EDF Half-Year Results 2017

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Jean-Bernard Lévy

Chairman and Chief Executive Officer, EDF Group

Introductory Remarks

Good morning, ladies and gentlemen. Welcome to this conference call. We will be presenting EDF's half-year results. In a few minutes, Xavier Girre, our CFO, will give you the detailed figures, but I would like to focus on some key issues and to give you a couple of highlights.

In my view, the first half of 2017 is highlighted by two important achievements. The first is our acceleration in the renewables area. The second is the fact that our balance sheet restructuring is close to being achieved.

Key Figures H1 2017

I will start with a brief overview of key figures. 2017 is a low point in the cycle. Organic sales are slightly down, by 1.1%. EBITDA is down more, by 20.6%. This is essentially due to lower nuclear and hydro output levels, coupled with challenging market conditions and low prices. Net income - Group share is almost flat, at €2 billion. Net financial debt decreased significantly in the first six months of the year. It dropped from €37.4 billion at the end of December 2016 to €31.3 billion at the end of June 2017. This is due to the benefits of asset disposals and, of course, our capital increase.

Excellent Execution of the Performance Plan

We are quite proud that we are delivering on the performance plan and executing it with good performance. This is totally in line, even in some aspects ahead of the financial trajectory that we presented in the spring of 2016.

Our OPEX have continued to drop. €200 million when compared to the first half of 2016. In total, a drop of €500 million compared to 2015, which is 70% of the target between 2015 and 2018.

If I look at our net investment within the current business portfolio, we consider we have now put this under control. This is down by nearly €300 million as a result of improved selectivity.

If I look at the disposal plan, we are very proud that we have already achieved 80% of our initial target. €8 billion of sales out of a target of €10 billion over six years from 2015 to 2020. So we are well ahead of that. We have signed or completed very important disposal agreements during the first half. You have this more precisely written on page 5.

On page 6, you can see we have made good progress in the rollout of our CAP 2030 strategy in terms of CAPEX and in terms of capital increase.

CAP 2030: Serve and Support Customers & Territories in their Energy Transition

If I turn to page 7, you can see some of our key innovations in the customer and services area. EDF & Moi is an app which each and every of our French customers can download to get access to very important consumption data and contract data. This has now been downloaded 4 million times. We have launched a new platform called Électriscore. We have launched some new features on our smart station, SOWEE, with a new addition to the range, which is an electric vehicle charging station, which can be controlled from the SOWEE smart station. One year after its launch, our product Mon Soleil & Moi, which at this stage is geared towards residential users, has already sold to more than 1,700 of our clients. We consider this is around 12% of the market share and the sales are increasing steadily. We are now preparing for Notre Soleil & Nous, which is a similar self-consumption solution, but this time for residential buildings, where Mon Soleil & Moi is for individual houses. We see our daily efforts from the workforce in EDF to meet our customers' needs and, at the same time, offering them a more human and digital experience, really bearing fruit.

At the end of May 2017, our market share in volume in the residential customer electricity segment stands at 87.3%. In the gas segment, it stands at 10.6%. This makes EDF the leading alternative gas supplier, with more than 1.26 million residential customers for gas. In terms of business customers, as you know, this is fully deregulated for the last two years. Our market share is stable at around 65% in all segments and we believe this is a huge achievement.

I now turn to page 8 to look at our achievements in energy services. With regard to energy services for businesses and local authorities, we just announced our objective to double our sales in this segment by 2025 and achieve a 2030 target of €11 billion of sales. We also launched a new brand called EDF Energy Solutions in June.

We are expanding in many of our subsidiaries. If I look at Dalkia, some very interesting achievements. One is in Charleville Mézières. This is a very innovative solution. This is a renewal of an agreement with this community for another 25 years. This is using both biomass energy and the recovery of [unavoidable] heat from a Peugeot PSA plant in Charleville. Very innovative solution. We also signed an important seven-year agreement for the management of municipal buildings in Valence and the Valence-Romans area. Citelum won a very important contract in Mexico City to modernise, fund and manage its public lighting systems. This is an important six-year agreement that will bring €130 million of sales. We will renovate more than 40,000 lighting points.

