel and do a minimum maintenance - much longer, much more complex.

And so 2022 will be also a very challenging year for our teams and also our contractors, our subcontractors. Many, many of them are also under a lot of workload regarding this programme. So we are keeping our 2022 expectations at the level that we published earlier. I think that was sometime last year in 2020 and of course we will update that if and when we have a better visibility. But I am not committing to any upgrade on the 2022 number at this stage because the challenge on the supply chain for nuclear maintenance is really a tremendous one.

On the question regarding the supply of parts, the supply of raw material, and so on. We are indeed challenged as we procure a lot of such materials, a lot of such parts that we need all through the company, but at this stage I have to say that we are monitoring the situation very closely, but I would not be able to tell of just even one specific construction that is in place that we have to achieve, and which would be delayed by such matters.

We do have a few issues in monitoring prices of solar cells, so we are monitoring the situation very closely, maybe more in terms of prices than in terms of volumes, because as you know, solar cells trends were very much downwards in terms of prices, and now this is not the case anymore. So, we are monitoring that very closely. But at this stage there is no direct and no quantifiable effect of this constraint. But we are very vigilant. It's a very good question.

Okay, ladies and gentlemen, I think we've gone through this conference call at this stage. I hope you will appreciate that we did provide you with excellent results. I hope we also provide you with excellent responses to your questions.