2018 Half-Year Results

Tuesday, 31st July 2018

Jean-Bernard Lévy

Chairman and Chief Executive Officer, EDF Group

Good morning, ladies and gentlemen. Thank you for attending this half year results conference call. In a few minutes, Xavier Girre, the Chief Financial Officer for EDF, will walk you through these results in more details.

But I will first be focusing more specifically on our main priorities. And of course after this, we will be happy to take your questions.

So I hope all of you have the slide show in front of you and I will start with **a brief review of the key figures for the first half of the year.**

As we had announced at the beginning of the year, 2018 is the year of rebound. Our first half figures show a strong demonstration of this rebound. The sales figures grow organically by 4%. Group EBITDA shows a significant organic increase of 18.9%, essentially due to excellent nuclear and hydro generation performance, but also due to improved price conditions on wholesale markets and on trading activities. Efforts to optimise and reduce our operating costs which are mainly conducted in France have also helped push forward our performance.

Net income group share now stands at €1.7 billion, which is down 13.9%. But this can be chiefly attributed to the positive effect of the capital gain recorded for the disposal of 49.9% of RTE in the first six months of 2019, and there is no such equivalent in 2018.

Our continued efforts on net financial debt led to a €1.7 billion decrease compared to the end of 2017. It stood at €31.3 billion at the end of last month, which is exactly the same as one year ago. At the same time, our financial debt to EBITDA ratio has improved both in relations to mid-2017 and to the end of 2017.

Let me now highlight **the major recent achievements in the roll out of our strategy, CAP 2030.**

- You see that year-over-year, **renewables are becoming increasingly important in our mix**. Solar and wind generation shows an organic increase of close to 15% mainly doe the large number of new facilities commissioned in 2017.
    - After launching our extensive *Plan Solaire* for France which marks a step-change in support of the energy transition, we have now launched our global electricity storage plan *Le Plan Stockage Electrique*. With this plan, EDF intends to become the European leader in the sector with 10GW of new storage capacity by 2035, in addition to the 5GW already being operated by the Group.
    - French president Emmanuel Macron approved in June the new terms for three offshore wind projects which will be developed by EDF Énergies Nouvelles off the coast of France. And in Scotland we have acquired a new offshore wind project which we call by its acronym NNG. It has a 450MW capacity and will be built in the next couple of years.

- I would also like to highlight the commissioning of two major projects: the first unit at the Dewa III solar farm (200MW) in the United Arab Emirates and the highly innovative Blyth offshore wind farm (41.5MW) with its gravitational foundations which we inaugurated during the spring time just off the British East Coast.

- As regards our **customer business**:
  - I would like to point out in France the decision delivered by the Conseil d'Etat (the State Council) on the 22 May 2018. It approved the principle of regulated tariffs for electricity sales except for the small sites of large companies. This highlights that electricity plays a special role within our society, providing a vital service.
  - Our marketing offensive initiated with our new product range launched in 2017 is really meeting with success. Our *Vert Electrique* range in France is now selling with an average of 3,000 sales per week.
  - In June, we launched a second version of the Sowee smart station, which customers can now use to vocally control their heating systems and manage their energy budgets whilst enjoying the use of Amazon Alexa applications.
  - In Italy, Edison has acquired two assets to support its downstream activities. The purchase of Gas Natural Vendita Italia Fenosa will increase our portfolio of Italian customers by about 50%. We now have around 1.5 million customers. We have also acquired a controlling interest in a company called Zephyro. We spent €72 million for this. Zephyro is an active company in the energy efficiency market.

- **Nuclear:**
  - On 25 July 2018, we published the conclusions from the inspection of the 150 welds in the main secondary system of the Flamanville EPR. As a result, we now have set up corrective actions and have adjusted the schedule for the Flamanville EPR. We have also addressed it accordingly our construction costs. The loading of nuclear fuel is now scheduled for the fourth quarter in 2019 and the target construction costs has been revised from €10.5 billion to €10.9 billion.
  - The second quarter of 2018 saw a key milestone for EPR technology. As many of you are aware at the very end of June 2018, the EPR reactor in Taishan was connected to the grid for the very first time, just a few weeks after its first chain reaction. All our colleagues from CGN, EDF and also Framatome, they all deserve congratulations for this major achievement.
  - In India, we signed in March an industrial agreement with the Indian energy company NPCIL, aiming to build six EPR reactors on the Jaitapur site, south of Mumbai.
  - In the first half of the year, we also signed numerous strategic and business agreements for the dismantling of power plants and the management of radioactive waste. Some of these new agreements include a partnership with Veolia in order to develop remotely operated systems for the dismantling of gas-cooled reactors and for the vitrification of radioactive waste.

  - We also signed an agreement with Orano offering a joint set of services for the decommissioning of the Monju reactor in Japan.
  - We also acquired a start-up company specialising in digital technology for the dismantling of nuclear power plants. The name of the company is Oreka Solutions.
  - Since 1st January 2018, Framatome is a 75%-owned subsidiary of EDF. Framatome has enjoyed a good half-year in terms of performance. Quality is improving, though not quite where we would like it to be. We will show significant cost synergies from the acquisition of Framatome.