Dalkia's results have improved over the first half of the year, with sales and EBITDA increasing organically by 6.5% and 8.9% respectively. We also made an important acquisition in the services area. This is part of our CAP 2030 strategy. We bought a company based in the United Kingdom through a joint venture between Dalkia and EDF Energy. The name of the company is Imtech. Imtech has more than 2,000 employees, sales of more than £400 million a year. We will, of course, build on Imtech to expand our energy services business in the United Kingdom.

CAP 2030: EDF, Leader in Low-Carbon Energies – Renewable Energies

Hydropower

We believe one of the key highlights for the half-year is our acceleration in renewable energies. Hydropower still accounts for about 20% of our output in France. The Romanche-Gavet project, which is increasing the facility's generation capacity by 30%, is making good progress. We are also making good progress on our current construction in Brazil, which is called Sinop. It should operate at the end of next year.

Onshore wind

In the wind sector, the first half of 2017 has been particularly eventful. Major news is that we took over a French-based company called Futuren, which is present in France, Germany, Morocco and Italy. It is a strong player. It will help us accelerate our growth in the renewables area.

As far as new build is concerned, I will only mention the commissioning of Montagne Ardéchoise, which is the most powerful wind farm in that region of Auvergne-Rhone-Alpes with capacity of 73.5MW, supplying 80,000 inhabitants. Outside of France, EDF Energy Renewables has acquired a significant company, developing projects in Scotland for a potential capacity of 600MW.

Offshore wind

We acquired a service company specialising in the operation and maintenance of offshore wind farms. This is located in the northern part of Germany and is called Offshore Wind Solutions. The name speaks for itself.

Solar power

In terms of solar power, we have announced a very important project, which is joining a consortium led by Masdar. Masdar is based in Abu Dhabi. We will develop a very important solar farm very close by in Dubai, which has the name of Mohammed bin Rashid Al Maktoum. This is a gigantic project of 800MW. We believe it is the biggest of its kind in the world and it is a major entry for us in a very interesting area for solar energy in the Middle East in the Gulf countries.

In Brazil, we have continued to be very active, acquiring a 115MW photovoltaic project in the central part of Brazil.

Renewable energy summary

All together, we have seen strong growth in installed capacity. We still have good growth in our revenues. Our net installed capacity now stands at 6.7GW. For the first time, EDF's gross installed capacity exceeds 10GW. We are at 10.4GW and we believe this really demonstrates a very strong growth trend. We have a portfolio of new projects commissioned and under construction, increasing by 1.5GW during the first half of the year, including some major achievements in solar capacity. We believe our migration to a good balance of traditional energy and renewables is in good shape and we are very proud of this acceleration in the renewable energy business.

CAP 2030: EDF, Leader in Low-Carbon Energies – Nuclear Generation

Nuclear output

A few highlights on our nuclear generation area. Nuclear output in France, in the first half of 2016, dropped by 8TWh over the six months of the year, due to some of our units not being available. This is in line with our projections. With had flagged that we would not keep the same results in the first half of 2016 for the French units.

In the UK, where we already had great results, we have done even better. We are up by 4.2% with our eight operating nuclear power plants, generating 32.2TWh.

New nuclear

In terms of the construction of new nuclear units, of course a key challenge for us is delivering on Flamanville. We made an important announcement yesterday that, during the testing phase of Flamanville, which has now started, some of the important milestones are what we call "chasses en cuve", which we would translate as 'nuclear circuit cleaning operations'. We have now finished this and announced it yesterday. The testing phase in Flamanville is doing well. We now have more than a thousand experienced EDF engineers, technicians and industrial partners on site for testing. We are making good progress overall in Flamanville. We are in line with the schedule and the budget that we announced in 2015.

A few weeks ago, the French nuclear safety authority, ASN, has approved Flamanville 3 reactor vessel's fitness for service and has required us to plan for a vessel head replacement by the end of 2024, which we, of course, will do. We will, nevertheless, submit an in-service monitoring method to the regulator within the next two years, hopefully demonstrating to the safety agency that the vessel head is able to maintain its qualities over the long term.

