



# SHAREHOLDERS' NEWSLETTER

#22 / September 2015

## NEWS

### MOVING TOWARDS AN EDF - AREVA PARTNERSHIP



HALF-YEAR RESULTS

KEY FIGURES

BETWEEN US

INTERVIEW WITH THOMAS PIQUEMAL





# EDITORIAL BY JEAN-BERNARD LÉVY



**THE ENERGY TRANSITION IS AN  
OPPORTUNITY FOR THE EDF GROUP  
TO PROMOTE ITS UNIQUE SKILLS  
AND TECHNOLOGIES.**



## **DEAR MADAM, DEAR SIR, DEAR SHAREHOLDER,**

This newsletter is both an opportunity to look back on the financial results of the first half of 2015 and to share news about the EDF Group.

The first half of the year was marked by sound operating results, reflected in particular in the level of nuclear generation: the highest recorded in France since 2011 for a first half-year. Despite the generally unfavourable economic environment, and thanks to the commitment of our teams, the Group reported stable results and can confirm its targets for 2015.

The French nuclear industry, driven by EDF and Areva, will see a transformation over the next few months. At end-July, we signed a memorandum of understanding with Areva to formalise the progress made in discussions regarding our planned partnership. For EDF, this is an opportunity to improve the safety of our activities and to bring the French industry to new heights on international markets.

I recently made a public statement about the EPR project in Flamanville. I took the time to analyse this project in detail and I have total confidence in its success. It is a priority for EDF and a major challenge for the French nuclear industry and its

international profile. Our teams and those of our partners, in particular Areva, are working to successfully complete this project with the highest safety and security standards. The extensive experience acquired at Flamanville will serve other EPR projects, in particular Hinkley Point. Together with renewable energies, the new nuclear strategy is an asset to succeed the energy transition to which EDF is fully committed.

As you know, the energy transition bill for green growth was adopted this summer. It provides a framework and visibility for the energy policies applicable to EDF's development in France. With this in mind, EDF will participate in the COP21, the international conference on climate change to be held in Paris at the end of the year.

Thank you for your trust.

**Jean-Bernard Lévy,**  
Chairman and CEO of EDF

**SALES**

in billions of euros

**EBITDA**

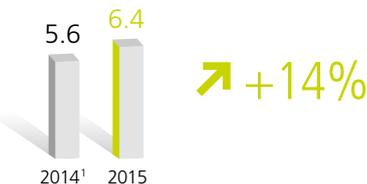
in billions of euros

**GROUP NET INCOME**

in billions of euros

**NET INVESTMENTS<sup>3</sup>**

in billions of euros

**NET DEBT TO EBITDA RATIO****STABLE RESULTS BOOSTED BY SOUND OPERATING RESULTS IN THE NUCLEAR INDUSTRY AND COST-EFFICIENCY**

The Group reported stable results for the first half of 2015, boosted in particular by sound operating results in the nuclear industry and the control of financial expenses excluding non-recurring items, in an economic environment where the market price is still down.

EBITDA amounted to €9.1 billion, up 3.6% and with stable organic growth compared with the first half of 2014.

These results reflect strong performance in France, with a 3.4% organic increase in EBITDA that benefits in particular from the impact of price increases in November 2014, the effects of normalised weather on consumption compared with the same period last year, and the continued growth in nuclear generation.

Conversely, performance in Italy (46.9% decrease in organic growth) is affected by weaker hydro levels, difficult electricity price conditions and the drop in the Brent price. EBITDA in the United Kingdom was stable, penalised in particular by the decreasing electricity market price, but boosted by greater cost-efficiency. The Other international segment, with a 14.4% organic increase in EBITDA, benefited from the effect of normalised temperatures compared with the same period in 2014. EBITDA for the Other activities segment, with a 7.8% organic decrease, reflects the unfavourable price environment in gas activities, partially offset by the growth in renewable activities.

Group net income was stable (-0.2%) and amounted to €2.5 billion. Restated for non-recurring items of €414 million, recurring net income increased by 14.6% to €2.9 billion.

