EDF Half-Year 2015 Results Presentation

Thursday, 30th July 2015

Half-Year Results 2015 and

New strategic partnership between EDF and Areva

Jean-Bernard Lévy

Chairman and Chief Executive Officer, EDF Group

Opening remarks

Good morning, ladies and gentlemen. Welcome to this presentation of EDF Half-Year Results. Later on Thomas Piquemal will go into the details of the results. As for me, I would like to mostly brief you on the current situation. As you know, our half-year has been very intense and eventful. Later on we will of course be available to answer your questions.

Strategic plan

I will not repeat what are our major stakes for us in the long term, our main objectives of CAP 2030, our strategic plan, because we already discussed that very recently. Just to tell you, right now we are working very hard on the plan, building it with all our teams and within the company, starting to share the key aspects of the plan. We are implementing CAP 2030 and we will update you on this at the right time.

Key figures H1 2015

Let us go straight to what brings us here today, our half-year results. The numbers are relatively stable in organic terms. I think this is quite a commendable performance in an unfavourable general context. Sales rose 6.3%, almost stable in organic terms, due to the decrease in European energy prices.

EBITDA rose 3.6%. EBITDA was also globally stable in organic terms. This reflects contrasting situations in our three key countries. A good performance in France with a 3.4% EBITDA increase in organic terms, stability in the United Kingdom, but a decrease in Italy as electricity pricing conditions were, and remain, difficult.

The situation in the UK related to the impact of two reactors running on reduced load should clearly improve in the second half of 2015. In Italy, the renegotiation of gas contract should help improve the situation in the second half of the year.

Net income excluding non-recurring items increased 14.6%. Since 31st December 2014, debt increased by slightly over €3 billion. The change in the debt includes €1.3 billion in cash dividend payments. As you know, we are structurally facing a difficult economic equation. We are constantly concerned about preserving our balances and we will continue to do everything possible on working capital requirement and cash flow to reach our clear ambition of a positive cash flow in 2018.

Despite the debt increase, EDF succeeded in maintaining a net financial debt to EBITDA ratio of 2.1. Our goal is to keep this ratio between 2.0 and 2.5. So, for the main indicators, Thomas will detail these matters later on.

Operating performance under control

I would like to stress that operating performance is under good control. Nuclear power generation in France reached its highest level for the first half of the year since 2011, despite having more planned outages than in the first half of 2014. In this context the slight increase of 0.8% demonstrates our continued industrial control of our planned outages duration. I would also like to point out a significant reduction in unplanned outages. This is the result of the very professional work of the EDF teams and I would like to thank them for this.

We should be able to reach our target range in France for 2015 of nuclear power generation between 410 and 415TWh. The first half of the year was also positive for renewable energy in terms of commissioning at the international level first of all. As an example, the windfarm Soma, in Turkey, was commissioned and Soma is the largest controlled windfarm that we operate in Turkey. Altogether with almost 600MW commissioned in seven countries, and an EBITDA growth of 4.2%, it has been an excellent first half for EDF Énergies Nouvelles.

CAP 2030: EDF, a responsible energy provider, a leader in low-carbon growth

You can see that EDF today is a utility with a strong nuclear and renewable energy base. These two activities are our drivers. The bill on energy transition was recently definitively adopted by the French parliament. We are now only a few months before COP21, an event for which we are an official partner. It demonstrates our commitment to renewable energy to which we devote an increasing part of our growth investment for development, currently 30%.

EDF continues its international expansion in renewables with its presence in three new countries: South Africa, Chile and Brazil with a new subsidiary. As part of CAP 2030 we are very determined to increase the part of renewables in our energy mix. This will be achieved in particular through innovative financing such as the green bond we issued in 2013. The entire €1.4 billion of that green bond funds has just been allocated to EDF EN projects.

As you know, we are among the lowest CO_2-emitting utilities in the world. Just last May we set a new record by emitting the lowest rate of CO_2 emissions in 15 years, excluding our overseas departments and territories, with 8g of CO_2 equivalent per KWh in May and 9g of CO_2 equivalent per KWh in June.

Starting from the second half of 2015, we will launch a strategic review of our assets out of France, which are of two kinds: first, fossil-fired plant assets in Continental Europe; second fossil-fired production and supply activities that are not directly linked to the core business of EDF Group. This will help to further decarbonise and optimise EDF assets.

2015 guidance and 2018 roadmap confirmed

I wanted to share with you that we are keeping all our 2015 guidance and our 2018 roadmap objectives. We are exactly in line and happy to reiterate our targets for 2015: EBITDA organic growth of 0 to 3%; net financial debt ratio stable in the 2 to 2.5x range; payout ratio between 55 and 65%. For 2018 we also reiterate our positive post dividend cash flow.

The work of the EDF Group is the foundation for this good performance. The general context is not particularly favourable for us as we know market conditions in Europe remain very difficult. We are confident that we can achieve these objectives and are happy to reiterate them.

