Half-Year Results 2019

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Preamble

Jean-Bernard Lévy: Good morning, ladies and gentlemen. Thank you for attending this conference call. I'll be presenting EDF's Half-Year Results with my colleague, Xavier Girre, Group CFO. I will be focusing more specifically on our main priorities. And obviously, after these presentations, we will take your questions.

H1 2019 Key Figures

I will start with a brief review of our key figures for the first half of the year.

- Sales have grown organically by close to 4%.
- **Group EBITDA has remained stable compared to the first half of 2018**. Despite good market conditions in France and solid results from EDF Trading, adverse effects have been felt, owing to the decline in regulated activities in France, related to tariff adjustments in August 2018 and with the increasing burden of tariff equalisation contributions. We also have met worsening conditions in the United Kingdom.
- **Net income group share stands at €2.5 billion. This is an increase of 45%, mainly due to an improved financial result**, which was boosted by the performance of capital markets during the first half of the year, which is reflected in the fair value of dedicated assets. However, our net current income has fallen by €337 million when compared to the first half of 2018. This is mainly due to the increase in financial charges and depreciation and amortisation related to the investment trend in our nuclear activities.
- **We continue to reduce our debt**. Excluding the impact of accounting standards IFRS 16, EDF Group's net financial debt has gone down by €500 million when compared to the end of 2018. Debt stands at €37.4 billion once the IFRS 16 standard is factored in. Xavier will come back to these financial results in a few minutes.

Highlights and Deployment of CAP 2030

Renewable energies

Since the start of the year, we have continued to pour our energies into deploying our CAP 2030 strategy, and I would now like to highlight a few examples.

- **From one half year to the next, renewables are becoming increasingly central to EDF's business**. Our portfolio of projects under construction for EDF Renewables has reached a record-high gross capacity of 4 gigawatts, striking a good balance between wind and solar. Construction began for almost half of this portfolio in the first six months of 2019.

- **The period has been especially successful in terms of offshore wind power in France**. We'd like to highlight that our consortium – EDF Renewables-led consortium – has been selected for the Dunkirk offshore wind power project, around 600 megawatts. **This project will position EDF Group at the forefront of this very promising market in France**. The competitive strength of this project shaped the French government's decision to increase national targets for renewable marine energy by 25% in the multi-year energy plan. The target is now set at above 1 gigawatt per year.

  At the same time, the French Council of State approved the Saint-Nazaire offshore wind farm operating permit for close to 500 megawatts. This means that all administrative permits required for the construction and operational phases of the project have now been secured. I'm also delighted that EDF Renewables, with some partners, will press ahead with the developments of the Fécamp and Courseulles-sur-Mer wind farms. A couple of days ago literally, the Council of State in France dismissed appeals against the concession permits. With the combined capacity of nearly 1 gigawatt, these two farms will be able to supply 1.4 million people with electricity.

  So, I just described **four major projects of which we can be proud, and which set EDF as the leader of France's offshore energy industry**. More importantly, they are the base for an accelerated growth path for marine energy in France and the hallmark of a consolidated offshore wind power sector. As many as 7,000 employment opportunities will be created for these projects alone. So as you can see, out of seven projects in France, we are – we have four, four out of seven.

- We are also **continuing to grow in the solar power sector**. I have in mind the first – for the first half of 2019, our success in Noor Midelt I. A very large project in Morocco. This will be an 800-megawatt facility, one of the largest in Africa, with the world's first hybridisation of solar and storage technologies, so that we will supply electricity all day long but also for five hours after the sun has set. We are already building on this success to gain a foothold in other solar projects in Morocco. I'm also delighted with the four power purchase agreements we recently signed in India, which represent 700 megawatts in solar power. We are now above the 1-gigawatt barrier for renewable projects in operation under construction or in development in India, which we have flagged now for several years as one of our key markets.

  We are continuing to extend our geographical footprint as shown by our first-ever solar power station in Mexico, which was commissioned just a few days ago. Our renewable generation figures have gone down by almost 10 terawatt hours compared to the first half of 2018. This should not be a concern. It is only a reflection of the very unfavourable hydrological conditions we have experienced in France during the first half of the year.

Customers and services

If I turn to the next page with regard to the sale of electricity supply and services in France, our offensive on sales that began in 2017 is gathering a great momentum.

- We have just launched Mes Jours Zen. This is a new range of electricity supply offerings that are adapted to our customers' lifestyle. Customers can enjoy electricity prices that are 30% cheaper on weekends, on public holidays but also on one optional weekday, which they select at will. This promising launch has helped boost the sales profile of our offers over the last six months **on market-based contracts, we now enjoy more than 350,000 customers**. These results are fully in line with our target to reach one million customers on the market-based contracts by 2020.
- Our contracts are becoming increasingly flexible and innovative, as illustrated by Mes Jours Zen, and now also supported by the new functionalities of the smart meter, Linky. I'm really happy to report that **Enedis just broke through the 20 million meters installed barrier** out of a total of 35 million that we will have installed when the programme is fully deployed. So we are more than halfway, and we should finish as planned by 2021.
- In the energy service segment, **Dalkia continues to clock up new contracts** ranging from regional heating networks to energy performance contracts with large businesses such as Group Safran, which has awarded us a new facility management contract in energy efficiency for its 12 industrial sites in France.
- **Our drive to push mobility – electrical mobility announced last October as part of our electric mobility plan is also starting to take a larger shape**. In May of 2018, we founded a joint venture with a Californian start-up called NUVVE. We now have this joint venture, which is focusing on the development of smart charging, especially in the V2G technology. This is a very promising solution, which turns the vehicle into an active component of the electricity system, contributing to optimise the balance between supply and demand on the grid. We have founded DREEV together with NUVVE, which is already installing its first smart charging terminals in several cities in France.