**Continued investment efforts**

In the first half of 2015, net investments amounted to €6.4 billion, of which 71% was invested in the maintenance and development of all power plants and grids in France. The 14% increase in net investments reflects primarily investment growth in the United Kingdom and Italy.

**Financial outlook**

The Group confirms its financial targets for 2015:

- Group EBITDA<sup>5</sup>: organic growth of 0 to 3%;
- Net debt to EBITDA ratio: between 2x and 2.5x;
- Payout ratio<sup>6</sup>: 55% to 65%;

and reiterates its goal to achieve positive cash flow after dividends in 2018, excluding Linky.

<sup>1</sup> Data restated for the impact of IFRIC 21.

<sup>2</sup> Organic change at comparable scope and exchange rates.

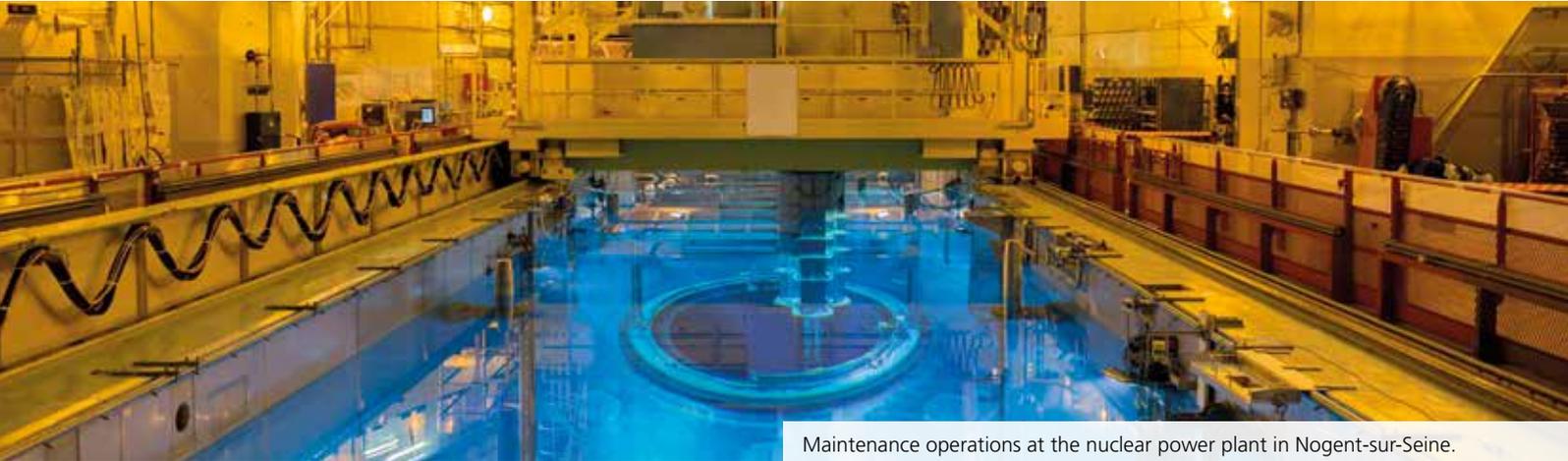
<sup>3</sup> Net investment excluding Linky and strategic operations.

<sup>4</sup> The ratio at 30 June 2015 is calculated based on the combination of H2 EBITDA for 2014, restated for the impact of IFRIC 21 and H1 EBITDA for 2015, with the numerator and denominator on a comparable basis.

<sup>5</sup> At comparable scope and exchange rates, and excluding the impact of adjustments for 2012-2013 regulated sales tariffs.

<sup>6</sup> Recurring net income adjusted for remuneration on hybrid issues reported under equity.

# MOVING TOWARDS AN EDF - AREVA PARTNERSHIP



Maintenance operations at the nuclear power plant in Nogent-sur-Seine.

EDF and Areva have been working together since last spring to strengthen their cooperation with the shared goal of optimising the competitiveness of the French nuclear industry which, as was pointed out in a communiqué issued by the French Presidency, *"is essential to our country's energy independence, the success of the energy transition and the production of carbon-free energy"*.

On 30 July 2015, EDF and Areva signed a memorandum of understanding to formalise the progress made in their discussions.