If I now turn to Hinkley Point, this project is well underway. We have recently issued a statement on the outcome of our internal project review and I will walk you through the main conclusions of this. Project completion costs are now estimated at £19.6 billion$_{2015}$. This is an increase of £1.5 billion$_{2015}$, compared to previous valuations. The project review, on top of this, identified a potential 15-month deferral of the delivery date of Unit 1 and a potential nine-month deferral for Unit 2. The projected rate of return for EDF on Hinkley Point C is now estimated at around 8.5%.

Reshaping the French nuclear industry

In addition to these two projects, major progress has been made in the reshaping of the French nuclear industry, in which EDF has the leading role. With regard to New Areva NP, the European Commission has approved EDF's proposed acquisition without any more comments. On 12th July, we decided to partially waive the condition precedent to the future acquisition of New Areva NP relating to the approval of the Flamanville 3 reactor vessel. We now consider that the transaction is due to be completed in the second half of this year.

In early July, we announced the signature of binding agreements with two partners who will acquire a stake in New NP. Mitsubishi Heavy Industries at the level of 15% – this may be increased to 19.5%; and Assystem, a French engineering company, to the level of 5%.

On 17th May, EDF's Board of directors approved that we will put in in place, and this has been done in the meantime, a newly-founded company called Edvance, which puts the finishing milestones to the convergence of EDF and Areva NP in the engineering area, so that our projects will be more competitive. This shows that the reshaping of the nuclear industry in France is now well advanced. As many of you have seen, through the Areva announcement yesterday and what I have said, we consider that by the end of 2017, we will have finalised the implementation of the decisions made by the French state in the early summer of 2015.

Results Highlights

Xavier Girre

Group Senior Executive Vice-President – Finance

Introductory remarks

Good morning. I am happy to share the highlights of our 2017 half-year results with you. Chairman Jean-Bernard Lévy walked you through our progress on delivering our performance plan. I will share further details about it. I will then present our financials for this first half.

Key Figures H1 2017

On this first slide, Jean-Bernard already presented these key figures to you. These results are consistent with the drivers we outlined at the end of 2016 when disclosing the 2017 guidance.

Continued OPEX Reductions

Jean-Bernard also gave you an overview of each component of our performance plan. I will focus on OPEX and on CAPEX. First, as regards OPEX, our target is to cut them by at least €1 billion in 2019 versus 2015, with a first milestone of €700 million in 2018. As you know, in 2016, on a comparable basis with 2015, OPEX were cut by roughly €0.3 billion. Compared to H1 2016, OPEX were down €0.2 billion over the last six months. The group therefore continues to deliver on its savings plan and is well on track to meeting its targets. These OPEX cuts reflect our efforts on staff and external costs. They are delivered in full consistency with the Cap 2030 strategy. In renewables and services activities, which are key growth drivers, OPEX are increasing. In all other activities, in particular French generation and supply and overhead, OPEX are cut. You will find the detailed figures in the appendices.

Net Investments

As regards the net investment, I would like to share with you three takeaways. First, we continue to reduce the net investments on the scope, excluding Linky, new developments and disposals. On this scope, investments are down €252 million overall, compared to the same period last year. This is driven by the end of certain investment programmes and to further optimisation efforts in the maintenance of generation assets across all segments. Second point, we accelerate investments in strategic activities in consistency with Cap 2030 strategy. You see first renewables. EDF EN growth investments grew by €355 million. This allowed EDF EN to acquire the control of Futuren and slow its asset rotation pace, as you can see on the slide. You see also Linky and new developments, especially new nuclear and offshore wind. They grew by around €500 million versus the first half of 2016. As regards the third point, as you can see, with more than €4.3 billion in disposals, including the RTE transaction, overall net investments came just below €1.5 billion.