- **International footprint**: As we have said in our CAP 2030 targets, our international footprint growth is of great importance.
  - In Africa more specifically on the off-grid market, we are considerably expanding our range of solutions and our presence. We have just invested in a Kenyan start-up company called SunCulture, which develops solar-powered irrigation kits for small-holder farmers. We will be implementing large scale deployment of this solution in Kenya and also in West Africa. This market has a huge potential as only 6% of Africa's arable land is currently irrigated.
  - Our Africa off-grid business, which was recently launched in Ivory Coast and in Ghana and less recently in Senegal and South Africa, they have provided a total of 50,000 households, which means close to 0.5 million people with access to electricity.

- If I move to the next slide, I'd like to talk about our **innovation and transformation strategy** which is making strong progress.
  - In France, we launched a dialogue initiative called *Parlons Énergies*. It has been extremely successful. 20,000 employees attended 60 sessions where they were all able to discuss, challenge and enhance our strategic vision.
  - In order to improve our transformation in the digital field, we just signed a 20-year partnership agreement with Dassault Systèmes and Capgemini in order to standardise and modernise our working methods in nuclear engineering. We will build an extended platform for nuclear engineering, and it will benefit projects such as Hinkley Point C, future EPRs and also the French nuclear engineering support functions. This initiative is essential for the performance and competitive strength of tomorrow's nuclear industry.
  - Last, I would like to mention that we have acquired a 22% equity interest in a hydrogen technology company called McPhy.

- **Sustainable development:** we are in line with our positioning as the champion in low carbon growth. We have pursued and strengthened our commitments to reduce the Group's carbon footprint.
  - Since 2013, we have already reduced EDF's direct emissions by more than one-third (by 35%). We have announced at out last Annual General Meeting that we will reduce direct carbon dioxide emissions by 40% from 2015 to 2030.

Xavier Girre

Group Senior Executive Vice-President - Finance

Good morning and happy to share the highlights of our 2018 half year results with you.

A quick look at the **key figures for this first half of 2018** again.

Sales amounted to €35.2 billion. EBITDA came to €8.2 billion, up 18.9% in organic terms. Net income was up 27% to €1.7 billion. Net income group share stood at €1.7 billion as well, 13.9% below H1 2017, which had benefited from the capital gain on the 49.9% RTE stake disposal.

Net financial debt was down €1.7 billion compared to the end of 2017 to €31.3 billion. Net debt came to 2.1x EBITDA.

These results confirm the rebound we had anticipated for 2018 supported by stronger nuclear and hydro output in France and continued reductions in Opex.

Before detailing these results, **a few words on our cost cutting plan**. As you know, we reached our first milestone of €700 million reductions last year. Our target is now to cut Opex by at least €1.1 billion in 2019 versus 2015, with a milestone of €800 million in 2018. Compared to H1 2017, Opex were down €150 million over the last six months. The Group therefore continues to deliver on its savings plan and is well on track to meetings its 2018 and 2019 targets. Cuts have been delivered mainly by France generation and supply with contributions from all activities. They reflected our efforts on external costs and on staff costs.

Let me now come to the **review of the Group H1 2018 results**. **Group EBITDA** grew to €8.2 billion versus €7 billion in H1 2017. In organic terms, this represents an 18.9% growth, mostly due to three segments:

- EBITDA in French generation and supply was up €1,125 million, i.e. +45.9% in organic terms.
- French regulated activities were up €263 million, an 11% growth.
- EBITDA in Other activities were up €169 million, i.e. 80.9% mainly supported by EDF Trading.

EBITDA in French Generation & supply grew to €3.6 billion supported by three main positive drivers.

- First, generation with an overall positive impact from higher nuclear and hydro outputs estimated at over €540 million compared to H1 2017.
    - Nuclear output was up 5.4TWh to 202.6TWh. This upgrade is mostly due to the non-recurrence of events that penalised output in H1 2017, in particular: (i) outages in the first quarter of 2017 linked to the additional controls on steam generators to address the carbon segregation issue, and (ii) extended outages linked to Le Creusot manufacturing quality issues, for instance at Fessenheim 2 and Gravelines 5.
    - Hydro output grew 37.6% to 29.3TWh before deduction of pumped volumes. The French hydro fleet displayed one of its strongest first half performances supported by the very good hydro conditions met over the period contrasting with poor conditions of H1 2017.

- Second factor driving the EBITDA trend in the segment: wholesale market activities. H1 2017 had been strongly penalised by the high sourcing costs of the wholesale market to cover ARENH volumes and the strong customer demand during the January 2017 cold spell. H1 2018 was marked by the absence of such adverse events, as well as by market sales driven by more favourable price conditions. The estimated combined effect represents a positive of nearly €470 million compared to H1 2017.
- The third factor is a roll out of our performance plan in French Generation & supply activities which delivered a further €159 million in Opex savings.

To conclude the review of EBITDA evolution in this segment, let me highlight a couple of additional points.