Strategic partnership agreement between EDF and Areva

I would like to take a bit of time to discuss this partnership that, as you know, we have been working very hard on for the last few months. To describe the memorandum of understanding we signed with Areva today: we have signed a MoU that formalises the status of the progress of discussions concerning our projected partnership.

What do we want to achieve? We want to renew and extend the lifetime of our nuclear fleet in France with the Grand Carénage programme. We also want to put under optimised control our new nuclear build project. It represents the future of our nuclear business with two priorities: the success of the major EPR worksites and projects on the way in France, China and the United Kingdom; and improve the competitiveness of EPR.

For all these major stakes, Areva plays a pivotal role. Areva is a first-class partner and also a key supplier. For some of our needs Areva is the only supplier that can respond to those needs. After having studied all these matters with the Areva team last May, we took on our responsibility as an industrial company and also as a national operator, and we proposed to the French government a project concerning nuclear reactors. This project has a strong industrial rationale because we want to operate effectively and to control the key technologies and worksites that we operate without endangering the overall balance of the Group.

This morning we have signed with Areva a memorandum of understanding that formalises the status of the progress of our discussions in this partnership. This protocol has three main sections. First, comprehensive strategic and industrial agreement in order to improve and develop the efficiency of our cooperation in several areas such as research and development, international sales of new reactors, dismantling, storage of spent fuels and a few other items. Second part of the protocol: we project that EDF will acquire exclusive control of AREVA NP, the company in charge of services and equipment and fuel manufacturing for nuclear reactors. Third, we will create a dedicated company also controlled by EDF that will include engineering studies and project management; in other words: the design and the building of the new reactors.

Major decisions, when we have implemented this, will be made more effectively and easily. There will be a single strategic management direction. There will be a single product policy. There will be a clear coordination for export efforts. May I say this is a key structural change and a strategic evolution which shows our ambition. We also want to respect and preserve the skills of all the stakeholders, especially Areva's reactors business. We also want to pave the way for alliances with third parties and industrial partners in France and beyond.

Shareholding in AREVA NP, EDF will have exclusive majority control of at least 51%. Areva will be the strategic partner for AREVA NP with EDF with a maximum stake of 25%. We will open the shareholding to other minority partners, many of whom have already delivered to us the message they are interested. AREVA NP will be autonomous. It will have an appropriate and effective governance.

A more effective and already proven integrated model

Combining EDF and Areva offers two main advantages. First of all it is the way to better secure the most critical activities of Grand Carénage. Second, combining the activities devoted to new nuclear build under a single management will enable EDF to have complete control over the building of its future EPR. Our objective is to improve the control of our spending and the management of the schedule of these highly complex projects. Bringing all these skills under the same roof will facilitate the exchange and pooling together of analysis and expertise.

The integration of the design and management teams of these major projects will enable more effective management of the technical interfaces. We will be able to simplify our control processes. We will enhance the leveraging of experience feedback from existing and future EPR worksites and projects. Hinkley Point C will be the first project to fully benefit from this.

The new organisation will significantly improve EPR competitiveness and allow France to increase its chances of success in exporting nuclear reactors and hence create new jobs. We will implement a better way of coordinating strategic marketing to prepare offers in the upstream project space. We will be able to propose offers that combine all services relating to the nuclear island, as opposed to reactors, just like for the other components of the nuclear power plant. We will also improve the way we manage the general design, the detailed engineering, the building and the commissioning after the delivery of the fuel assemblies. We will be able to better adapt these offers to client needs.

In this integrated model consideration we want, of course, to succeed in enriching our range of reactors. We have the 1600-1700 megawatts reactor for the EPR. We also want to continue working on medium-sized reactors in the 1000 megawatt range, which means continued collaboration with our major industrial partners in Japan and in China.

Our new organisational model is proven. Several major international players in the very same sector are organised in the same way such as CGN and CNNC in China, Rosatom in Russia, and Kepco in Korea.

Let me be clear. There are still a lot of steps that we must go through and we will be working hard because it is a very important decision for Areva, for EDF, for all our partners and suppliers and, of course, for the employees of both Groups. We will be working very hard in order to implement as soon as possible the strategic partnership that we have signed this morning.

Memorandum of understanding: key data

This is page 12 and just a few words about the financing terms of the project. We have a very strong requirement. EDF needs to preserve our overall balance and we want to ensure that EDF does not run any risks. The indicative price before due diligence for 100% of AREVA NP is €2.7 billion. We consider this a fair and attractive price. It encourages interested industrial partners to join the investment. This price amounts to an EBITDA multiple of 8x.

Since the beginning of the negotiation we have also made very clear that we will not accept any exposure to the risk related to the project in Finland. This operation will have a neutral impact on our 2018 cash flow. Let me just remind you that at this stage these numbers are non-binding and may be subject to adjustment after the due diligence phase.