Group EBITDA

Now I come to the review of the Group H1 2017 results. Group EBITDA is down to €7 billion versus €8.9 billion in H1 2016. In organic terms, this represents a negative change of 20.6% or close to €1.9 billion, mostly due to three segments. EBITDA in French generation and supply fell by €1 billion, minus 28.9%. French regulated activities were down €0.4 billion, minus 14%. UK EBITDA fell €0.4 billion, minus 34.4%. I will focus on these three points.

France EBITDA – Generation and Supply Activities

First, as regards the French generation and supply EBITDA. It was down to €2.45 billion, driven by several anticipated factors. I will focus on five key items.

First, generation. With an overall negative impact estimated at over €0.5 billion from lower nuclear and hydro outputs. Nuclear output was down 8TWh to 197.2TWh. Compared to the first half of 2016, generation from the French fleet was mainly penalised by the extended outages at Gravelines 5 and Fessenheim 2, linked to Le Creusot manufacturing quality issues. Second, by outages in the first quarter, linked to the last additional controls on steam generators to address the carbon segregation issue. And lastly by unplanned outages at Flamanville 1 and Cattenom 1, offset by the good performance of the reactors online over the period. As regards hydro output, it fell by 4.2TWh, which reflects the weak hydro conditions met over this first half.

The second factor driving the EBITDA trend in this segment is related to the wholesale market activities. EBITDA was penalised by the 40.7TWh of ARENH volumes delivered in H1 2017. High spot prices driven by the cold spell in January also carried a negative effect as EDF had to buy power on the markets to meet strong customer demand. The estimated combined effect on EBITDA is another negative €0.5 billion. As you know, these first two factors are closely linked and are not expected to be repeated. They are a key component of our 2017 EBITDA and of the significant improvement we expect for 2018.

The third factor is linked to the downstream margins, which were penalised by price effects as lower average market prices were reflected in market-based supply contracts and by a 5.2TWh reduction in supplied volumes. The combined negative effects on EBITDA is estimated at €0.2 billion.

The fourth factor is the introduction of the capacity mechanism, which had a positive effect. Capacity certificate prices came to €10/kW in the auctions. Pass through to end customers and sale on capacity auctions generated an overall EBITDA impact of €286 million.

And the fifth factor is the rollout of our performance plan in French generation and supply activities, which delivered €272 million in OPEX savings.

France Nuclear Output

On the next slide, I just commented on nuclear output in this first half. Cumulative output in 2017 is expected to gradually catch up with the level of 2016 over the third and fourth quarters. The corresponding period last year had been, as you know, affected by carbon segregation tests, as well as by Bugey 5 and Gravelines 5 outages. Both reactors restarted this week. Accordingly, the Group confirms its 2017 target range for French nuclear output at 390 to 400TWh.

France Hydro Output

On the next slide, the hydro generation trends are down 16.5% versus the same period last year. As I said, this is due to challenging hydro conditions with the driest first half in France since 2011.

France EBITDA – Regulated Activities

The second key element to explain our first half EBITDA is linked to the regulated activities. EBITDA in regulated activities was down 14% to €2.4 billion. First, weather was less favourable compared to the same period last year. The period also included one more day with the 2016 leap year. The impact is a negative €91 million. Second, extreme weather events over Q1 2017 triggered increased operating costs and power cut compensations at Enedis amounting to €62 million. In addition, H1 2016 benefited from positive one-offs, in particular in island activities.

United Kingdom

Third key point for our half-year EBITDA, the UK. In organic terms, EBITDA was down 34.4%. The drop in UK wholesale power prices carried a significant negative in realised nuclear prices. In supply activities, the number of customer accounts was almost stable compared to end 2016 with lower consumption due to weather conditions. Nuclear output helped mitigate those negative factors to some extent. The UK fleet continued to show strong performance with good availability. Generation was also supported by the favourable schedule in the first half of 2017 refuelling operations. As a result, output is up 1.3TWh to 32.2TWh.