- First, the evolution in tariffs carried a €79 million negative impact because the tariff change was mainly driven by the TURPE component, which is accounted for in the regulated activities segments as we will see later.
- Second, the impact of the capacity mechanism was roughly equivalent year-on-year.

I just commented nuclear output in this first half. And this performance supports the Group's assumption of a French nuclear output over 395TWh for 2018.

The slide shows hydro generation trends with the best H1 hydro output of the past 15 years.

EBITDA in French regulated activities was up 11%, to €2.7 billion.

- First, weather was more favourable compared to the same period last year with an estimated positive impact of close to €40 million.
- Second, tariff changes on 1st August 2017 and 1st February 2018, carried an estimated positive impact of €64 million.
- Enedis also benefited over this first half from an increased volume in grid connections. This represents a €47 million positive, although we do not anticipate that this element would necessarily repeat over the second half of the year.
- In addition, Opex decreased by €37 million compared to the first half of 2017.
- Lastly, extreme weather events had a lower intensity over the first six months of 2018 than in H1 2017. This reduced operating cost and power cut compensations at Enedis representing a large portion of the positive effects shown in the "Other" box on the chart.

Moving to **EDF Énergies Nouvelles** whose EBITDA was down 22% organically to €360 million. This reflects on the one hand, the good operating performance of EDF EN's generation fleet. Output stood at 7.9TWh, up 14.8% in organic terms, which excludes the contribution from the Futuren portfolio. Growth in output was supported by the capacity commissioned in 2017. As a consequence, EBITDA from Generation activities grew 10.7%.

Overall, EDF EN's development activity remained high with 0.7GW commissioned over this first half and 1.7GW under construction at the end of June. Solar capacity under construction exceeds wind capacity for the first time, reflecting the growing importance of PV in EDF EN's mix. This development activity translates into higher development costs.

On the other hand, the intrinsic variability of EDF EN's DSSA activity is such that its contribution over this first half was lower. Together with higher development costs, this is the main driver of the overall year-on-year decrease in EDF EN's EBITDA and the main explanation of overall EBITDA being lower than Generation EBITDA.

Regarding DSSA, it is also worth mentioning that the sale of a 49% minority stake in EDF EN's 24 wind farms in the UK carried no impact on DSSA EBITDA, since EDF EN kept the control of these assets.

As announced at our Q1 sales communication, we are now disclosing **Group-wide numbers for the entire Group's renewables business** including hydro.

In this first half, Group Renewables EBITDA came to €1.1 billion, up 20.6% versus H1 2017. This was first driven by the significant increase in French hydro output, partially offset by a lower average spot price compared to H1 2017 as hydro output is valued here based on spot prices.

In addition, EBITDA benefits from the wind and solar capacity commissioned in 2017 across the Group.

Lastly, compared to H1 2017, group net investments in renewables doubled to over €0.4 billion. Bear in mind that net investments can experience a high seasonality effect as well. The transaction I mentioned earlier in the UK also contributes to lower the net investments number.

Considering now **Energy Services**. Dalkia's EBITDA was up 2.6% organically to €159 million. Enhanced efficiency for the performance plan was the main driver of EBITDA growth, partially offset by the impact of several maintenance outages on different installations.

Dalkia continued to record renewals and newly won contracts. One typical example is the creation of a district heating network in Perpignan.

Overall, EBITDA from Energy Services activities across the Group was up 2.9%. This reflects in particular the integration of Imtech in the UK and Ireland since July 2017, as well as targeted acquisitions in Belgium and Italy.

Framatome's EBITDA reached €194 million over this first half. Its contribution to Group EBITDA stood at €86 million. Indeed, the significant portion of Framatome business is realised with EDF, in line with the integration of the French nuclear value chain.

The implementation of the performance plan to reduce operational costs and overheads as well as the level of activity in the Fuel BU supported the EBITDA over the first half. Whereas the activity in Services to the installed base slowed down, especially in the US.

Overall, this trend is in line with the expected EBITDA trajectory over 2018 – bearing in mind that the PPA gave €42 million additional value to the inventories that will have a negative impact on 2018 EBITDA.

Let me just highlight a couple of developments at Framatome over the last few months:

- In instrumentation and control activities, Framatome was awarded a contract for a full I&C system for the Tianwan 3 reactor. In addition, Framatome successfully completed the acquisition of Schneider Electric's instrumentation and control activities in North America.
- On operations, Framatome is progressively resuming manufacturing activities at Le Creusot.

Looking now at **the UK segment**. In organic terms, EBITDA was down 16.9%, down to €485 million.

This change was first driven by 2TWh drop in nuclear output, linked to the outage at Hunterston B and the extended outage at Sizewell B which was started in January 2018. Lower nuclear realised prices compared to H1 2017 also penalised EBITDA.

Higher tariffs provided support to the EBITDA contribution from Supply activities. But the number of customer accounts was down 2% versus end December 2017 as competition continues to be intense.

In Italy, EBITDA in this first half came to €407 million, down 4.5% in organic terms.

The contribution from Electricity activities was up €51 million, under the positive impacts of weather driven increased hydro output and of ancillary services.