International development

With regard to international development, let me underline a few success stories.

- At the end of 2018, we won the bidding process for the creation, **deployment and operation of a network of 5 million smart meters in India**. This project is moving at a very good pace. It is, of course, the biggest contract of its kind ever awarded in India. We recently successfully completed the test phase. The data management infrastructure is also ready. Over the next few weeks, our teams will kick off large-scale development of this deployment with the first batch of half a million meters.
- EDF continues to strengthen its position in Europe in activities with a high-growth , where the Group's capacity for innovation makes all the difference. This is demonstrable in the renewable energy aggregation market, which, we believe, will more than double in volume into 2030. **We just made an acquisition in Germany,**

a company called e2m, which is an expert in the renewable energy aggregation market. E2m already has 2,000 clients and operates 4,500 connected decentralised energy production sites. This transaction will strengthen the business line, which we now organise around a platform which we call 'EDF Local Energy Management'. This very important platform will oversee the development of our activities in the field of monetizing local sources of energy and managing flexibility, offering renewable energy aggregation and optimisation solutions, such as the smart charging I was just mentioning.

- Also in the first half of the year, I'm happy to report that we have extended our partnership with a very large Japanese company called JERA. This partnership is now extended to incorporate LNG, liquid natural gas, optimisation and trading activities. JERA Global Markets is now one of the key players in the global LNG trading market, based in Singapore.

Nuclear

On the nuclear side, if I turn to the next page. In the first half of the year, our fleet generated 1.1 terawatt hours more than in the same period in 2018. This is due to an improved availability of our fleet. However, in Great Britain, the nuclear generation dropped by 5.7 terawatt-hours due to extended outages at Hunterston B and Dungeness B.

- In the UK, **I would like to emphasise that the construction site for two EPRs at Hinkley Point C has reached successfully its first key industrial milestone, fully in line with the schedule**. This event, we call it J-zero, means we have completed the pouring of the common raft upon which we will erect reactor number one. This paves the way for the construction of the buildings in the nuclear island. The teams are now preparing for the first electromechanical assemblies. A consortium has been created with four leading British players in that area in order to ensure operations are well coordinated for the electromechanical assemblies. This last initiative is directly based on lessons learned from the construction of EPRs in Taishan.
- By the way, Taishan is no longer a construction site but a fully operational nuclear power plant. **The second EPR in Taishan started up last May, about a year after unit one. At the end of June, it is now successfully connected to the grid in preparation for its upcoming commissioning**. At the same time, reactor number one, as you all know, has been safely generating electricity with the expected performance since the end of 2018.
- On 19th June 2019, the French ASN, our Nuclear Safety Authority, published its decision related to the deviations affecting welds – eight welds on the main steam transfer pipes covered by the break preclusion principle on Flamanville EPR construction. We are currently reviewing three technical scenarios for the rework of these eight welds. At this stage, an in-depth and thorough examination of the three scenarios and discussions with ASN are going on. We will communicate when we are ready on the impact of the adopted scenario in terms of schedule and cost, but we consider that the commissioning of the plant should not be expected before the end of 2022.

Strengthened financial structure

If I look at our financial structure, and this will be the last page in my presentation, page 8. Throughout the first half of the year, we have continued to strengthen the financial structure of EDF Group, in keeping with the actions already undertaken for more than four years**. At the beginning of 2019, we announced a new €2 billion to €3 billion asset disposal plan to be implemented during the course of 2019 and 2020**, and this is in addition to the €10 billion asset disposal plan which we successfully completed in 2018.

I would like to draw your attention to a couple of developments:

- first, we disposed of our minority stake in Alpiq, a Swiss utility, for a total of €434 million;
- secondly, the signature of a binding agreement in preparation for the disposal of Edison's Exploration and Production activity for an amount that could achieve almost $1 billion. From a financial perspective, we are satisfied to have a clean break and to exit this business with zero exposure through decommissioning liabilities. On top of the potential $1 billion value that we can extract, we will also deconsolidate this long-term liability which stood on our balance sheet at €578 million at end 2018. We expect to close that transaction with the acquirer of our E&P business in Edison in the next few months.

With the sale of our shares in Alpiq and with the Edison transaction, this brings our expected proceeds at this point in the year to more than €1 billion out of a target of €2 billion to €3 billion through the end of 2020.

- EDF is also improving its financing stance by signing two new revolving sustainability-linked credit facilities, each of them being worth €300 million. This initiative confirms our commitment to developing sustainable financing. As a result, 45% of our credit lines, representing more than €5 billion, are indexed on our nonfinancial performance, in particular direct CO2 emissions.
- I would also like to underline that 94% of EDF's shareholders opted for the payment of the balance of the dividend in shares. **And I'm also very thrilled with the success of the employee shareholding plan**. It has massively exceeded our expectations. We have more than 40,000 subscribers. It means that our employees have placed a huge trust in their company.

And let me now hand over to Xavier Girre, who will give you a detailed presentation of our results.

Group EBITDA

Xavier Girre: Thank you, Jean-Bernard. Good morning, ladies and gentlemen. I'm happy to walk you through our 2019 half-year results. Before detailing these results, let me first remind you that the Group applied the accounting rule, IFRS 16, on leases starting 1st January 2019. The Group decided to apply the modified retrospective approach. Under this approach, there is no restatement of comparative figures:therefore, the financial statements at 30 June 2019 are presented with no prior year restatements. However, organic changes in

EBITDA are obviously calculated on a comparable basis and exclude the impact of IFRS 16 application.