The MoU comprises three sections. Firstly, a comprehensive draft agreement on strategic and industrial issues between both companies, aimed at improving and developing the effectiveness of their cooperation in various areas: Research and Development, export sales of new reactors, spent fuel storage and dismantling.

Secondly, the MoU deals with the contemplated acquisition by EDF of exclusive control over Areva Nuclear Power (AREVA NP): EDF will have exclusive majority control (at least 51%, with AREVA NP having up to

25% and the possibility of other minority partners).

The parties agreed to an indicative price (100% equity value<sup>1</sup>) of €2.7 billion<sup>2</sup>, and agreed that the treatment of cash in the interim period between 1 January 2015 and the closing date would be subject to a later agreement taking into account the measures taken and the forecasts presented by the new AREVA NP management.

This price corresponds to a 2015 EBITDA multiple of 8x<sup>3</sup>. The protocol also provides that EDF, AREVA NP and their subsidiaries will be completely immune to any risks associated with the Olkiluoto project 3 (Finland). With EDF's planned stake of 51%-75%, all the financial terms and conditions enable the Group to preserve its financial trajectory and to confirm that this transaction will have a neutral impact on its cash flow in 2018.

## AREVA NP (formerly FRAMATOME), subsidiary of Areva, comprises 5 activities:

- **Reactors:** solutions and services related to existing reactors (maintenance, improvement and extended service period), but also to future reactors;
- **Fuel:** design, manufacturing and marketing of fuel assemblies, and related services;
- **Major projects:** management and completion of major nuclear reactor construction projects;
- **Manufacturing:** of components and instruments;
- **Products and Technology:** obtaining certifications and performing safety audits.

In 2014, AREVA NP's sales were broken down into 5 divisions: 40% Reactors, 33% Fuel, 18% Major Projects, 7% Manufacturing and 2% Products and Technology. These sales amounted to €4.7 billion, i.e. more than 56% of Areva's total sales.

<sup>1</sup> Scope of the transaction after excluding operations not acquired.

<sup>2</sup> "Non-binding" figure with no transfer of liabilities associated with Olkiluoto 3 nor financial debt at the closing date, and which may be adjusted after due diligence.

<sup>3</sup> Normalised EBITDA pro forma of the acquired scope, excluding large projects.

Lastly, the MoU provides for the creation of a company dedicated to the optimisation of design and project management activities for new reactors (80% held by EDF and 20% held by AREVA NP), aimed at improving the preparation and management of projects, while also improving export offers.

For EDF, this agreement with Areva and the integration of its Reactors activity represent an opportunity to achieve an integrated "generator-supplier" model that has already been tested by CGN and CNNC in China, Rosatom in Russia and Kepco in South Korea.

This new format is intended to make the French nuclear offering more appealing.

The increased ability to adapt the offering to customer demand and requirements (in particular with a standardised and expanded range of reactors) will enhance the Group's competitiveness abroad and promote its existing industrial partnerships.

In addition, this agreement between EDF and Areva will ensure improved support to the "grand carénage"<sup>1</sup> (Major Overhaul) programme by enhancing the effectiveness of project management, engineering and

manufacturing activities. The integration of project management and design teams for new reactors will increase the level of control over these projects, based on the same principle of skill synergies.

This transaction could be finalised during the second half of 2016, after the completion of a number of stages, including in particular informing and consulting with employee representative bodies, obtaining authorisations from the EDF Group governance bodies, EDF submitting a binding offer in the last quarter of 2015, and approval from the relevant authorities.

## THE ENERGY TRANSITION, AN OPPORTUNITY FOR EDF

The energy transition bill for green growth, enacted on 17 August 2015 after being approved for the most part by the Constitutional Council on 13 August, is a fantastic innovation and development opportunity for the EDF Group. This bill aims to support the emergence of a new French energy model, central to EDF's strategy under the "Cap 2030"<sup>2</sup> project.

In the fight against climate change, this bill is aimed primarily at moving towards a low-carbon economy. It targets a 40% reduction in greenhouse gas emissions by

2030 (1990 base) and a fourfold decrease by 2050. Furthermore, it provides for an increase in the share of renewable energies to one third of final gross energy consumption, a 30% reduction in primary fossil fuel energy consumption by 2030, and a cap on total nuclear generation capacity at the current capacity level.