Hydrocarbon activities were penalised by higher gas sourcing costs from long-term contracts linked to increasing Brent prices since 2016. This was partially compensated by positive price and volume effects in E&P.

In this context, Edison upgraded its outlook and it now expects 2018 EBITDA to range between €700 million and €740 million.

Moving to the **Other International segment**. EBITDA in the segment was down organically by 4.4%, to €117 million. Let me remind you that H1 2018 data included €133 million contribution from EDF Polska's activities which were subsequently disposed of on 13 November 2017.

In Belgium, EBITDA grew 13%, thanks to a 26% increase in wind capacity versus end-June 2017 and to better wind conditions. This was offset by a €19 million negative impact from extended outages at nuclear reactors operated by Engie. Lower nuclear realised prices and intensifying competition also penalised EBITDA.

In Brazil, EBITDA fell 36% due to planned maintenance outages that triggered buy-backs on the market in the context of rising wholesale market prices.

Lastly, the **Other activities segment**. EBITDA in this segment was up 80.9% organically, to €376 million. This was mainly driven by EDF Trading whose EBITDA grew 86.1% to €346 million. EDF Trading's activity was boosted by higher commodity market volatility, good performance in the US and favourable weather conditions. LNG activities also carried a positive impact.

As a reminder, EDFT and JERA signed early July a binding agreement to create a common LNG optimisation and trading platform, which should start operations in January 2019.

Let us now review the rest of the P&L.

Starting with EBIT, which is down 6%, at €3,650 million. Change in EBIT is penalised by the 2017 impact of the capital gain on the 49.9% RTE stake disposal which had no equivalent in H1 2018. In addition, D&A grew €223 million.

This was nearly completely offset by the increase in EBITDA and by the positive evolution of commodity derivative volatility effects following the renegotiation of long-term gas contract in Italy.

Group Net income-Group share came to €1.7 billion. Net income was penalised by the financial result representing larger financial charge of €649 million compared to H1 2017. Two main drivers behind that trend:

- First, a €424 million increase in discounting costs linked to the 10bps decrease over H1 2018 nuclear provision discount rate in French whereas the rate had been stable over H1 2017.
- Second driver: fair value adjustment of financial assets under IFRS 9 carried a small positive impact over the first half 2018 in a context of muted market conditions. But the Group had recorded much more significant disposal gains on dedicated assets in H1 2017 under IAS 39. The difference represents an additional €377 million negative.

Income tax stood at €625 million, down 12.2%. Income from associates stood at €365 million, improving by €458 million year-on-year. This was mainly driven by the €341 million impairments that had been recorded in H1 2017 on CENG assets, with no equivalent in H1 2018. **When excluding non-recurring items, Recurring Net income** comes slightly to €1.7 billion.

A quick word on the post-tax effects of non-recurring items, which stood overall at a slight negative of €13 million. In H1 2017 they stood at a positive of €635 million. This reflected essentially the €1.3 billion positive impact of the disposal gain on the RTE transaction which was partly offset by the impairment on CENG assets, as well as volatility effects and commodity derivatives.

These items had no significant equivalent in H1 2018.

Looking now at the first part of the cash flow. **Operating cash flow** stood at €7 billion, up from €4.2 billion in H1 2017. Two main drivers here :

- First, the significant EBITDA growth, which also includes less non-cash items than in 2017, linked to changes in the fair value of EDF Trading's portfolio, and to the slow-down of the DSSA activity.

- Second, tax disbursements were much lower: we actually recorded net reimbursements of instalments paid in 2017 in the context of a reduction of the taxable income over the last three years.

Considering now **cash flow after net investments and change in working capital requirement** that came to €2.1 billion versus €3.2 billion in H1 2017. Three points to note here:

- First, the change in working capital requirement came to a positive €1.4 billion. This significant improvement is mainly linked to cash-ins from the State in connection with CSPE receivable, as well as seasonal effects related to the payment of local taxes.
- Second, total net investments and acquisitions excluding the group disposal plan reached €6.3 billion, up €0.5 billion. This is mainly driven by increased investments in renewables – including the acquisition of the NNG offshore project development rights in Scotland – by the acquisition of Gas Natural's customer portfolio in Italy, and by the rollout of Linky, and by Hinkley Point C.
- Third, no transaction was formally closed over H1 2018 under our Group disposal programme. Whereas we had recorded over €4.3 billion of disposals in H1 2017, driven by the RTE transaction. That being said, as you know, two important transactions have been signed in July on the disposal of Dunkirk LNG and a real estate portfolio to be signed today, which should together help achieve our €10 billion target in the course of the year.

The second slide on cash flow shows the €1.1 billion disbursement that we had to make last year to the dedicated asset fund in the first half of 2017, in order to respect the regulatory requirements in terms of coverage ratio. For H1 2018, the regulatory requirement related to the 2017 increase in provisions came to €386 million. As already mentioned at our Q1 financial communication, we intend to complete that through a transfer of non-controlled assets – mostly renewables – to the dedicated assets fund. After deduction of the interest payments on hybrids and of the share of the dividend paid in cash, Group cash flow stood at €1.6 billion.