This application has increased net financial debt by €4.5 billion at the date of the transition. It also would have had a positive impact on some €338 million on EBITDA for the first half of 2018. The consolidated net income would not have been significantly different.

Let's now review the H1 2019 group EBITDA.

- Group EBITDA came to €8.3 billion, broadly stable in organic terms.
- It benefited from favourable market conditions in France and a very strong performance from EDF Trading. However, it was adversely affected by the deterioration of market and operating conditions in the United Kingdom, and to a lesser degree, by a decrease in the French regulated activities' EBITDA.

France Nuclear Generation

First, looking at French nuclear output. Nuclear generation in the first half of 2019 came to 203.7 terawatt-hours, up 1.1 terawatt-hours compared to the first semester of 2018, essentially thanks to better availability of the fleet and despite a greater modulation in the context of mild spring temperatures and high wind power output.

France Hydro Generation

Next slide shows hydro generation trends. Hydropower generation stood at 20.1 terawatt hours, minus 9.3 terawatt hours versus first half of 2018, due to less favourable hydrological conditions. This is the second driest semester in the last 30 years.

France: Upstream/Downstream Electricity Balance

In order to explain the dynamics in the segment and before looking at the bridge of EBITDA numbers, let's have a look at the upstream and downstream electricity balance.

The left-hand side of the chart illustrates the evolution in hydro and nuclear output I just presented. On the right-hand side, overall, sales volumes to end customers were down by 11.3 terawatt hours, out of which 8.4 terawatt hours reflecting losses of customers to competition and 1.6 terawatt hours related to weather impact.

Volumes supplied under the ARENH mechanism were up 12.8 terawatts hours, in line with the high level of subscription by competing suppliers and network operators. EDF was a net seller in volumes on the wholesale markets, reaching 37.9 terawatt-hours. The minus 7.6 terawatt-hours decrease in net market sales compared to the first half of 2018 is a consequence of increased subscriptions of ARENH volumes, lower hydropower output and reduced volumes sold to final customers.

France – Generation and Supply Activities

EBITDA in French generation and supply grew by 6.5% in organic terms to €3.97 billion, driven by four main items:

First, generation with an overall negative impact from lower hydro output, minus 8.4 terawatt hours, after deduction of pumped volumes, only partially offset by higher nuclear output, plus 1.1 terawatt hours, estimated at minus €342 million.

Second, weather in the first half of 2019 had a small unfavourable impact in terms of volumes of demand, minus 1.6 terawatt hours, as conditions were close to normal. But since January was much colder than in 2018, we were able to sell volumes at a better price with a positive impact overall of €40 million.

Third, net price effects on the wholesale markets had a positive impact estimated at €114 million.

Fourth, downstream market conditions had a very favourable impact of €305 million compared to the first half of 2018. Indeed, the positive price trend on market offers more than compensated for the erosion of market shares.

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

First, the decrease in regulated sales tariffs in August 2018 linked to the end of the 2012 to 2013 tariff catch-up, as well as the increase in tariffs on the 1st of June 2019, led to a moderate improvement in EBITDA, estimated at €26 million.

Second, OPEX in French generation and supply were reduced by €173 million in H1.

In addition, various items had a negative impact on EBITDA of €85 million. This is mainly due to the increase in the cost of energy savings certificate, in line with the enhanced regulatory targets set for the fourth period.

France – Regulated Activities

Moving on to slide 15. EBITDA in French regulated activities was down 6.3% in organic terms to €2.6 billion.

First, weather was less favourable compared to the same period last year with an estimated negative impact of €40 million.

Second, unfavourable indexations on the TURPE 5 tariff on August 1, 2018 carried an estimated negative impact of €68 million.

These negatives were partly offset by increased volumes in grid connections representing a €21 million positive and by an OPEX reduction of €43 million. Lastly, various other factors contributed for a negative impact of €128 million. The main element is higher costs for Electricity Equalisation Fund both for the past and for 2019.

Renewable Energies

Moving to EDF Renewables, whose EBITDA was up 1.9% organically to €405 million. This reflects, first, the good performance of EDF Renewables generation fleet attributable both to positive price effects of portfolio mix and to more favourable wind conditions. EBITDA from generation recorded an organic increase of 2.4% to €472 million despite the disposals completed in late 2018 and early 2019.

In addition, the strong asset rotation triggered an increased EBITDA contribution. At 30th June 2019, the net installed capacities totalled 8 gigawatts, broadly stable since December 2018. The gross portfolio of projects under construction at 30th June 2019 reached a record level of 4 gigawatts, equally balanced between onshore wind power and solar power.

Looking at renewables activities across the group, overall EBITDA was down by 24%, mainly because of poor French hydro conditions.

Energy Services

Dalkia's EBITDA was up 13.2% organically to €195 million. The growth in EBITDA reflects the dynamic sales activity, particularly in heating networks and energy performance contracts. EBITDA also benefited from the commissioning at the end of 2018 of cogeneration plants for industrial sites.

In addition, Dalkia managed to sell in H1 2019 energy savings certificates in excess of its own regulatory obligations, whereas in 2018, these sales took place in the second half of the year. Overall, EBITDA from energy services activities across the group was up 7%, mainly driven by Dalkia's growth.

Framatome

Framatome's EBITDA reached €207 million over this first half. Its contribution to group EBITDA stood at €74 million, down 43% in organic terms. A significant portion of Framatome's business is indeed realised with EDF, which drives the gap between overall Framatome's EBITDA and Framatome's contribution to Group EBITDA.