Next steps

Just a few words about the next steps. This is an indicative schedule. We will start due diligence in August and should be able to submit a binding offer during the last quarter of 2015. We will, in the meantime, proceed with the consultation of the EDF employees' body, the Works Council. Also we will work hard to identify other potential partners and bring them to the negotiation table and hopefully finalise a negotiation with them. Our objective is to close the transaction during the second semester of 2016. This is, of course, as usual subject to the approval of the relevant merger control authority.

That is what I wanted to tell you this morning, discussing our numbers for the first half and announcing the signature of the strategic agreement with Areva. Let me now give the floor to Thomas.

Half-Year Results 2015

Thomas Piquemal

Group Senior Executive Vice President, Group Finance

Opening remarks

Thank you, Jean-Bernard. Good morning everyone. I will now detail and explain our 2015 half-year results. Before that let me just remind you that for the first time we apply the new accounting standard IFRIC 21. I explained during our Q1 communication the impact it had on our financial statements, mainly no impact on our consolidated account on a full-year basis. The statements for 2014 are presented and explained in the appendices to this presentation.

Key figures H1 2015

You already know the key figures of this first half. Chairman Jean-Bernard Lévy has just shared his comments on them with you. Sales are up 6.3% at €38.4 billion, essentially driven by the scope effect of Dalkia and the rise in the British pound versus the euro. EBITDA comes to €9.1 billion, stable in organic terms versus the first half of 2014, showing once again the resilience of EDF businesses considering the challenging market conditions experienced in the sector.

Recurring net income is up 14.6%, supported by a strong financial result, driven by a solid performance of the dedicated asset fund and further reductions in the cost of gross financial debt. Net income group share is stable, which takes into account the €350 million negative impact of last week's EC decision on RAG.

Net debt is up €3.3 billion, driven by an increase in working capital requirement due to a weather effect, by stronger investment activity in this first half compared to last year, but also by FOREX effect, which accounts for a rise of €1.2 billion in our net debt. Net debt to EBITDA which comes to 2.1x, at the lower end of our target range, a target we confirm today.

Group EBITDA: stable organic change

As I said, Group EBITDA is stable after excluding the positive impacts of Dalkia's first contribution and UK FOREX. Looking at the main components of this EBITDA performance versus the same period of last year, France grows by €209 million under the positive impact of the normalised weather, increased tariffs and good nuclear output. This is essentially offset by Italy, which faces challenging energy market conditions and unfavourable weather for hydro power generation. In the UK, EBITDA is stable despite the negative impact of lower wholesale prices offset by enhanced cost control.

EBIT marked by the adverse impact of amortisation

EBIT is down 11.1% at €4.5 billion mostly due to growing depreciation and amortisation. D&A rose by close to €600 million or +15.4%, showing an accelerating trend compared to the same period last year. This reflects the Group's robust investment within a shorter amortisation period, notably in France, which represents close to half of the increase in D&A.

Non-recurring items net of tax

The non-recurring items are presented on the next slide. Post-tax effects of all non-recurring items was negative €414 million in the first half. As you can see, this is mostly due to the impact of the EC decision, announced on 22nd July 2015, regarding the tax treatment of provisions created between 1987 and 1996 for the renewal of network structures known as "*Réseau d'Alimentation Générale*" or "RAG". While EDF denies the existence of unlawful state aid and intends to file an action for annulment, subject to the review of the decision of course, we took note of this decision and we will proceed to reimburse the sums required.

Total payment, which will take place during the second half of this year, will be for the Group of €1.2 billion of which €335 million by RTE. As stated in our 22nd July 2015 press release, the P&L impact for EDF - which is accounted for obviously in this first half numbers - corresponds to the reimbursement of the accrued financial interest, the financial charge of €348 million after tax accounted for as of 30th June 2015.

Group net income stability thanks to improving financial result and lower income tax

Looking now at Group net income on slide 19 the 11.1% drop in EBIT is compensated by the decrease in net financial expenses and a reduction in income tax. The financial result improves by more than 10% despite the negative impact of the RAG decision. This is driven by the positive impact of continued swapping operations on our outstanding bond debt, mostly fixed to floating swaps.

Capital gains on dedicated assets disposals also contributed to this performance. The main driver behind the fall in income tax is the end of the so-called Robin Hood tax in Italy. All of this translates into a stable net income Group share and recurring net income growing by 14.6%. This number excludes the effect of non-recurring items.

France EBITDA driven by colder weather than in H1 2014

Looking now at the contribution of each major segment, starting with France where EBITDA grows by 3.4% in organic terms, at €6.4 billion. Compared to the exceptionally mild winter experienced last year, the return to close to normal temperatures supported consumption from end customers with a +8.5TWh effect. This combined with a strong nuclear output resulted in a positive EBITDA impact. I will come back to the French nuclear generation in a moment to describe the continuous improvement in our operational nuclear fleet in France.

France EBITDA also benefitted from the increase in the energy component of regulated tariffs on 1st November 2014. Operating expenditures are up, mainly driven by exceptional items, such as personal provisions and the impact of the lower discount rate on pension charges. When excluding for the impact of such exceptional items, the increase in OPEX comes to slightly under €100 million, essentially as a result of the impact on headcount of our skills preservation programme. Other external charges are kept flat during this first half.