Finally, the change in **net financial debt** which was reduced by €1.7 billion for the first half of 2018. It stood at €31.3 billion at the end of June – exactly the same amount as one year ago. Operating cash flow and the change in working capital requirements exceeded net investments on the current scope by €3.6 billion.

With no cash-in from the disposal plan, the improvement in net financial debt was essentially driven by operating cash flow, as well as, to a lower extent, the improvement in working capital requirements and the last scrip dividend.

The financial debt level reached at mid-year enables us to upgrade the outlook for the net financial debt ratio at the end of the year from 2.7x to 2.5x.

Let me hand back to Jean Bernard, who will present you our upgraded 2018 guidance.

Jean-Bernard Lévy

Chairman and Chief Executive Officer, EDF Group

Just to conclude in a few words, 2018 is a year of rebound. You have seen the positive results achieved in our operational performance, both in nuclear and hydro generation, and also with the reduction of our operating expenses in line with the revised target of reducing expenditure by €1.1 billion over the period of 2015-2019, which is €100 million more than initially projected. This obviously shows into the EBITDA, as well as into our net financial debt, which gives us a stronger balance sheet. We are expecting to complete our €10 billion asset disposal programme by the end of the year, thanks to the two transactions that Xavier Girre just described.

If we look at our **objective targets for 2018**, indeed we will now raise our EBITDA target range. It used to be €14.6–15.3 billion for the full year, and we will now have the target range stand at between €14.8 and €15.3 billion.

We also upgrade the 2018 outlook for the financial debt to EBITDA ratio, which will be less than or equal to 2.5x when it was previously 2.7x.

As already announced in February, we are guiding that operating costs in 2018 will be €800 million lower than in 2015.

We confirm a slightly positive or close to zero cash flow target on the scope of our guidance, which dates back a few years[1]. Within the same scope, we expect our net investment to amount to approximately €11 billion. If we include our new developments and also the Linky meter, and if we exclude the effect of the disposal asset plan, or any future acquisition, our total net investment for the full year of 2018 will be less than or equal to €15 billion.

I would like to point out that we do not currently have any major acquisition plans. Of course, we will respond if any specific opportunities were to arise, as was the case with transactions concluded in 2017, such as what we did in France with Futuren or in the United Kingdom with Imtech.

To confirm and conclude, let me tell you that pay-out of net income, including non-recurring items, into a dividend will reach 50%.

This concludes our initial presentation, and I thank you for your attention. Xavier and I will now take your questions, please.

[1] Excluding Linky, new developments and 2015-2020 assets disposal plan (cf. PR)

Q&A

Vincent Ayral (JP Morgan): Good morning. A couple of questions there. Regarding the net income from the associates, we see the end of impairments at Constellation after years – could you give us a bit of colour on what is exactly the situation there, and what you plan to do with these assets?

After, moving back to the French generation, we have seen very strong hydro, much less ARENH arbitrage, which is clearly helping you here, whether the regulations still leave the hand for EDF to get arbitraged against. Could you confirm that you were discussing with the government and looking at reducing the arbitrage opportunities within the ARENH mechanism?

If I were to go one step further – that is my third question – would you be talking to the government regarding potential more robust regulation providing a floor and/or an investment framework for life extensions? Thank you very much.

Xavier Girre: Thank you for these questions. As regards CENG, power prices are slightly up in the US and there is also the ZEC mechanism which is in place and which has supported the results during the first half of this year. This is why there is no depreciation of CENG in our accounts during this first half of the year.

Jean-Bernard Lévy: Also regarding your next questions, let me tell that indeed we have been holding discussions with the government regarding ARENH. ARENH is costing a lot of money to EDF, and this goes directly to our competitors. Maybe this was something that was needed in order for our competitors to emerge, but now they are doing well, and we believe this is an asymmetric anti-competition measure, anti-investment measurement, because obviously instead of building new capacity our competitors in the downstream area just have to look for ARENH capacity instead of being truly industrial companies. We are discussing with the government that ARENH maybe has a lived through its time, but no decision has been made yet. Obviously everybody over here is waiting for the famous PPE – the ten-year programming scheme for electricity and energy activities – to be released by the government, which obviously will not be in July, as we are the last day of the month, and so we have to expect that it will be in the autumn.

Regarding regulation on life extensions, this is not something that we have been claiming to do. We understand that our existing fleet is a non-regulated business, and we are not currently, and we have never said we would be claiming for the life extension programme to be financed through a new regulation. As we have said many times, the current prices, and even when they were lower, do finance our ability to pay for the life extensions; they also finance the ability to take care of decommissioning and waste management activities at the end of the life of the current fleet. I think we should really separate what is the regulation of the nuclear fleet, the regulation of the potential new nuclear units that hopefully we will build in France after Flamanville, and the fact that ARENH, which is a totally different system, which is really a subsidy from EDF and EDF clients and EDF shareholders to our competitors. ARENH is a totally different story and we believe it has done its time.