For EDF, developing the energy mix (i.e. the mix of different energy sources in generation) is a political, industrial and environmental challenge. Today, more than 20% of the Group's installed generation capacity worldwide comprises renewable energies.

Helping our customers to "consume better and not consume more", as Jean-Bernard Lévy reminded us during the general shareholders' meeting, is a principle that underpins the priorities of EDF Group, the French leader in energy savings.

EDF is one of the key partners of the COP21. This United Nations climate change conference will be held in Paris from 30 November to 11 December 2015.

A responsible and environmentally committed company, EDF is ranked as the fourth most sustainable CAC 40 company this year (Enjeux-IRSE study conducted by the CSR Institute).

[www.edf.fr/CSR-commitments](http://www.edf.fr/CSR-commitments)

EDF and its subsidiaries are already strongly involved in most of the sectors promoted in this bill: the renewable energies market, energy services, electric mobility and smart grids for private individuals, companies and local communities.



<sup>1</sup> Programme intended to extend the service life of nuclear facilities beyond 40 years.

<sup>2</sup> This company project determines a course of development for the Group over the next 15 years.



# INTERVIEW WITH THOMAS PIQUEMAL

Group Senior Executive Vice President in charge of Finance

**You announced stable results despite the unfavourable environment and low market price. How do you explain that?**

The results for the first half of 2015 are boosted in particular by sound operating results in the nuclear industry and the control of financial expenses excluding non-recurring items.

Our strong financial performance is associated with the drop in financial expenses, thanks to our dynamic debt management and the very strong performance of our dedicated assets portfolio<sup>1</sup>.

### Is the Group's debt not too significant?

In the first half, net financial debt amounted to €37.5 billion, up €3.3 billion compared with 31 December 2014, but this figure includes €1.2 billion in currency effect, the rest being associated with our increased investment effort. These investments should reach their peak in 2015 with the completion of certain projects,

such as the LNG terminal in Dunkirk. During this half-year, we had to deal with increased investments in ERDF in France, as well as in the United Kingdom and Italy.

Debt is under control, the net debt to EBITDA ratio amounted to 2.1x at 30 June, towards the lower end of the range that we had announced in the beginning of the year.

### What are the characteristics of this debt?

Since 2009, we have extended the debt's maturity by nearly 6 years and reduced its average cost by 130 base points.

The average coupon on Group debt was 3.09% at 30 June 2015, with an average maturity of 13 years. At 30 June 2015, the split of gross financial debt was 58% at a fixed rate and 42% at a floating rate. This debt is denominated mainly in euro (70%) and sterling (23%). Our exposure to the US dollar has reduced from 6% to 4%.

<sup>1</sup> First-half 2014 performance before tax: +2.9%.