Italy

Edison has posted a very good first half. In Italy, as you can see, EBITDA came to €426 million, up 28.4% in organic terms. The performance in electricity activities was lifted by average electricity sales prices. In addition, output and margins were up in thermal generation. This mitigated the impact of poor hydro conditions and hydro power output. Hydrocarbon activities benefit from higher Brent and gas prices. Optimisation of maintenance costs in E&P activities also carried a positive impact. Lastly, downstream activities benefited from improved margins. In this context, Edison upgraded its 2017 EBITDA to about €700 million.

EDF Énergies Nouvelles

Focusing now on EDF Énergies Nouvelles, overall EBITDA performance is down 20.4% over the first half to €451 million. But this reflects the fact that EDF EN reduced its asset rotation pace, triggering a lower EBITDA contribution from the DSSA activity. This is consistent with the clear acceleration of the group's development in renewables and of the strategic capital allocation to growing our renewables assets portfolio. As a result, EDF EN's development was strong over this first half. Net installed capacity grew 0.8GW to 6.7GW. This contributed to a 5% increase in renewables output. Future capacity growth will be supported by a growing portfolio of gross capacity under construction, reaching 2.4GW, including 0.9GW in solar PV.

Dalkia and EDF Trading

If we now turn to Dalkia. Dalkia EBITDA is up 8.9% in this first half. Dalkia continues to be active on the commercial front with a number of contracts signed or renewed with local communities and industrial customers. In addition, two positive drivers supported EBITDA over the period. Higher energy prices and favourable reviews of index-based services contracts.

EDF's trading performance is stable. The impact of challenging conditions in North American markets was offset by the positive effect of volatility in Europe at the beginning of the year.

Other International

Moving finally to the other international segment on the next slide. EBITDA in the segment was down organically by 21.5% to €275 million. In Belgium, EBITDA fell by 40.4%. This was driven by reduced nuclear output and lower sales prices. Renewables output was penalised by unfavourable wind and hydro conditions. In this country also, in line with Cap 2030 strategy, the Group continued to invest in wind capacity and energy services.

Poland's EBITDA is slightly up, mainly supported by higher heat volumes and lower coal prices. As you know, EDF Polska's assets are currently under a disposal process.

Lastly, Brazil was penalised by the annual tariff review of Norte Flu's PPA. Note also that 2016 was an exceptional year.

Group EBIT

Let us now move to the rest of the P&L, starting with EBIT, which is down 14% at €3.9 billion. The higher D&As come partly from accelerated depreciation on oil-fired assets in France. The RTE transaction delivered a pre-tax disposal gain of €1.462 billion. And lower impairments also carried a positive impact.

Non-Recurring Items Net of Tax

On non-recurring items, on the next slide, you can see the post-tax effect of all non-recurring items in H1 2017, at €0.6 billion versus a negative €0.9 billion last year.

Net Income – Group Share

Group net income comes to €2 billion Group share. Net income benefits in particular from an improved financial results with two key supporting factors among others. First, the lower cost of debt with, among others, positive effects of a continued proactive debt management in the context of low interest rates. And second, disposal gains on dedicated assets.

Income tax stands at €712 million, down 25.8%, consistent with the income level. In addition, the effective tax rate benefited from the reduced tax treatment of the long-term capital gain of the RTE disposal.

When excluding non-recurring items, recurring net income comes slightly below €1.4 billion.

Change in Cash Flow

Looking now at the first part of the cash flow. Operating cash flow stood at €4.2 billion down from €8 billion in H1 2016. This follows first the evolutions in EBITDA. Tax disbursements were also much higher as H1 2016 had benefited from non-recurring income tax reimbursements on tax instalments paid in 2015. Cash flow after net investments came to €3.2 billion and it was supported by asset disposals, especially RTE, and by a positive evolution in the change in working capital requirement.

On the next slide, you can see that in order to respect regulatory requirements, the dedicated assets fund was allocated €1,095 million in H1 2017. At the end of June 2017, our [dedicated assets fund] coverage ratio is higher than 111%. After deducting the interest payments on hybrids and the share of the dividend paid in cash, Group cash flow stood at €1.5 billion.

Net Financial Debt

Finally, slide 30 shows the change in net financial debt, which was reduced by €6.1 billion at €31.3 billion. Operating cash flow and the change in working capital requirements roughly covered net investments on the current scope. And the improvement in net financial debt was also largely driven by disposals and by the capital increase.