Last point on this slide, as expected, our wholesale market sales have been increasing since the end of 2014 in a context where ARENH volumes dropped markedly compared to the same period last year. As anticipated in our Q1 communication, the low level of short-term market prices that we experienced during the second quarter meant a negative impact on realised prices.

France: upstream/downstream electricity balance H1 2015

Turning the page to slide 21, that shows our customary upstream/downstream electricity balance, that shows on the right-hand side the 24TWh drop in our ARENH volumes essentially transferred to the wholesale market. End customer consumption is up 6TWh, mostly due to favourable weather impact.

France nuclear output: record H1 output since 2011 thanks to ongoing control on planned outages duration

Let us now move to the next slide that shows the nuclear output. Nuclear generation is up 1.6TWh compared to the first half of 2014 with 210.4TWh during this first half. We set a record high since the first half of 2011. This reflects the high availability of the fleet in this first quarter in the context of stronger demand. During the second quarter, the performance was driven by effectiveness of our plan to control the duration of planned outages, whereas the volume of planned outages was higher than during the second quarter of 2014. In this context I can confirm today our 2015 target range for nuclear output at 410-415TWh.

France hydro output: less favourable hydro conditions than in H1 2014

Output is down 6.4% to 20.4TWh as hydro conditions have been less favourable than in the first half of 2014. Hydro conditions have actually deteriorated over the last few weeks of this first half, last few weeks that were historically dry and hot. Should these conditions last this will have an impact on hydro generation in the second half but all of this is factored into our reiteration of our guidance for this full year 2015.

United Kingdom: good operational performance in challenging market conditions

Looking now at the UK segment on slide 24: EBITDA comes to €1.3 billion which, obviously, includes a favourable FOREX impact. In organic terms EBITDA is flat versus the first half of 2014. This performance reflects the good underlying operating performance in nuclear generation where the high level of availability of the fleet mitigated part of the impact of Heysham 1 and Hartlepool running at reduced load. Output is hence down only 1.6% to 30.3TWh. That being said, the drop in wholesale market prices carried a negative impact on realised prices for nuclear generation. Results in the UK were also supported by a strong cost control effort that led to reductions in OPEX across all activities.

Italy: unfavourable commodity environment

Italy, on the contrary, had a challenging first half. EBITDA is down 46.9% to €246 million as Edison's performance was negatively impacted by both unfavourable weather and adverse energy market conditions. Hydro generation suffered a drop in output compared to H1 2014 that saw exceptional hydro conditions. This combined with negative impact on realised prices from wholesale power market. Market conditions also created a downward pressure on margins in thermal generation.

In addition to this, low Brent prices penalised performance of hydrocarbon activities. In this tough environment, Edison is committed on keeping costs under control and reduced its fixed costs during this first half. As I said back in May during our Q1 communication, the outcome of the arbitration on the Libyan gas contract is now expected during the second half of 2015. In this context, Edison confirmed this morning its expectation of an EBITDA of at least €1 billion for 2015.

Other international: normalised weather conditions in Europe compensating outages in Belgium and Poland

Moving to the other international segments where performance is shifting towards more positive trends, EBITDA comes to €352 million, up 14.4% in organic terms against the first half of 2014. Belgium continues to be penalised by the extended outages at Doel 3 and Tihange 2 but several drivers have helped deliver 24% organic growth in EBITDA. A strong increase in wind capacity, higher gas sales driven by a return to normal weather condition, all of this together with an increased activity in ancillary services.

In Poland while power generation output dropped, higher realised power prices and increased tariffs for heat boosted EDF Polska performance. In Brazil Norte Fluminense's output was impacted by planned outages associated with an important maintenance programme during this first half.

Other activities: adverse gas market conditions, more than offsetting renewables' growth

Operating performance in this segment is down 7.8% at constant scope and exchange rate, coming to €878 million. EBITDA at EDF Énergies Nouvelles continues to grow, +4.2% in organic terms. EDF Trading's operating performance recorded a 6.5% drop, mainly due to the comparison with the strong first half in 2014 in the US, whereas the performance of European activities is up. The gas business was penalised by unfavourable price environment.

Dalkia's contribution, which is accounted for the first time during this first half – this contribution came to €130 million, which further confirms the successful integration of Dalkia to the Group.

Change in cash flow

Looking now at the first part of the cash flow statement on slide number 28: operating cash flow is up 7.1%, driven by a reduction in income tax paid, linked to excess advanced tax instalments in France in 2014. This is partly offset by the effect of the exceptional dividend of €290 million received from CENG in 2014 without equivalent in 2015. Despite this exceptional dividend paid in 2014, the operating cash flow is up by 7.1%. Working capital requirement increases by €588 million. This reflects the negative impact on trade receivables from the weather-driven increases in consumption from end-customers. This impact was partly mitigated by the recovery of part of the tariff catch-up accounted for in 2014.