Let me highlight a couple of developments at Framatome over this semester. The Fuel business experienced a decline in the first half of 2019 due to lower production level at manufacturing facilities in Europe and unfavourable delivery schedule effects in the first half of 2019. In a highly competitive market, the installed base activity performed better in the United States and Germany but is affected by the increased project execution costs for export and French customers.

Profitability of the Components manufacturing activity improved with the continued ramp-up of production of equipment for steam generators replacement and for new projects. Continued implementation of the performance plan to reduce operating and structural costs in the context of competition and difficult market conditions also supported the EBITDA.

United Kingdom

In the UK, EBITDA in the first half came to €128 million. In organic terms, this represents a negative change of 75.9%, driven by three main factors.

First, the 5.7 terawatt hours drop in nuclear output linked to the extended outages at Hunterston B and Dungeness B plants. This negative impact has been partly offset by slightly higher realised prices. Hunterston B has been shut down following graphite inspections. The expected return is 5th August for one reactor and 1st October for the other one.

Dungeness B is in outage to address the discovery of cracking and corrosion on cooling water pipe work. It is expected to return on 30th September for one reactor and 15th October for the other one.

Second item impacting generation is the capacity market suspension. Although we expect it could be restored in the coming months, EDF Energy cannot recognise any capacity revenue since November of 2018.

And third, the cap introduced in January 2019 on standard and variable tariffs strongly hit the EBITDA on the supply front. Lastly, the residential customer portfolio decreased slightly, minus 1.1%, compared to the end of December 2018 in a context of fierce competition.

Italy

Turning to the Italy segment,let me first remind you that Edison signed early July an agreement with Energean Oil and Gas to sell 100% of its exploration and production activities. This sales qualifies as a discontinued operation under IFRS 5, starting 1st January 2019. As a consequence, E&P's net result and cash flow are presented on a separate line, and published figures for 2018 have been restated accordingly.

Moving to business performance. EBITDA reached €328 million, up 28.2% in organic terms. The contribution from electricity activities was up under the positive impact of increased thermal output, good performance in ancillary services and renewables production, which benefited from commissioning of 115-megawatt new wind capacities.

Gas activities were also up in comparison with the first half of 2018, which had been penalised by unfavourable price effects relating to wholesale market purchases in a period of tensions on physical delivery from overseas. EBITDA for the supply activity was slightly down year-on-year. The margins on electricity were lower, particularly in the residential customer segment, whereas margins for gas improved, especially in the industrial customer segment. In this context, Edison slightly upgraded its guidance by around €50 million. It now expects 2019 EBITDA, excluding E&P, to range between €550 million to €600 million.

Other International

Moving to the Other international segment on slide 21. EBITDA in this segment was up organically by 35.9% to €166 million.

In Belgium, first, EBITDA grew 17.7%. Performance of thermal generation and favourable spark spreads contributed to this improvement. A 15% increase in wind capacity versus end June 2018 also supported output growth, while services activities enjoyed continued expansion.

In Brazil, second, EBITDA grew 97.1%, largely due to the 16% adjustment to the PPA price end of 2018 and a more favourable maintenance programme than in 2018.

Other Activities

Lastly, the Other activities segment on slide 22. EBITDA in this segment was up 55.9% organically to €501 million. This was mainly driven by EDF Trading, whose EBITDA grew 44.2% to €477 million. At 30th June, EDF Trading shows favourable positions on gas and electricity market. EDF Trading took advantage of higher commodity market volatility. LNG activities also carried a positive impact.

As a reminder, EDFT and JERA created a common LNG optimisation and trading platform, which started operations in April 2019 and delivered great results over the last quarter.

Continued OPEX Reduction

To conclude the review of EBITDA evolution and before moving to the rest of the P&L, a few words on our cost-cutting plan. Compared to end of 2018, OPEX were down €110 million over the last six months. The group therefore continues to deliver on its savings plan and is well on track to meeting its 2019 target of €1.1 billion savings compared to 2015. Cuts have been delivered mainly by French Generation and Supply with contributions from all activities. They reflect our efforts on procurement and on staff costs.

Group EBIT

Let's now move to slide 24 to review the rest of the P&L. Starting with EBIT, which is up 2.1% at €3,672 million. This development is essentially explained by the positive evolution of commodity derivatives volatility mainly related to gas positions at Edison, partly offset by a rise in D&A and increased other expenses. More specifically, there are three elements:

Firstly, the effect of IFRS 16 is broadly neutral at EBIT level with a positive €338 million in EBITDA and a negative €312 million in D&A.

Secondly, incremental increase in D&A is mainly attributable to French nuclear fleet maintenance, to investments in distribution grid, and to a lesser degree, to accelerated depreciation of the French coal-fired fleet from 1st June 2019.

Third item, the other expenses evolution particularly includes the cost of the shareholding employee reserved offer, which has been successfully completed mid-July.

Change in Financial Result

Let's now focus on the change in financial result. First, the increase in the cost of gross financial debt is mainly attributable to fair value adjustments, foreign exchange and IFRS 16 impact. Proactive debt management has extended the average maturity of gross debt, which now stands at more than 14 years, while driving the average coupon down to 2.68% at end of June 2019.

Second, the increase in discount expenses is mainly attributable to nuclear provisions. The 10 bps decrease over the first half of 2019 in nuclear provision discount rate in France is comparable to the same drop in first half of 2018.

The most important and unpredictable element is the fair value adjustment of debt and equity assets under IFRS 9, which carried a large positive impact at the end of June 2019 in the context of favourable market conditions. Indeed, equity and bond markets rebounded during the first half of 2019, lifting the fair value of the dedicated assets portfolio by €1,801 million.