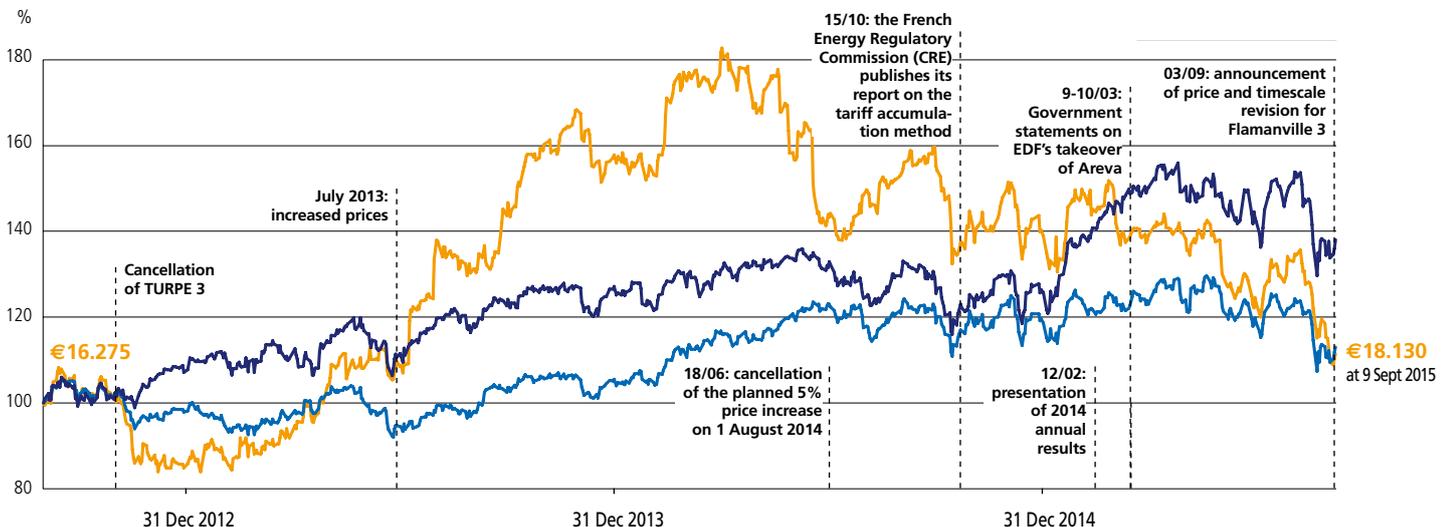
## EDF SHARE PRICE

30 August 2012 - 9 September 2015



### TO FIND OUT MORE

Follow EDF share price at [www.edf.fr/finance-en](http://www.edf.fr/finance-en)



# THE EDF SHAREHOLDER CONSULTATIVE COMMITTEE IN BRENNILIS

The consultative committee is both a consultative body and think tank, connecting you with EDF. It ensures that we better understand your expectations and constantly improve the communication tools dedicated to you. The committee comprises 12 members, including one employee and one former EDF employee. On 30 June 2015, the committee members visited the Brennilis nuclear site that is being decommissioned. This was an opportunity for discussion.

## How does EDF dismantle a power station and what level of expertise does it have in this area?

As operator, architect and lead contractor, EDF is responsible for the regulatory, financial and technical aspects associated with power plant deconstruction. Deconstruction is a long and complex process involving various technical operations. It currently consists of three key stages:

- 1 - Power plant shutdown, fuel removal and decommissioning;
- 2 - Dismantling of non-nuclear and nuclear buildings (excluding the reactor building), waste conditioning and removal to waste storage centres, isolation, containment and surveillance of the part surrounding the reactor;
- 3 - Complete dismantling and removal of the reactor building and of materials and equipment that are still radioactive.

Dismantling techniques are now perfectly under control. In order to successfully complete these operations, EDF has equipped itself with dedicated and specialised engineering teams. EDF is in contact with the French Nuclear Safety Authority (ASN<sup>1</sup>) throughout the process.

## What is the status of the Brennilis project? When is the planned completion date?

The greatest part of the non-nuclear section of the installations is currently deconstructed (control room, auxiliary buildings, administrative rooms, fuel storage building). The teams are in the process of dismantling the heat exchangers and are continuing the dismantling of the effluent treatment plant. The waste discharge channel, located at the treatment plant's outlet, has already been decontaminated.

The dismantling of the reactor vessel will start as soon as the French government issues the authorisation decree, after receiving a favourable opinion from ASN and conducting a public inquiry with local residents and the relevant stakeholders. Accordingly, EDF will require some ten years of work to complete this project.

## What becomes of waste generated from this site?

Deconstruction generates several types of waste, around 20% of which is radioactive. There are storage solutions for nearly all such

waste. Pending the opening by ANDRA<sup>2</sup> of the geological storage centre for the remaining waste (2025), the waste will be stored in a dedicated installation currently being built by EDF on the Bugey site.



The Brennilis power plant is located 25 km south of Morlaix (Finistère). The Monts d'Arrée site is a heavy water reactor that has been shut down since July 1985 and for which dismantling started in 1997. There are currently 9 deconstruction sites among EDF's power plants in France.

## JOIN THE SHAREHOLDER CONSULTATIVE COMMITTEE

The committee will be partially renewed at the end of the year: if this adventure interests you, find more information at [www.edf.fr/actionnaires](http://www.edf.fr/actionnaires) ("comité consultatif" section) and download the application file or contact

**0 800 000 800** Service & appel gratuits  
(calls are free from a landline)

Or from abroad: **+33 1 40 42 48 00**

The application file must be submitted before **23 November 2015**.