Net investments growth driven by the United Kingdom and Italy

Net investments come to €6.4 billion, as presented on slide number 29. This €800 million increase, compared to the first half of 2014, is mainly driven by investments in the UK, including Hinkley Point C and in E&P in Italy. With no equivalent during the first half of 2014, Dalkia's net investments also contributed to this increase. In France, investments are slightly up by €149 million, mainly driven by ERDF and, to a lesser extent, by nuclear.

Cash flow after net investments

The cash flow after net investments comes to negative €251 million, as presented on slide number 30. Taking into account the increasing interest payments on hybrid debt, cash flow after dividend ends at negative €1.9 billion.

Change in net financial debt

This explains a big part of the increase in net debt, as presented on the next slide, increase of the net debt by €3.3 billion, part of this increase being linked, as I said earlier, to the FOREX effect, especially the British pound effect.

2015 guidance and 2018 roadmap confirmed

Based on these results, as already presented by Chairman Jean-Bernard Lévy, we can confirm today, as presented on slide number 32, the elements of the 2015 guidance presented back in February. You are familiar with our 2015 guidance, with these targets. On Group EBITDA we are aiming for an increase of between 0–3%, compared to what we achieved in 2014, adjusted for the non-recurring impact of the tariff catch-up. We continue to target a net debt to EBITDA ratio within the range of 2.0–2.5x and our dividend policy remains unchanged. We intend to have a payout of net recurring income adjusted for the hybrid coupons of between 55–65%.

Lastly, regarding our roadmap to positive cash flow, we can confirm that our ambition remains to generate positive cash flow after dividend excluding Linky in 2018. We will factor into our next medium-term plan the changes in power prices and specific actions on our cost base to deliver on that ambition.

Let us now open the floor to your questions and thank you very much.

Q&A

Internet questions:

Alberto Gandolfi (UBS): Could you give us more details on the assets that are under the strategic review? Do you think that the consensus of net income is on the low side?

Jean-Bernard Lévy: I will take the first question and maybe Thomas will certainly give you his comments on the consensus. The assets under review are a decision we have made which is in line with our profile of having a very low carbon emission profile. We already are probably the most efficient carbon-wise of all large power generation companies in Europe and probably in the whole world. We believe that as carbon prices are going to grow and as COP21 is going to set new targets for each region of the world, or for each country, we believe we should allocate more towards renewables. Considering our constraints, which are very well-known in terms of the structure of the balance sheet, we believe today is the right time to look deeply into some of our fossil-based assets.

This is what we have decided. These fossil-based assets, which are under review, are not based in France, nor in the UK. Some of them are generation assets. Some of them are linked to fossil fuel in terms of supply or distribution. We will take the time it needs to look thoroughly at what is our current situation and where we want to go. We will, in due course, give you more information about this.

Thomas Piquemal: I will just summarise my views on the consensus by saying it is completely unchanged compared to what I explained back in February. We, of course, do not give any guidance in terms of recurring net income, but as far as the consensus is concerned, I remind you that we consider that 80% of the analysts factor into our net income consensus a change in the depreciation methodology. Restating for the impact of this change, the range in net income, according to our calculations, is between 3.8 without change in the depreciation methodology and 4.2 with a change in the depreciation methodology. I can confirm today that I am comfortable with that range.

As the question relates to market consensus, may I also state that my views are unchanged on the 2015 EBITDA consensus with the same calculation as the one I did back in February.

Peter Crampton (Macquarie): When will you provide the concrete overview of the new strategic plan CAP 2030 to the market?

Jean-Bernard Lévy: Thank you, Peter. I think we have already stated quite clearly at the annual meeting what are key drivers for CAP 2030. I will maybe re-emphasise these three major drivers. EDF is intending to focus on nuclear and renewable investments in terms of generation. Just a quick comment on this, we are often looked at as the company that is very nuclear-focused and we want to remain so because we believe nuclear brings our clients very stable, very secure and very cheap power.

However, we also believe there is a need for renewables as we see the price of renewable energy, for renewable power, going down. EDF Énergies Nouvelles is already a very strong player in many areas. As I said answering the first question, we would like to allocate more money towards renewables. That would be the first key objective.

The second objective is that while we are a very centralised – centralised generation, centralised transport and transmission and distribution company – we do see that there is a strong need from our clients, the large corporations, the local decision makers, municipalities, there is a strong need for a decentralised approach where we will be partnering, not only to deliver raw primary energy, which is usually electricity or it can also be gas or heat, but also a more added value to a set of products and services to our clients.

The second key driver for CAP 2030 is around how we add to the existing model, which is very centralised and very generation-oriented, an additional set of skills and set of assets and set of values to our clients by partnering into decentralised energy production and decentralised energy distribution and services that will enhance the value of what we sell our clients.