Growth assets within the dedicated assets portfolio enjoyed a 15.37% performance over the semester, while fixed assets carried a 4.3% performance. This is comparable with the 11% performance of the MSCI World hedge. As a reminder, this fair value change has no impact on the recurring net income.

Net Income Group Share

Group net income on slide 26. Net income group share came to €2.5 billion, representing a 44.7% increase. Three main drivers for this change:

First, group net income benefited from the financial result improvement I just described.

Second, income tax stood at €1,020 million, up €438 million, essentially reflecting the increase in net income before taxes, driven itself by the financial result.

Effective tax rate was broadly stable at 29.4% end June 2019 while applying the French income tax rate of 34.43% for 2019.

Third, the specific line, net income of operations "held for sale" records the net income of Edison's E&P operations for the first half of 2019 combined with an impairment on these assets amounting to €414 million.

When excluding non-recurring items, recurring net income comes to €1.4 billion, down 19.4% compared to 2018.

Non-Recurring Items Net of Tax

A very quick word on the post-tax effects of non-recurring items, which stood overall at €1,096 million. This amount reflects essentially the impairment on Edison's E&P assets as well as volatility effects on commodity derivatives and financial assets.

Change in Cash Flow

Looking now at the cash flow. Operating cash flow stood at €2.5 billion, down from €3.7 billion in H1 2018. Three main drivers here:

First, part of EDF Trading EBITDA performance has not yet fully translated into cash. Cash in will occur as and when the positions are gradually settled. This effect is reflected in the high amount of non-cash items.

Second, the change in working capital requirement came to a positive €1 billion due to tax debts that are recorded at the beginning of the year in the frame of IFRIC 21.

Third, net investments, excluding capital expenditures in HPC and Linky projects and excluding Group disposals, reached €5.7 billion, up €0.5 billion. This is mainly driven by increased investments in French nuclear maintenance, in connection with the ten-year visitheavy programme in 2019 and by a growth in renewables investments.

Looking now at group cash flow. First, let me remind you that June 2018 published amounts were restated due to the new CFS presentation and to the impact linked to the E&P activity presentation as a discontinued operation.

In H1 2019, the total cash flows of E&P amounting to €20 million is presented on a dedicated line below the group cash flow.

Three points to note here:

First, group disposal plan. Sale of EDF's 25% stake in Alpiq was completed in May 2019 for an amount of €434 million.

Second, tax disbursement was actually recorded during the first half of 2019, a reimbursement of instalments paid last year in France in accordance with the 2018 taxable income.

And third, dedicated assets: 2019 regulatory requirements in terms of coverage ratio related to the 2018 increase in provisions came to €540 million after taking into account the administrative authorization to spread the allocation over three years.

Parts of this allocation had been completed in H1 2019 through a contribution in kind, meaning a transfer of non-controlled assets to the dedicated assets. After deduction of interest payments and hybrids and of the share of the dividend paid in cash, group cash flow, before Linky and HPC, stood at €2.2 billion. Rollout of Linky, combined with capital expenditures at Hinkley Point C, amounted together at €1.2 billion, relatively stable compared to the same period in 2018. As a consequence, group cash flow stood at a positive €1.049 billion.

Net Financial Debt

Finally, slide 29 shows the change in net financial debt, which was reduced by €0.5 billion over the first half of 2019, excluding the impact of IFRS 16. Net financial debt is stable for the second consecutive semester. It stood at €37.4 billion at the end of June, including the impact of IFRS 16 for €4.5 billion, representing 2.4 times EBITDA.

Let me hand back to Jean-Bernard who will present you our guidance.

Confirmation of 2019 Guidance and of 2019-2020 Ambitions

Jean-Bernard Lévy: Yes. Thank you very much, Xavier. So few words on our 2019 objectives. We confirm each and everything that we have said earlier on in the year. 2019 EBITDA is expected to range between €16 billion and €16.7 billion. We aim to reach €1.1 billion in OpEx reduction when compared to the 2015 level. Cash flow, excluding Hinkley Point C and Linky, is expected to be above €600 million.

And if I now come to 2019 and 2020 ambitions, total net investments, excluding group acquisitions and disposals, will amount to approximately €15 billion for each year. For 2020, this obviously does not include the potential consequences of the Nuclear Safety Authority's decision of 19th June 2019 on the planning and cost of completion of the Flamanville 3 project. Our group disposal programme will reach a range of €2 billion to €3 billion over the period of years 2019 and 2020.

The net financial debt to EBITDA ratio will be less than or equal to 2.7 during that period. The dividend pay-out rate will be within the range of 45% to 50%. Please note that the option to receive the payment of the dividend in new shares will be offered to all shareholders and that as already disclosed, the French government has decided to opt for the scrip payment of the balance of the dividend due for 2018, this is behind us, as well as for the whole of dividend due for years 2019 and 2020. So all these new guidance elements are totally exactly the same as the one we have provided back in February of 2019.

So I thank you very much for your attention. Xavier and myself are more than happy to take your questions.

Q&A

Vincent Ayral (JP Morgan): A few questions, one, not straight on the results but more something which will be relevant for H2 and next year. It's the tariff catch-up. The regulator says that you should get the catch-up for the application of the tariff increase in June instead of January. So how much of this catch-up did you have in your guidance for the year? And if we expect to have a tariff increase next year, should we think about the tariff catch-up going on top of this? So that would be of interest.

Second, regarding the energy bill, once again, looking forward. The ARENH and the volume tariff changes, the Senate added a necessary conditionality of ensuring ARENH tariffs is increased before volumes, so as to protect EDF for next year's tariff increase. Yet, the government's answer is that ARENH tariffs increase is dependent on European Commission approval. So why can't we still add a conditionality as a backstop in the law? What is your preferred outcome on this topic? What is your view?