## PROVISIONS ASSOCIATED WITH NUCLEAR

The provisions made by EDF for the nuclear power plants fall under the law of 28 June 2006 regarding the sustainable management of radioactive waste and materials, and under its subsidiary legislation regarding the secure financing of nuclear expenses.

- EDF records provisions to cover the deconstruction operations of its installations.
- EDF provides dedicated assets to secure the financing of the dismantling of nuclear installations and long-term radioactive waste storage facilities.

<sup>1</sup> ASN: Autorité de Sécurité Nucléaire (French Nuclear Safety Authority).

<sup>2</sup> ANDRA : Agence Nationale pour la Gestion des Déchets Radioactifs (French National Agency for Radioactive Waste Management).

# "MORE DIGITAL, MORE AGILE AND MORE EFFECTIVE"

Jean-Bernard Lévy

With a new website launched in June, and which will continue to develop in 2016, the EDF Group boasts a **unique communication tool specially designed for you**. Responsive (can also be used from your smartphone and tablet) and offering a wealth of new content on the company's history and current news, it forms part of the essential tools to make EDF "more digital, more agile and more effective".

➤ [www.edf.fr/en/home](http://www.edf.fr/en/home)



**Our shareholder relations and exchanges** are becoming more digitised every day. By receiving shareholder newsletters and the invitation to the general shareholders' meeting by email, and by downloading the documents which interest you from the website or dedicated terminals, **you can participate in our "paper-free" target** aimed at limiting the environmental impact of our communication methods. Thanks to the possibility of online voting, more than half of voting shareholders were able to express their opinions on the resolutions of the last general shareholders' meeting with in the easiest way. Whether on the Shareholders Facebook page,

via the EDF Twitter account or on the Shareholders' Club website, **more and more of you are opting for digital communication.**

f [Actionnaires EDF - official page](#)

t [@EDFofficiel](#)

➤ [www.edf.fr/agm](http://www.edf.fr/agm)

**The digital revolution is changing our habits as consumers and citizens** and EDF is making a commitment at the heart of these innovations. Available on mobile phones and tablets, **the EDF & Moi application is already simplifying customers' lives on a daily basis**. In-house, the R&D department boasts advanced digital computing power, which makes it possible to access a new stage for risk simulation, optimisation and management (both technical and financial risks). As a final example, at EDF Lab des Renardières, the electricity grids of the future are being invented and tested expeditiously through **the Concept Grid, a full-scale experimental grid**.



**Nearly 600 members of the EDF Shareholders Club were able to take advantage of the online conference** held by the École de la Bourse and dedicated to the financial markets. This type of content, which is participatory and accessible to all members and across the country, makes it possible for you to watch in real-time a conference presented by professional experts and to ask your questions. You can also follow the conference at a later time, at your convenience. Building on this success, we will soon offer you conferences on other topics. See you at the Club!

➤ [clubactionnaires.edf.com](http://clubactionnaires.edf.com)

You can also opt for e-communication services: give us your email address and participate in EDF's dynamic digital approach.

➤ [actionnaires@edf.fr](mailto:actionnaires@edf.fr)

## CALENDAR OF EVENTS

### NOVEMBER 2015

5 - Q3 2015 sales released

**20 and 21** - Paris, Palais de Congrès - Shareholders' trade show  
Come to our stand: we look forward to seeing you there!

**30** - Grenoble - Retail Shareholders' meeting

### DECEMBER 2015

7 - Toulouse - Retail Shareholders' meeting

### FEBRUARY 2016

16 - Publication of 2015 annual results

### MAY 2016

12 - Paris - General Shareholders' Meeting\*

\* Subject to the decision of the Board of Directors.

## YOUR CONTACTS

■ Call

**0 800 000 800** Service & appel gratuits

(calls are free from a landline)

Or from abroad: **+33 1 40 42 48 00**

■ Send an e-mail to [actionnaires@edf.fr](mailto:actionnaires@edf.fr)

■ Visit our website [www.edf.fr/finance-en](http://www.edf.fr/finance-en)

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