The third key objective of CAP 2030 is that over time – and we know things cannot change on day one or even on year one – but over time and this is of course a 15-year journey. As we look today at EDF as being very French-centric and European-centric and being, at the end of the day, quite little exposed to the benefit of demographic and economic growth in non-European areas. We want, over time, that we improve our presence that we improve the percentage of the assets that we have outside Europe and become more of an international company.

This, in a nutshell, is a quick description of what are the key CAP 2030 objectives which we are happy to share with you. Thank you.

Andrew Moulder (CreditSights): Given your asset review outside of France what are your plans for Edison and its fossil-based generation and E&P activities? Does it still fit within the EDF Group?

Thomas Piquemal: As Chairman Jean-Bernard Lévy just said, we are currently performing a strategic review so of course no decisions are made. We will of course analyse all the perspectives and how different assets fit into the global strategy of EDF as defined during the CAP 2030 project. At Edison there are two major activities. Of course the power and gas activities in Italy and the E&P activities that is a global platform with assets in Italy, in Egypt and elsewhere in the world.

We are currently performing a review of how we could better develop those assets or combine those assets with others. Everything is possible. Of course, we will update the market once the review is completed. Everyone knows that the Italian market faces difficulties. There are opportunities. Whether EDF will be part of consolidation or not is also a question that we need to answer. It will be part of the review that is currently being performed.

Louis Boujard (Oddo Securities): First question is on the CSPE. You are talking about an enlargement of the CSPE asset base. Could you please help us to compute the impact it may have on the working capital? Second question: excluding the renegotiation of the Libyan gas contract, what will be the recurring EBITDA target of your Italian division under the assumption of a prolonging low power prices?

Jean-Bernard Lévy: I will take the first question regarding changes in the CSPE. I am sorry to respond this is very early days. There have been some statements made by Minister Royal several times that the government is looking at how to change the way it charges for [renewables support], the various energy providers and consumers. Today I think the analysis is shared quite widely that a lot if not almost all these charges are paid by the power consumer whereas, obviously, the power in France in very low emission energy. There are other energies which are emitting much more carbon and which do not contribute to moving our economy and our country towards a better carbon situation.

Rebalancing of this situation has been described as a target by Minister Royal. We are not at EDF aware of any decisions that have been made. We are aware that the government is thinking about it and has several times indicated that some changes could be implemented in the next budget, which will be delivered to Parliament in September and discussed in October and November. So before year-end we should expect that there will be these changes, but today we are not aware of anything and we are working as if the current CSPE arrangement will be continued, although it is quite likely there will be some changes. We do not know at all what these changes will be at this stage. It is still within government circles.

Thomas Piquemal: The second question was, what is a normalised EBITDA level for Edison? I would like to say that this depends on what we consider as being a normalised market for Edison, both in terms of power, demand and prices in Italy, and also Brent prices, because depending on your scenario you end up with a different number. The only thing I can say and add to it, re-emphasising the fact that the target for 2015 is €1 billion, is that part of the review will of course be as I have explained before. We will obviously also take into account the adjustments that will have to be made on our cost structure to adapt to this market environment and, therefore, after this review, I will be able to confirm the normalised level of EBITDA for Edison. €1 billion seems achievable but, again, in what market environment and how do we adapt with the different market environment of today? It is one essential part of the review we will have to perform, and that we are performing as part of the strategy review.

Damien de Saint Germain (Crédit Agricole CIB): The first question is, as part of the deal with Areva, are there any debt provisions to be attached to AREVA NP asset? The second question, how do you plan to consolidate AREVA NP within EDF?

Thomas Piquemal: The price that we have announced today, which is a preliminary price subject to due diligence, as explained before, does not include any financial debt. It does not include either any liabilities relating to Olkiluoto 3, so it is the price for the equity, assuming no financial debt and no liabilities on Olkiluoto 3. Therefore, we do not intend, with this price, to take over any such liability.

The consolidation is clearly full consolidation in our accounts as EDF, with above 51% stake in AREVA NP, will fully control this company.

Martin Young (RBC): Good morning, just two questions. The first relates to the communication around tariffs. I just wondered if there is any one-off gain to be recorded in EBITDA in the second half of the year in respect of catch-up elements. Obviously you did have that last year. Then secondly, in terms of timelines, you were very kind to give us a timeline on Areva. I wondered if you could be equally as kind to give us a timeline on how we might progress to a final investment decision in respect of Hinkley Point C.

Jean-Bernard Lévy: I will discuss the second item. I am not sure we fully understand what you meant on the first one, but Thomas will take the point. He is signalling to me he does understand. I am still very new in the business. On HPC, I will say that we are working hard. We have made a lot of progress. This is a discussion we are having with the British government and with the Chinese partners that will be part of this great new project, very important one, two EPRs at Hinkley Point. We are making very good progress. There is a summer break which, like everywhere in the world, it is a bit on the slow motion for a few weeks, but we are all back end of August and September, and I believe we will be able after the summer break to make very rapid final investment decision and to achieve it as soon as we can. So I am extremely positive and optimistic about it and the recent conversations I have had with the top officials, both with the Chinese people – we had a very positive and strong visit by Chinese Premier Li in France three weeks ago – and with the top officials in the British government, all these conversations make me very optimistic about the fact that we are now moving very quickly towards FID after the summer break.