Third one would be regarding Fessenheim. EDF and the government agreed on the computation of €490 million indemnity with potential top-up, and this got European approval. And the Board authorized the signing of a compensation memorandum and we're supposed to have – on the last communication I could see a 20% payment in 2019 and 80% payment in 2021. Is this payment schedule still valid? How will you recognise the payment in your P&L? And given current prices, what will be the amount of subsequent payment top-up under your estimates? Thank you very much.

Jean-Bernard Lévy: Thank you. Maybe I will take up your first two questions. Indeed, the implementation of tariff increase was delayed due to the general situation in France during the winter. So instead of having an increase in these tariffs in February, it was implemented in June, on June 1st. So there are a few months of revenues which are missing.

However, we are not changing our guidance for 2019. And regarding 2020, it is too early, of course, to say how this will be managed. It is expected that the delay in the implementation of this tariff hike will be implemented in a new tariff scheme and amortized over some period of time. And this is something that the French regulator, the Commission de Régulation de l'Energie, will obviously have to disclose in due course. But I cannot make any more comments.

On ARENH, the situation is such, as you know, that since the end of last year, the ARENH volume of 100 terawatts hours has been entirely requested by our competitors when it was offered. So there have been the discussions of raising that ARENH, the volume ceiling, and this needs to go through legislation. So it's been worked out first in the First House and then in the Senate more recently. They discussed that yesterday. And we expect we will know exactly what is the outcome of their discussions in the short term. Anyway, this legislation will not be fully implemented before sometime in the fall because the new law was not voted by Parliament, which is going on recess exactly today. So we will have to wait until September, maybe October – we don't know –for this.

Obviously, we have been claiming that it would be prejudicial to EDF should ARENH volume increase be implemented without any compensation for EDF. So we will be watching that extremely closely both from a financial and from a legal perspective. Please note that there has been no government promise to raise the cap. The government has just said that since the cap was met, since the ceiling was met, there is a need for that ceiling to be reconsidered from a general perspective. But the government has not committed to raise the ceiling at any time. The government has only said, well, if we are saturating, we should maybe have lawmakers give us more headroom.

On Fessenheim, I will let Xavier answer precisely what we have disclosed regarding and what we expect regarding the Fessenheim compensation scheme.

Xavier Girre: Yes. Thank you. As regards Fessenheim indemnity, so it's an indemnity which compensates cost. So as a consequence, we will register it in the results at the same time, as the cost will be beared, and of course, the cash, when the cash will be paid.

Maybe I can also give you some precisions as regards our guidance as regards to tariffs catch-up. So as you know, we fully confirmed our guidances, but we have not considered any catch-up, so for 2019. So what are the plus and minuses compared with the previous expectations?

So first, we have on the one hand some slightly higher achieved price for capacity auctions for – between €40 million and €60 million; we have the postponement of the scheduled outage of Tihange 1 in Belgium, a positive impact of close to €100 – €95 million to €100 million; improved assumption regarding capacity market in the UK, with a positive impact in the range of €230 million compared with our initial assumptions; softer conditions on the energy savings certificates with a better sourcing for the Group, meaning stronger performance in terms of generating certificates ourselves to meet our obligations; and more stable price than initially assumed with a positive impact in the range of, roughly speaking, €200 million; and higher performance than initially assumed for EDF Trading with a positive impact versus our initial assumptions in the range of €250 million.

And on the other hand, we have the longer outages in our UK nuclear stations of Hunterston and Dungeness with a negative impact of roughly speaking, €360 million versus initial assumptions. Adverse hydro conditions in France with a negative impact of more or less €200 million versus assumption of a normal year; and no catch-up included in the upcoming tariff increase announced by the CRE for 1st August, so a negative impact of more or less €300 million versus our initial assumptions. I hope this helps.

Vincent Ayral: Thank you on that. I just have a fourth question regarding the comment made on – the government gave no promise to raise the cap. I understand the bill is going through Parliament. The Joint Commission, they now have reached an agreement yesterday. So I wanted to understand if indeed in this settlement, we have an increase on the volume. And is it conditional upon an increase of the tariff? Whether the government will apply this new flexibility or not, we shall see later, but at least you know what is the legal framework which has been agreed upon in Parliament. Thank you

Jean-Bernard Lévy: We have not received any written record of anything that was obviously agreed between the Senate and the House yesterday.

Arthur Sitbon (Morgan Stanley): Good morning. Thank you for taking my questions. I have two. The first one is just if you could please provide an update on the nuclear outages in the UK and whether you feel confident the reactors, the Hunterston ones, would restart on time.

And the second question is regarding your assumptions for hydro conditions, hydropower output in France for the second half of the year. Do you include normalisation in your guidance or not? Thank you very much.

Xavier Girre: Thank you for your question. So as regards the nuclear reactors in Great Britain, so as you know, during a planned outage of Hunterston B reactor 3 for graphite inspections starting in March of 2018, new keyway root cracks were identified as happening at a slightly higher rate than it modelled. While the reactor could have returned to operation, we decided to keep it offline while we work with the regulator to ensure that the longer-term safety case reflects the findings of these inspections and clears the results obtained from other analysis and modelling. And in addition, we brought forward the planned graphite inspection outage on Hunterston B reactor 4 from 2019 to October 2018.

When our 2019 EBITDA guidance was presented, we were assuming at the time that Hunterston reactors 3 and 4 would return to service on 30th April and 31st March, respectively. And they are now expected for 25th August for reactor 4, and 1st October for reactor 3.