Guidances

Jean-Bernard Lévy

Chairman and Chief Executive Officer, EDF Group

Thank you, Xavier.

As you can see on the next slide, very simply, we confirm all our targets for 2017 and 2018 and beyond.

This ends the first part of the presentation. We will now turn to the Q&A part of this session.

Q&A

Carolina Dores (Morgan Stanley): Good morning, everyone. I have three questions, please. If you can give us comments about your view on what the government policy will be on carbon tax, because the government has announced a carbon tax, but, as I understand, it does not seem to apply for electricity? So, I guess my question is do you believe there is going to be a policy that is going to push power prices up and what is the time for that?

Second thing, on regulated tariffs, the State Council has ruled against regulated gas tariffs. There have been some comments in the market saying that electricity tariffs should go as well. What's your view on that?

Third, Mr Hulot has said that the French government may not be able to postpone the renewal of hydro concessions forever. You have 4.8GW up for renewal. Do you have any idea on the timing of when that would happen? Thank you very much.

Jean-Bernard Lévy: Thank you very much. Your first question relates to the carbon policy for electricity generation. As you well know, the French government has released very early on what they call "*Plan Climat*", I don't know if this should be translated by "Climate Plan". But we now have a reference document, which of course includes having a very strong carbon policy and fighting climate change. We believe that in due time there will be some measures taken in Europe or in the French environment or maybe the countries that would be interested to do that in order to have an effective ETS scheme or an effective carbon tax scheme. We believe right now - we are watching what is going on at the European Parliament, we are watching what is going on within the French scene - we believe that, in due course, we will have the benefits of a more intensive and more effective carbon policy regarding electricity generation in Europe.

Regarding regulated tariffs on gas and electricity and the State Council decision a few days ago, which you mentioned, that was your second question. Quite clearly, if you read the State Council statements, there is a clear distinction which is made between gas and electricity regulated tariffs, whereby clearly the State Council is flagging that they view differently the situation on gas and the situation on electricity. Electricity both being an essential need of people, whereas gas is not, and electricity being what they call "not substitutable". That means that, for instance, for lighting or for lots of other usages, you cannot substitute any other energy. For gas, it seems in the view of the State Council, you can substitute to gas, in all conditions, some other primary energy source. So obviously this means that, from our perspective, and I think this is shared by many people watching the situation, including within the government, there is a clear distinction that the State Council is requesting that there is an end which is put to the regulated tariff for gas. And that does not mean that it will be the same for electricity regulated tariffs. We expect that the government will not manage similarly the very strong and very demanding situation regarding gas and the quite different view regarding electricity.

On the third point, which is the hydro concessions, as you know, we are, together with the French state, because we are both party to the discussions, we are having extensive discussions with the European Commission regarding the hydro concessions situation whereby some of these have expired and other offers have not been put in place at this stage. We expect that, at one point in time, there will be a positive end to these discussions, which obviously will include some tendering for what they all expired concessions. This is part of a more global view regarding the hydro situation and the importance of the hydro system in Europe, which is part of the discussions between France and the European Commission. As you know, there is a very flexible and significant hydro system in France and it plays an important role in the stability of the electric system all over Europe. This is part of what will be discussed between France and the European Union.

Emmanuel Turpin (Société Générale): Good morning, everybody. I will start with a question to further Carolina's point about hydro concessions and the intensive discussions with the EU. Are we still thinking about public-private partnerships in France? Are they still the main route that we are looking to go down to solve the long-standing discussions with the EU? That is point number one.

Point number two, on AREVA NP, can you update us on whether you are still looking for other partners to reduce further the stake you would end up with on AREVA NP? And could you update us on implications for cash outflows as you look to complete in the second half? Essentially implications on net debt for EDF.

Lastly, a couple of detailed points. Could you provide us with the figures on disposal gains for dedicated assets in the first half? You said they were higher. So basically the H1 17 number in comparison to the H1 16. And finally, working capital is notoriously difficult to forecast. In an EDF model, there was a very positive result in H1. What should we put in our model for the full year? A best effort on your side. Thank you very much.