Olivier Van Doosselaere (Exane): Good morning. Thank you very much for taking my questions. Congratulations on the good H1 results, which drives me then to my first question. You delivered a 19% growth in EBITDA organically in H1. It looks like the midpoint of your guidance today suggests a 1% growth only, if I am not mistaken, of EBITDA growth in H2, whilst actually surely some of the positive elements that you had in the first half will still be there. Your nuclear output target for France actually suggests that we should see a better year-on-year performance in H2 than in H1. I was wondering if you could help us to bridge maybe what seems to be a cautious implicit guidance for H2 relative to what you have delivered in H1?

Second question is: we have seen capacity guarantee prices go up on the auctions. They have almost doubled year on year. I was wondering what your understanding was of what was driving those higher prices, and how sustainable you thought that were?

Third question, coming back to the associates, indeed we have seen an improvement year on year; I was wondering if you thought that the performance delivered in H1 can be extrapolated so if you expect to maybe receive around €700 million of associates on the full year?

Then the fourth question probably comes up pretty much every time, but we have had end of June again some press speculation about the idea of a potential split of EDF. I was wondering if you could just give us your sense on what you said at that point. Thank you.

Jean-Bernard Lévy: Regarding our H2 EBITDA assumptions, we are happy with our updated upgraded EBITDA targets. You may indeed do a calculation, as you have done, regarding the balance of the year, what would H2 look like when compared to H2 last year and things like this – and I will not go any further than your own comments, calling it conservative and cautious. I think we have seen in recent years, that we have not always been able to overcome unexpected events, and considering our recent history of unexpected events, especially in France, we do reckon that many people, like you, may consider as, indeed, conservative what we are targeting to do, but we would rather like to be conservative considering our historic record in this matter.

Regarding your fourth question, we do understand it is the privilege of the majority shareholder of EDF, the French State, to look at whether the current structure of EDF assets are, indeed, optimised in order to meet the expectations that the State may have with regard to what EDF's missions are: regarding good service to the French public; good independence in supply; good security of supply; and good contribution to climate objectives. When the State looks at these objectives, maybe among others, including, of course, the value creation, maybe the State will have, at one point in time, some thoughts regarding potential restructuring. At this stage, we are not aware that the State has asked us to look at any specific scenarios. There has been now for quite some time, speculation on whether the State will, indeed, look at that, step back and consider potential changes. I am responding to this question with exactly the same comments as what I did during the first half of 2018, which is that EDF will, of course, work with the State at the time, if it happens eventually, when the State would decide to look at alternatives regarding EDF structure, but such is not the case today.

Xavier Girre: So as regards the associates for the full year, you know that the key contributors to our associates results are Alpiq, CENG and RTE. As regards Alpiq, the results are published at the end of August, so we will see. CENG we already spoke of, and as regards RTE, the first half was very strong, but it could also be a strong year as a whole. So nothing specific to report as regards the associates.

Second question, as regards the capacity price. As you know, there are seven tenders which will define the price for 2019. For the time being, four of them have already occurred and have given quite a high price: in the range of €18/kW for the last three of them. We have published an appendix on our website in order to help you understand better how it works. Two key elements: (i) on the one hand, an impact on the EBITDA of 2018, which is the impact of the sale of the certificates on the market, and (ii) on the second hand, an impact on the EBITDA on 2019, in particular as regards the impact on this capacity mechanism pass-through to the clients. For the time being, it is too early to have a global view on the final price of this capacity mechanism for 2019.

Peter Bisztyga (Bank of America Merrill Lynch): Good morning. Two questions, please. Firstly, I was wondering if you could comment how the warm weather in July so far has been impacting your nuclear output and do you see any risk to your 395TWh-guidance assumption on that basis?

The second question is when can we expect to see some visibility on whether the closure of Fessenheim will be delayed as a result of the delayed start-up of Flamanville?

Dominique Minière, Group Senior Executive Vice President – Nuclear and Thermal: On your first question, we have always, like each year, some provisions to face the environmental constraints, that we have on our facilities and our plants. On the first semester we have consumed very few of these provisions and so we are able to face the coming July and even August period without impacting our global target of generation.

On your second question, concerning Fessenheim, we are still studying the way we will operate our plants considering the new date for Flamanville 3. Probably, today or in the following days we will make public what our prospective is and what we will do on Fessenheim.

Ahmed Farman (Jefferies): Hi, morning everyone. I wanted to come back to the French capacity market clearing prices again, as it was highlighted in the previous questions that capacity prices have almost doubled. On my calculations, that appears to be quite a significant benefit for EDF, almost €500 million, the additional €10/kW increase we have seen in the clearing price. Can you just please tell us again, will that impact FY2018 EBITDA or will you be booking there in FY2019?

My second question is could you, perhaps, give us an update on your outlook for the UK nuclear business for the full year? Thank you.