With respect to Dungeness, initial return dates were 6th April and 16th April for reactors R22 and R21, and they are now expected to return to service on 30th September and 15th October. And as a result, this is roughly eight TWh lost compared to our initial assumptions, some of which is absorbed by the normal prudence we use when building our guidance.

And secondly, as regards to your question of hydropower fronts, yes, when we re-estimate the year, we always take normal weather conditions.

Jean-Bernard Lévy: May I add on what Xavier just said, that when we look at the volume of water we have in our lakes on 30th June, it is exactly the average 30-year volume. So the fact that we are projecting that hydro production, hydro generation should be in H2 2019 similar to the standard H2 generation is supported by the fact that volume of water, which, of course, is just one element of our judgment – but that volume of water is not below. Although we did not generate a lot during H1, we have a lot of – we have as much water in our lakes as we have usually at midyear when you look at the – I don't remember if it's a 20– or a 30-year average, but this will not be very different.

Emmanuel Turpin (Société Générale): Good morning everybody. A question for Xavier – and thank you very much for the update on the parameters around your guidance. I'm afraid that I couldn't quite get all the numbers you mentioned. The line was at times not very good. And I'm sorry to ask that, but would you mind repeating those numbers so that we can make sure to add them correctly?

And then, of course, what we'd like to do is to add the positive and the negative and compare them. But from my initial calculation, if I got the numbers right, we had a little bit more positives than negatives. I would like to confirm that.

And still on this point of guidance, I guess your guidance was at initial scope or constant scope. And of course, you are deconsolidating Edison. Could you confirm the impact it will have in terms of EBITDA for the full year? Thank you.

Xavier Girre: Okay. Thank you for your question. So I repeat what I've just said concerning plus and minuses in our guidance. And then, of course, if you need additional details, don't hesitate to call back the team.

So first, we have slightly higher achieved prices for capacity auctions in France so far with positive impact versus initial assumption of €40 million to €60 million. Second, postponement of the scheduled outage of Tihange 1 in Belgium with a positive impact of €95 million. Third, improved assumption regarding capacity revenues in the UK. It looks now more likely that a positive decision by the European Commission can be reached this year, which means that we would recognize all missing capacity revenue in 2019 P&L, with a positive impact versus initial assumption of €230 million.

Fourth, softer market conditions in the energy savings certificate with a better sourcing for the Group, stronger performance in terms of generating certificates ourselves to meet our obligations and more stable price than initially assumed with a positive impact versus initial assumptions of €200 million. And fifth, higher performance than initially assumed for EDF Trading with positive impact versus initial assumptions of €250 million.

On the other hand, we have also some negative impacts. First, longer outages in our UK nuclear stations of Hunterston and Dungeness with negative impacts of €360 million versus initial assumptions; second, adverse hydro conditions in France, a negative impact of €200 million versus assumption of a normal year; and no catch-up included in the upcoming tariff increase announced by the CRE for 1st August, with a negative impact of €300 million versus initial assumption.

Emmanuel Turpin: So basically, the two, the positives and the negatives broadly match?

Xavier Girre: It is why we are in a position to confirm our guidance.

Olivier Van Doosselaere (Exane BNP Paribas): Yes, thank you very much. Well, I'll probably start just by taking back the point of Emmanuel on Edison. If you could highlight the impact it will have on your full-year EBITDA. And if we are correct to understand that this is actually – the exclusion of that is not reflected in the current EBITDA guidance, which is at constant scope?

And a second question that I would have is coming back to regulatory reforms. Can we still expect that you would present to the French government a report with proposals on corporate restructuring by the end of this year? And if so, I think that previously, you had been highlighting that actually, the corporate reform is very much envisaged to actually enable a change in regulatory structure of the French regulation, which could only be achieved if there would be an operational separation from the generation – nuclear generation from the supplier operations. So could we expect some news on the more fundamental change in nuclear regulation in the fourth quarter in order to enable you to be able to present your own proposals on corporate restructuring? Or do you think that those are unrelated? And secondly, how does the proposals to change the ARENH volumes and prices in the near term – how do those actually affect those wider reflections, please? Thank you.

Xavier Girre: Thank you. As regards Edison, E&P EBITDA in the first half of the year was €169 million for 2018 and €148 million for 2019. For 2019 full year, Edison expects EBITDA excluding E&P to range between €550 à 600 million.

Jean-Bernard Lévy: And regarding maybe your wider question around the strategy, corporate restructuring and regulations, I think it is quite obvious that when the government, at the end of last year, publicly requested EDF to prepare potential corporate restructuring scheme for EDF Group, and at the same time, called for a change in the regulation of ARENH, I think in everybody's minds, these are very related – interrelated questions.

And it is quite obvious that we do not see any benefit in a corporate restructuring, which would just shift assets into two companies even if we did an integrated group with the full consolidation and very few changes for the way that the people are hired and compensated and so on, if we do not have by splitting, in broad terms, splitting generation and supply, if we do not have an EBITDA term of reference and the regulatory frame for the generation area. So all this is very much, I would say, a single project with different legs into it.

We are indeed getting prepared, - by the end of the year or very early next year-, to give the government a quite detailed recommendation of how we could meet what the government publicly asked at the end November 2018 regarding these matters of regulation and corporate restructuring.

Now it is true that if, in the meantime there is a change in the ARENH regulation, which is implemented for certain reasons and which goes in the opposite way of enabling the corporate restructuring that we have in mind, this will obviously be reflected in the EDF's recommendation regarding what would mean – I mean smart and meaningful corporate restructuring.

So of course, we are having discussions with the government of how various objectives, some being short-term and some being more long-term, may have an effect on the market and on market players including EDF. And then we will see in due time how this is aggregated into the full situation, including regulation of nuclear generation and the potential corporate restructuring proposals from EDF to the government.