Jean-Bernard Lévy: Thank you. The first question, regarding hydro concessions and the public-private partnership, as you know, the French law, the recent legislation dating from 2015, is now addressing this question, this issue, and contemplating that there could be some solutions implemented with private-public partnership. This is something that is a potential solution, but is not at this stage being implemented. We expect that if such a solution is implemented, it would not be in the very short term.

Regarding AREVA NP, as we stated, we have two partners. We expect to know shortly whether the addition of the two existing partners leads to 20% or 24.5% of opening of our equity. We could reduce EDF's stake further. This could be done in the short term or in the medium term. It could be done now and it could be done after we close and, as we said, we expect to close by the end of 2017. I would say the implication for cash outflow would be the very clear arithmetical percentage of €2.5 billion for 100% of equity value multiplied by the percentage of EDF stake, which at this stage everybody has to expect will be around 75%. I will let Xavier respond to your two other questions.

Xavier Girre: Thank you, as regards the disposal gains in the dedicated assets, we have accounted for €491 million in capital gains during this first half of the year. And it was €256 million during the first half of last year.

As regards the working capital, you remember that we had highlighted the fact, at the end of last year, that with had a negative impact and we expected it to be reversed. That has been the case. It was due to the tariff regularisation which happened at the end of last year and which is progressively cashed in. We had also a favourable impact of the climate, which also has a favourable [cash] impact for this first half. A third key point, which is linked with the CSPE, we were supposed to get some cash at the end of last year, in the range of €400 million, which was, at the end of the year, postponed to the beginning of this year. Also the reform of the CSPE, which happened last year, had a positive impact. So these are the three key points. CSPE, climate and tariff regularisation. There are some others that can be added, in particular, as regards trading, we also highlighted at the end of last year that we had a positive impact on the trading margins, but also a negative impact on the working capital requirement. This has been reversed at the beginning of this year. Of course, you have all the details in our financial report, but these are the key points of our working capital requirement for this half-year. Once more, it is roughly speaking in line with what we said at the end of last year.

Vincent Ayral (J.P. Morgan): Good morning. I see my biggest questions were asked, on the CO_2 regulated tariffs and hydro concessions. However, I would like to come back quickly on one point on CO_2. In its *Plan Climat*, Hulot talked about a carbon tax which does not seem to apply to generation from the way it was described. However, he says that he would improve the competitiveness of renewables, so that clearly generated some confusion. What is your view there and does this government envisage to have in this *Plan Climat* a tax carbon on generation or not? So why these comments? I am trying to understand this.

The second question would be more numbers. We had fairly low hydro in the hot summers. We have got further nuclear outages or low output potentially for the summer, then maybe some political unrest with the reforms in the autumn. How did you account for these potential headwinds on the generation side in your guidance?

Jean-Bernard Lévy: The first question, it is quite clear that the French government has implemented some specific tax on CO_2 generation, which stems from non-electric, non-power usage of fossil fuels, such as filling up your car or things like this. This is now in place and yielding quite some results when you look in the long-term outlook for these kinds of products, I believe, in the generation area. Obviously, markets are not only national markets, not only nationwide markets, but also somehow beyond borders, due to exports. One has to look at it in a European area. At the same time, what is being looked at is a way to offset the lack of efficiency of the European scheme, which has obviously totally failed. We hope it will improve in the future, but at this stage, we get €4 or €5 for carbon tax, I think this failure is very obvious. I think in the *Plan Climat*, the French government is looking for the right solutions to compensate for this lack of efficiency or effectiveness at the European level. We expect that some of this will come in the next few months.