Xavier Girre: Thank for your questions. First, as regards capacity market, the impact on 2018 is quite limited because it is only based on the sale of the certificates on the markets, so it is certainly not hundreds of millions, maybe some tens of millions but not more than that. As regards 2019, of course we will see what is the final price of the capacity mechanism. It is important, also, to have in mind that, due to the current prices, we expect the full ARENH volume to be required, and, as you know, when we have to sell volumes through the ARENH, the ARENH includes the capacity certificate and, in this case, we do not receive any additional revenue. So it is important to have these two elements in mind, not to overestimate the positive impact of the capacity mechanism. Nevertheless, you are right, €18/kW is a strong increase in comparison with this year, which is in the range of €9.3/kW or last year which was in the range of €10/kW.

Your second question, about the UK nuclear generation. We expect, for the full year, 3 to 4TWh lower than last year, so let's say in the range of 60TWh in UK for the full year 2018, because of Hunterston B in particular.

Aymeric Parodi (UBS): Hi, good morning everyone. One question from me regarding Hinkley Point, which is potentially a very valuable project, at least as we see it. Could you please give us a quick update on this project and tell us how things are progressing here? Thank you.

Jean-Bernard Lévy: Hinkley Point is totally in line with the updated project objectives that we determined about one year ago, after we reviewed the situation after the FID (the final investment decision) which was after the summer in 2016. So we are now two years into the project after the FID and we are in line with what we had achieved. We look at specific milestones as significant points of metrics on how we look at the way progress is being made and we are happy, whether it is regarding the earthworks and the beginning of the civil works; whether it is regarding the engineering situation, when the number of open engineering points has sharply decreased over the recent period; or whether it is with the equipment manufacturing projections, which, of course, are not on the critical path today but will become, at a certain point, absolutely essential. When we look at all this, we are happy that we are within the updated budget that we determined a year ago and we are within the schedule, with that same risk of, maybe, not meeting the schedule. We still believe that the original schedule is achievable and so we have no further comments to make, but some significant optimism over the achievements of the last 12 months.

Carolina Dores (Morgan Stanley): Hi, good morning everyone. Thanks for taking my questions. I have two, if I may? One coming back to your guidance. I realise that you are being conservative on EBITDA, but net debt also seems quite conservative because it would imply that you would go from around €31 billion of net debt, closer to €37 billion. I understand this is, again, you are just being conservative if there is a big reverse on the working capital or CAPEX need that you are accounting for in the second half?

My second question is on the France networks business. Growth has been quite strong this year, even larger than the guidance of low single-digit growth. I wanted to understand if this should be recurring or there should be some form of normalisation to the low single-digit growth, either on the second half or from 2019 onwards? Thank you very much.

Xavier Girre: Thank you for your questions. As regards the guidance, as we already answered concerning the EBITDA, first, we want to wait till the end of December when the regular maintenance outages will come back. Secondly, as regards specifically the net financial debt, there may be some swing on the working capital requirements, and that is why we have decided to define this 2.5x net financial debt to EBITDA ratio as our guidance. We will see during the second part of the year, in particular as regards the nuclear generation, where we are exactly.

Secondly, as regards the volumes distributed by Enedis, it is a very slight increase during this first half of the year, and it is always very close to zero, so it is always not a very clear tendency. So slight positive during this first half of the year. Thank you.

Sam Arie (UBS): Hi. Thank you. Good morning everybody. Two questions from me, please. One on the French generation business and one on renewables. For the French generation, I just really wanted to confirm my understanding that the strong first half you have had is really driven by higher volumes? Obviously, what we have seen this year is very strong coal and carbon prices, but my understanding is the benefit of those is still to come through, given you are hedging in 2019 and beyond, so it would be great just to confirm that.

Secondly, on the renewables, you have obviously got some great projects in the pipeline there. I just wondered, what is your latest perspective on the potential returns you might be able to achieve from those new renewable projects, particularly the offshore wind? Thank you.

Jean-Bernard Lévy: Thank you very much. On your first question, regarding nuclear production and nuclear numbers, you may remember that we had availability issues related to how we were checking whether our fleet was okay to continue to work or due to problems we discovered that were dated back a long time ago and that were due to manufacturing anomalies let us say, and this created a lot of hassle for us one year ago, two years ago and so on. And it has taken some time for us together with the nuclear safety authority to be able to recover from this situation. You may consider that everything being equal, our performance during the first half of 2018 is more in line with what you have to expect in general terms.

Now that being said, do not forget that if you look forward we will have a larger number of plant outages. We have flagged that already a little while ahead especially when we have the start of what we call the VD4 (the fourth 10-year visits) which are longer outages and which of course need specific nuclear safety authority's supervision.

I would say the general availability of the fleet outside the plant outages has been very good recently, and we consider that we are more in line with what one should expect from the fleet and we even had, for instance, the Paluel 2 reactor back in operations a few days ago after more than two years of outages.

All in all, we are happy: we believe H2 should be also in 2018 a good year. But looking forward, do not forget we will have more outages for ten-year visits, especially the fourth ten-year visit is a long outage – and we have not yet done it – at Tricastin 1. This will start in June next year and so let us be cautious about that in the future.