Xavier Girre: Maybe just one point to avoid any ambiguities: E&P of Edison was not in our guidance for this year. So there is no change about that.

Aymeric Parodi (UBS): Good morning, everyone. Thank you very much for taking my question. Just one, back on the restructuring – potential restructuring of the company. Could you please share with us any feedback from the meetings you had end of June with the top management and the trade union?

The second question would be on the Dunkirk project. The bid was quite low, €44 per megawatts hour. Can you share with us some details on how you were able to bid at such a low price? And thirdly, do you have any guidance for the discount rate to use for French nuclear provision in 2020? Thank you.

Jean-Bernard Lévy: Thank you. So first, regarding feedback on the corporate's structuring principles, which, indeed, I shared with many stakeholders of EDF in May and June. End of May and in June, we described what could be the principles of this new structure with EDF by having generation and supply in two different entities. The objective is to have different financial and legal and regulatory tools to meet all what we have to do, which is obviously today, very much limited by the ARENH. Arenhhas been a burden for us for several years and is now really impeding EDF strategy to be implemented and impeding the government's own will on EDF's role to be implemented.

And this is, of course, why the government has said, we need to find a new regulation replacing ARENH, and we need to find a new organization of EDF's assets in order to optimize EDF's ability to meet what, as a major shareholder, we would like EDF to do.

So I would say the principles of what should be – what could be a potential change in these areas has been shared with the unions, indeed, the union representatives. It has been shared with the top managers of the company. And these were very useful bilateral discussions where we did a lot of explanations on what we believe we should do, what we are working on, what is still very much open in the way we are getting prepared for it and what are the kind of elements that will be important at the time, by year-end, when we have to make a more than precise determination of what could be the content of such reform.

I would say the feedback was very positive. I think we met what we wanted through this sort of first step snapshot of what could be the outcome by year-end. I think we met this. There is a good quality of dialogue. And you may have seen that, indeed, in terms of the ability of EDF to meet its goals regarding – especially generation like in the last few days, where we had a heat wave. We got a very good response from our fleet, which shows that EDF's employees are extremely dedicated to meet public service requirements. And I want to thank them for this.

If I look at your second question, totally opposite matter, regarding what happened in Dunkirk that we could bid so low. First, you have to understand that the electrical substation and the cable that links it to RTE network is now part of RTE's work package. In other words, it's not anymore part of EDF or our competitor's work package, so it lowers the price quite significantly from what were the numbers that had been watched on the French scene many, many years ago.

And obviously, when we had responded to the first offshore farms opportunities, many, many years ago, this was an emerging industry. Now we have a better experience of that industry. We have built ourselves some farms, especially off the British coast. We have seen, of course, thousands of offshore wind turbines be implemented in the Baltic Sea or in the North Sea for most of them. So I think we know this industry very well, and we could bid with a good level of certainty regarding what the cost of the CAPEX would be.

Furthermore, we consider the sites to be extremely attractive regarding operating conditions and construction conditions. The soil is good quality. It's easier for building the infrastructure. And the wind conditions are, first, very good; and second, very well known because we've had plenty of time with more modern tools to analyse more precisely what would be the wind conditions. So at the end of the day, together with our two partners – as you know, it's not only EDF, we have two partners: one based in Canada and one based in Germany – we bid and won based on our usual value creation standards.

Xavier Girre: As regards to our 2020 discount rate, I have nothing to say today.

Ahmed Farman (Jefferies): I have a few questions. A couple of ones on just some clarification on the guidance. Did I understand this correctly, that your original guidance did not include any contribution from Edison E&P, and therefore, there's no scope effects related to that?

Then secondly, to – I mean I've got just sort of the impression from your comments earlier that the guidance now includes UK capacity market revenues for this year but also the missing payments from last year. Could you confirm that?

And then thirdly, are you comfortable with your guidance range in case the UK capacity market does not get reinstated? Because I know you're very confident that it would, but I just want to understand what's sort of your confidence around some of the lower end of the guidance and how dependent that is on the UK capacity market revenue.

And just finally, I was hoping if you could help us understand a little bit of your outlook for the full year for the French regulated business. Because in the first half, we see there's quite a significant organic decline of 6%. Is that something you sort of expect for the full year? Or do you expect a much stronger performance in the second half? Thank you.

Xavier Girre: As regards Edison E&P, I repeat that there is no scope change between our initial guidance and our today's confirmation of this guidance. E&P was not in the initial guidance, and of course, not in our today's guidance. So, we confirm our guidance, and as regards E&P, it's on the same scope without E&P.

As regards capacity mechanism for UK, yes, we intend to have in the EBITDA of this year, the impact observed concerning the last two months of last year because the capacity mechanism was suspended 1st November last year.

And as regards the French regulated business, as you've noticed, we have some specific elements as regards the climate effect in particular. And then as regards the full-year impact, the compensation funds impact will remain for the year. So, as a whole, the impact should be quite limited at the end of this year as regards our French regulated business.

Ahmed Farman: Thanks. And my question about your comfort with the guidance if the UK capacity market was to get delayed and not reinstated this year?

Xavier Girre: So, as you know, there are always some pluses and minuses. So, I mean today, we are confident in our ability to reach all our guidances for 2019, as I already explained. And we don't have anything more to say today. But clearly, we are confident to reach all our goals for 2019.

Ahmed Farman: Okay. Thank you.

Jean-Bernard Lévy: Okay. I think this ends this morning's discussions, and I want to thank everybody for attending and for your very nice questions. And please have a good day, and we'll follow up with you regularly. Thank you very much.