Thomas Piquemal: The thing I can say, beyond saying that we never comment on future tariffs, or the potential evolution or non-evolution, is that our guidance does not include any tariff catch-up during this second half. We have no comment to make on whether there will be or not a tariff catch-up during this second half.

Vincent Ayral (Societe Generale): I would like to come back to the French power and understand what is your experience in terms of market share retention with end-user electricity consumers in France, in the downstream, and how do you plan to protect EDF's margin in the current environment? We have seen the ARENH volumes have dropped. I would be interested in understanding what you have seen on downstream users in this H1.

Another question will be on the tariffs. The CRE dismissed the government decision on the yellow and green tariff as insufficient, but how confident can we be the recourse from ANODE before the state council can right the wrongs, especially knowing that the tariff is disappearing to year-end. Do you have any idea of a structure that could be put in place there?

I would like to bounce quickly on the comment that was made on the carbon before, to a potential CSPE reform is here at stake could decrease the tariff by 10%, potentially give room to underlying tariff increases, but I understand from your comment that this reallocation is driven by a will to better charge for CO_2. In this case, should electricity not be almost entirely exempt from this CSPE, knowing that it is mostly CO2-free in France?

Jean-Bernard Lévy: That is a great suggestion. I will not go as far as that, considering where we are with a lot of the bills for our clients being CSPE today; I am not sure the government would go as far as what you say. As I said, I do not have a clue what they have in mind at this stage, except for the general guidelines they say they want to implement, but regarding timing, regarding numbers, regarding how it will operate, we are not part of these internal government discussions. Sorry, I can only repeat what I said previously, that it has been stated there will be a reform on CSPE and the way that various energies contribute to carbon objectives.

On your two other questions, maybe on tariffs, as Thomas has said, the late proposal made by the government is now back to government due to various advisory entities having given their advice. The government has the last say, and now we have to wait for the government to make a decision. It is true to say that the Council of State has repeatedly given injunctions to the government to replicate our full cost in the tariff structure, and we are still striving to get that and expecting that will be indeed awarded to us because it is the law.

Regarding market share, which was your question, and market conditions and downstream users, right now we consider we are in a flat consumption environment for the country, in France. It is roughly the same, by the way, in our other key countries in Europe, a flat environment. While there is some pick-up in the economy, there is obviously also more efficient management of power usage by our clients; they are going equally in the other two directions, and so it is a wash, at the end of the day. Obviously we have to be prepared that our market share is going to change, especially for SMEs and corporations, because of the yellow and green tariffs, which are expiring at the end of the year. The plans that we have prepared, and of which you have a summary in our 2018 guidance, do include – but to an extent to which, of course, we will not comment in very great detail – that especially for green and yellow users, we are not going to keep the kind of market share that we have enjoyed in the previous year because of the change in the regulation and because we have quite aggressive competitors which are taking market share from us. Our 2018 positive cash flow objective does include our reflections both on the difficult market prices and the lack of growth of power usage in France, on the one hand, and the fact that, obviously, keeping our market share tariff at its current level will not be possible.

Emmanuel Turpin (Morgan Stanley): First question is to come back on the plans to modify the CSPE mechanism. Have you heard any plan to actually increase the annual amount collected on this system, or would it be just a shift in the way it is collected in France? An increase in the overall amount would be very positive, of course, for the path of repayment to you on your cash flow.

Second question: on the gains on financial assets. It is a very positive item in your income statement at €761 million in H1, and this is a pre-tax number. Could you refresh my memory and tell me whether there is any tax paid on this €761 million, please?

Last, you mentioned an increase in D&A, which largely explains the EBIT. What would be a good range to consider for the full year? Is it appropriate to just simply multiply by two for the full year?

Thomas Piquemal: On your first question, we do not know; I cannot give you answer on this or give you any indication on where it will go.

On the capital gain on the dedicated asset fund, yes, there is taxation, whether it is applied at the end of the year or actually paid but, yes, there is an income tax to be deducted from this gross-capital gain.

If I understand your third question, do we multiply by two to get an indication of what it should be for the full year, if I understand precisely your first question, the answer is no, because we are extremely cautious; it depends on our asset allocation, on the decisions we make in terms of re-allocating our dedicated asset funds. The performance, as we discussed, is very good; higher by more than 100 basis points compared to the benchmark. Performance also is very positive within EDF Invest. When we make investments within EDF Invest, we sell assets, and therefore we materialise capital gains that were not recorded through the P&L. The total amount of non-reported capital gain at the end of June 2015 is in excess of €2 billion, but I cannot tell you how much we are going to extract during the second half. It really depends on our strategic allocation, the arbitrage we are making with different funds, and also the investments by EDF Invest, especially in the infrastructure space.

Emmanuel Turpin: So you just said the latent capital gains is around €2 billion. That could be booked over time if market prices stay at the right level, right?