Regarding renewables and returns, I know there is a rumour in the industry saying that we do not find good returns anymore. I have to say this is not the case. We do have, being a large and global player, a variety of opportunities all over the world on all continents for us to build new wind energy whether it is onshore or offshore, and also new solar projects. And when we review these projects in the investment committee, we do have good stories about creating value and having the projected returns significantly above the weighted average cost of capital.

And then when we do a post-mortem analysis of this a couple of years later, or when we sell these assets through our policy of selling the assets when they have been built for some of them of course, we do see that we have met these return. So, you should not at this stage, be overly cautious or concerned that we do not find any good projects with good returns.

Maybe your question also hinted at the renegotiation that we held with the French government in the month of May and June regarding the French offshore project. Indeed, time had elapsed since we were awarded this project in 2012. The government wanted to renegotiate and we found a good deal, which is for us still very significant in terms of value creation. Now we have not finished with the permitting of even the first of these projects. We hope to have done with all these permitting issues maybe by the end of this year, maybe early in 2019. So you will not have the benefits of these projects into our EBITDA numbers and profits before quite some time, because then you need to build and start operating.

So in terms of renewables and returns, we still find this is an industry that favours our model and that creates value for our shareholders.

José López (Millennium): Hello, good morning, thank you for taking my question. My question was generally on an observation and a question. I mean in France you have one of the lowest carbon content in your electricity grid. There seems to be a little bit of obsession about shutting down nuclear unit etc. However, when you look at France's greenhouse gas emissions, the latest data it shows that the failure in France have to do with the heating and transport sectors. A lot of focus on electricity, and meanwhile emissions in the heating and transport sector are rising. Do you see any opportunities in any change of focus and any move to try to decarbonise the heating sector on an initial basis? That was the first question.

The second question was if you had any comments or colour on the Friday meeting between President Macron and Prime Ministers Sanchez and Costa, as they made a declaration about working together to implement the minimal carbon price. Do you have any colour on that or any views? Thank you.

Jean-Bernard Lévy: Thank you very much. For your first comment, I would not be able to say anything better than you stated things yourselves. If I use myself, I know this is a public statement, but if I said that some people have an obsession at shutting nuclear units I am sure I would be blamed. So I will not repeat it the second time. And if I claim that carbon content in France from the electricity sector is already very low and that people are not looking at what is the real problem – which is the heating and transport sector – well I would be allowed to say that and so I tell you I am very happy with your comments. We do believe that indeed a substitution of low carbon electricity to activities in heating and transport, which are using fossil fuels whether that is oil or gas and even still a little coal from time-to-time. This would be, of course, extremely useful. The government is more and more aware of this and we hope that the regulations that will be implemented through the PPE, and also the French National Strategy for Low Carbon – which is a way to put together various activities, various government decisions regarding climate change; this will help in turning heating and transportation from oil and gas towards low carbon electricity.

On your second question, I think the visit of President Macron to Spain and to Portugal at the end of last week in terms of the energy sector was more linked to creating new interconnections with these two countries. We welcome these interconnections. We believe there is a benefit to the consumers and to our companies in expanding interconnections with the rest of Europe. There are currently being built new interconnections with the UK, with Italy, and there will be more built towards Spain and Portugal.

And I am talking of electricity here, and not of gas. But we believe this is good and we believe this will help drive high carbon units out of the market as people will realise that there is more low carbon power available through these interconnections. Simultaneously, President Macron and his government they have been claiming that inside Europe, we should have a minimum carbon price policy, but this has not yet been enabled through various discussions in Brussels.

As you may know, there is an informal group of ministers meeting in Brussels who are in favour of such carbon price floor, and we hope that maybe in a few months, these few countries (it is around ten of them) will be able to finalise joint statements and a joint policy on how to reduce carbon emissions in Europe. As you know quite amazingly carbon emissions in 2017 went up in Europe, and down in the US. So I am sure this is a wakeup call for many people.

Aymeric Ducrocq, Head of Investor Relations: An internet question about Enedis and the new TURPE 5 decision. The CRE announced a decrease in the tariff starting 1st August whereas the Group was expecting a small positive effect. What do you expect as impact on 2018 full year results?

Xavier Girre: You are right that when the *Conseil d'Etat* cancelled the TURPE we said that it may lead to a small positive effect on Enedis and now we see a slight decrease in the tariff: -0.21% starting 1st August. This is explained by two elements. The small positive effect is neutralised by the correction of the corporate income tax rate, which has been reduced by the parliament since the adoption of the initial TURPE 5. And in addition, the inflation component is more than compensated by the effect of the catch-up mechanism – what we call in French the "*CRCP*" – which positive position at end June 2018 translates automatically into a negative evolution of the tariff for the year to come.

But in fact what matters most here, is that the regulator has adjusted upwards the regulated equity of Enedis by €1.6 billion, which will translate into additional revenues in the future. And the CRE indicated that the net present value of this revenue stream amounts to €750 million. All in all, there is therefore almost no impact from this TURPE on 2018 P&L, but there is a clear and strong positive element from a value standpoint.

Jean-Bernard Lévy: Thank you all of you for attending and I am sure we will meet again in the next few weeks or months with further news from EDF. Thank you again and a good day to all of you. Thank you.