Regarding generation guidance, we are a little puzzled by your question. We are not really sure we understood what you meant, but just let me tell you we believe that our generation guidance, which is 390–400TWh for nuclear generation in France – and I think this is probably what you had in mind – we believe this is a very solid guidance. We are in line with it. We believe the improvement over what we achieved last year is well baked in the guidance, considering that the Nuclear Safety Agency work on some of the units that were not available during some of the last few weeks and months of 2016 will not replicate in 2017, because these units are now OK to get back in operation since the end of last year and the beginning of [this] year. While we still have a couple of units which are not available for the short and medium term, and this is mainly Fessenheim 2 and Paluel 2, for some reasons we can explain if you need more, we believe these are the only two units which have some mid-term unavailability, whereas the rest of the fleet is going through its normal operating life.

Kader Hidra, Head of Investor Relations: We are also taking questions from the web. We have a question from **Martin Brough** from **Deutsche Bank**. The question is: when do you expect to make investment decisions on further new nuclear build in the UK or France? And do you expect to incur significant new reactor development expenses before these decisions?

Jean-Bernard Lévy: Let me first turn to the last part of the question. We have a team of people that are now within Edvance, which is our 80%/20% joint-venture between EDF and New AREVA NP. Edvance is now formed and the people are working in Edvance. We have a team of people working on what we call an optimised EPR, which will, in due course, deliver a design, which will even further improve the excellent performance of EPR regarding mainly its cost efficiency. Based on this, we will very likely discuss with the government in the next few quarters and next few years how to implement the start of how we renew the French fleet as we know some of the reactors will get closer to the end of their life in one decade or two decades and we have to prepare for this. We will be discussing with the government how we implement this policy for New nuclear build in France based on this optimised EPR, which is a project we have been working on for the last three or four years. As I said, it will improve construction efficiency of the product, yielding to significantly lower costs for this new nuclear energy. It is difficult for me to give you more details about what we expect regarding the right timeline, but obviously the next few years will be the right timeline for detailed studies discussing the right regulation and financing, checking with the Nuclear Safety Authority how this would be implemented. Of course, we have already discussed that with the Nuclear Safety Authority. An investment decision, similar to what we did on Hinkley Point last year, will certainly be contemplated for such a project in the next few years.

Regarding the UK projects, we now have Hinkley Point up and running. You know all about it. Regarding other projects in the UK, as part of the agreements we have with the British government and also supported by our Chinese partners, we are working on implementing two more EPRs on a site called Sizewell, where we already have a nuclear reactor operating, an existing site. We are also working on implementing a Chinese-based technology, 1,000MW or

1,100MW reactor on a new site, which is called Bradwell, where there are no existing operations. This is part of the agreement that EDF signed with CGN and the British government a few months ago at the end of 2016. At this stage, this is still in a study phase and we are not contemplating an investment decision for Sizewell or Bradwell before a few years.

Kader Hidra: We have another question on the web from **Peter Bisztyga** at **Bank of America Merrill Lynch**. Please can you clarify your comments on the *Plan Climat*? Do you think the French government is still working on and planning to implement a unilateral carbon tax? What would be the rationale for such a tax if coal generation is going to be shut by 2022 anyway?

Jean-Bernard Lévy: I believe, yes. I believe the government is working on it.

Kader Hidra: Thank you. A question from **Catherine Hubert-Dorel** at **Barclays**. In fact, she had two questions, but one was already answered, on the regulated gas tariff decision from the *Conseil d'État*, so I am taking the second question. Given the favourable refuelling schedule in the UK, should we expect a lower output in H2 for the UK nuclear fleet?

Jean-Bernard Lévy: We do not communicate any detailed targets for a half-year for the UK. Last year, 2016, H2 was very good, we had very good numbers, and we expect similar numbers for 2017 H2.

Kader Hidra: I am taking the last question from the webcast. It is a follow-up question from **Peter Bisztyga** at **Bank of America Merrill Lynch**. How do you interpret Nicolas Hulot's comments about meeting the 2025 target to reduce nuclear to 50% of the energy mix? He has talked about 17 or more reactors closing.

Jean-Bernard Lévy: I do not intend to make comments about comments made by the French minister regarding existing legislation, which everybody is aware of. There is an existing law on these matters and I will stop short of making such comments.

Kader Hidra: Thank you for attending this conference call. Obviously, the IR team is available for follow-up questions.

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