Thomas Piquemal: Yes.

Emmanuel Turpin: Okay. My question – I must have been unclear – was about D&A. Should we just double the first-half figure to get a good approximation, or is it more complicated than that?

Thomas Piquemal: Sorry, I did not get that one. Implied capital gain inventory at the end of June is €2.2 euros.

Coming back to your question on D&A, yes, it is approximately multiplied by two; I do not see any reason why there will be significant change in multiplying by two the first-half D&A.

Cosma Panzacchi (Bernstein): I have two quick questions. The first one is on the energy transition law. Now the energy transition law has been approved, in theory, EDF should present a PPE by the end of the year. However, the approval of the energy transition law was delayed, compared to the original plan, so do you still envision the PPE to be presented at the end of the year, and given the Flamanville issues, would you envision any major closure in the first period covered by the PPE?

Then I have a second question regarding Areva. According to your report today, the price that you are offering is subject to your protection from the Finnish risk, but if I read also what Areva has written today, they also say that you have explicitly requested that this deal should be subject and this price should be subject to the outcome of the verification in progress on Flamanville 3. I have not seen this in your report, but I wonder if this implies that you are concretely worried that the verification of Flamanville 3 could unveil a massive issue that could completely set back the entire project.

Jean-Bernard Lévy: On the first one, the PPE, which, for everybody, means energy multi-year programming, is a government document. It is not an EDF document; it is the planning of sources of energy generation in France over eight years. A first detailed planning for the first three years, a rougher planning for the next five years, so 2016 to 2018, the first three years, 2019 to 2023, the next five years. This is going to be discussed. There have already been a number of workshops; of course, EDF does participate in these workshops. At the end of the day, the government will aggregate all the information. It is being discussed. It goes way beyond EDF, it talks about energy in transportation, energy in homes, housing and so on and so forth, and the government will aggregate all this and define the planning, the eight-year target planning, for energy in France.

Because the energy transition law is finally delayed from what the earlier plans of the government were a year ago, and, as you know, the law finalised its long road in parliament only last week, at the very end, the government introduced an amendment delaying the delivery of the PPE. The delivery of the PPE during all that time was going to be before the end of December 2015, and, by this amendment, which is now part of the law, the PPE works, the PPE preparation, should only be done before 31st December 2015, and there is no date set anymore for when the PPE will be available. No date is set today in the law, so I am quite sure that Energy and Ecology Minister Royal will have to set a more detailed calendar, but this will be more by the administration; the law only obliges the government to start PPE detailed discussions before the end of the year, so I am sorry, this is maybe very recent news I wanted to share with you. Obviously, it means we will know about the decision for PPE by the government a bit later than what we all expected.

Regarding closures and regarding Flamanville – and your question is related to what is going on in Flamanville – the final legislation – and this has not changed from earlier votes by Parliament – means that when Flamanville is going to be connected to the network, when it will generate power and is connected to the network, at the same time, we will be forced by law to disconnect a similar amount of power, which corresponds more or less to two tranches of 900 megawatts. At the time when Flamanville is ready, we have to be prepared to disconnect two tranches, two reactors of 900 megawatts of power each. This, of course, is very important in terms of planning, and when we feel we are ready to say more about how we will plan this, we will do so; but this is not the case today, as Flamanville is running well and making good progress. However, we still have a little internal work to do before we can really plan in more detail the way this construction will end.

Regarding the risk, I think it is quite a sensible protection for EDF that, indeed, the agreement on AREVA NP is subject to a harmless outcome of the on-going investigation regarding the vessel, the pressure vessel issue, of which you are aware, and for which we are very confident that, at the end of the day, Areva with the support of EDF will be able to demonstrate to ASN that, indeed, the anomaly that has been detected, we are very confident it will have no effect overall on Flamanville. But, as a protection of EDF's interests, just in case there will be a problem – but we do not believe there will be one, just in case – it is a standard risk-management procedure that we would not take any risks on this matter.

Moderator: This is going to be the last question, and it is a follow-up question on the answer regarding depreciation and amortisation that Emmanuel Turpin from Morgan Stanley asked. It is a question from the internet basically asked by a few people. What does it mean in terms of depreciation and amortisation if we think about life extension of the nuclear fleet in France?

Thomas Piquemal: When I made this answer saying that I saw no reason why the first half would not be a good approximation multiplied by 2 for the full-year depreciation and amortisation charge, it assumes of course constant method and accounting methodology. As I said before when commenting on the net income market consensus, I consider that there is a range depending on whether or not we will change the lifetime from an accounting standpoint of our fleet by the end of the year. I will not comment any further on this point. Of course, it is up to the Board to decide, and the PPE that Jean-Bernard Lévy has just commented on is, of course, a significant part of this work that has to be done. My answer before was assuming constant accounting methodology for the avoidance of doubt.

Moderator: Thank you; that closes our call. We are available for any follow-up questions. Thank you.

[END OF TRANSCRIPT]