

## **Independent Auditors' Report to the Directors of EDF Energy Holdings Limited and its Licensees**

### **Opinion**

In our opinion the accompanying statement (the 'Consolidated Segmental Statement' or 'CSS') of EDF Energy Holdings Limited ('the company') and its Licensees for the year ended 31 December 2021 is prepared, in all material respects, in accordance with:

- the requirements of Ofgem's Standard Condition 19A of the Gas and Electricity Supply Licences and Standard Condition 16B of the Electricity Generation Licences established by the regulator Ofgem; and
- the basis of preparation on pages 6 to 10.

We have audited the Consolidated Segmental Statement of EDF Energy Holdings Limited and its Licensees (as listed in Appendix 1 of the CSS) for the year ended 31 December 2021 in accordance with the terms of our engagement letter dated 4 April 2021. The Consolidated Segmental Statement has been prepared by the Directors of EDF Energy Holdings Limited and its Licensees based on the requirements of Ofgem's Standard Condition 19A and the Gas and Electricity Supply Licences and Standard Condition 16B of the Electricity Generation Licences (together, the 'Licences') and the basis of preparation on pages 6 to 10.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the CSS section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the CSS in the United Kingdom, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of matter – basis of accounting**

We draw attention to pages 6 to 10 of the CSS which describes the basis of accounting. The CSS is prepared to assist the Company in complying with the requirements of Ofgem's Standard Condition 19A of the Gas and Electricity Supply Licences and Standard Condition 16B of the Electricity Generation Licences established by the Regulator Ofgem. The basis of preparation is not the same as segmental reporting under IFRS and/or statutory reporting. As a result, the CSS may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### **Conclusions relating to going concern**

In auditing the CSS, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the CSS is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the CSS is authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the annual report, other than the CSS and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the CSS does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the CSS or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the CSS. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Independent Auditors' Report to the Directors of EDF Energy Holdings Limited and its Licensees**

### **Responsibilities of the Directors**

The Directors are responsible for the preparation of the CSS in accordance with the Licences and the basis of preparation on pages 6 to 10 and for such internal control as the Directors determine is necessary to enable the preparation of the CSS that are free from material misstatement, whether due to fraud or error.

In preparing the CSS, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the CSS**

Our objectives are to obtain reasonable assurance about whether the CSS as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this CSS.

A further description of our responsibilities for the audit of the CSS is located on the Financial Reporting Council's website at: [frc.org.uk/auditors-responsibilities](http://frc.org.uk/auditors-responsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Group's industry and its control environment, and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities. We obtained an understanding of the legal and regulatory frameworks that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the CSS. These included UK Companies Act and Ofgem's Standard Condition 19A of the Electricity and Gas Supply Licences and Standard Condition 16B of the Electricity Generation Licences; and
- do not have a direct effect on the CSS but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including significant component audit teams regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the CSS.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the CSS;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports.

## Independent Auditors' Report to the Directors of EDF Energy Holdings Limited and its Licensees

### Use of our report

This report, including our conclusions, has been prepared solely for the Directors of EDF Energy Holdings Limited and its Licensees in accordance with our engagement letter dated 4 April 2022, to assist the Directors in reporting on the CSS to the Regulator Ofgem. We permit this report to be displayed on the EDF Energy website [www.edfenergy.com](http://www.edfenergy.com)<sup>1</sup>, to enable the Directors to show they have addressed their governance responsibilities by obtaining an independent assurance report in connection with the CSS. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and EDF Energy Holdings Limited and its Licensees for our work or this report except where terms are expressly agreed between us in writing.

A handwritten signature in black ink that reads "Deloitte LLP." The signature is written in a cursive style and is underlined with a single horizontal line.

**Deloitte LLP**  
29 April 2022  
London

<sup>1</sup>The maintenance and integrity of the EDF Energy Holdings Limited website is the responsibility of the Directors of EDF Energy Holdings Limited; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the CSS since it was initially presented on the website.

# EDF'S CONSOLIDATED SEGMENTAL STATEMENT YEAR ENDED 31 DECEMBER 2021



## CONSOLIDATED SEGMENTAL STATEMENT

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This audited Consolidated Segmental Statement (“CSS”) has been prepared in accordance with Standard Licence Condition 19A of the Gas and Electricity Supply Licences and Standard Licence Condition 16B of the Electricity Generation Licence.

EDF Energy Holdings Limited (“EDF”) is the intermediate holding company for all Ofgem licensed entities. The activities of EDF include:

- Generation of electricity from sources including nuclear, coal, gas and renewables (“Generation”);
- Provision and supply of electricity and gas to residential, commercial and industrial customers (“Supply”);
- Management of the wholesale energy market risk, including the purchasing of fuel (excluding nuclear fuels) for power generation (“Optimisation”);
- Development and construction of new nuclear power plants in the United Kingdom (“Nuclear New Build”);
- Corporate Functions which are responsible for the provision of services including HR, Finance, Property and IT (“Corporate and Centralised Functions”).

The individual supply and generation licences are held by legal entities which are reported in the consolidated financial statements of EDF Energy Holdings Limited. See Appendix 1 for a summarised group structure and an indication of how the licensed entities are reported in each Segment.

The results of EDF are fully consolidated into the financial statements of EDF S.A. which are publicly available. EDF’s UK operations have been included within the United Kingdom segment of the segmental note in the EDF S.A. statutory accounts which can be found on pages 27-29 via the link below:

<https://www.edf.fr/sites/groupe/files/2022-02/annual-results-2021-consolidated-financial-statements-20220218.pdf>

Reconciliations of Earnings Before Interest and Tax (“EBIT”); Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) and Revenue between the EDF S.A. financial statements and the CSS are included in Appendix 2.

# EDF'S CONSOLIDATED SEGMENTAL STATEMENT YEAR ENDED 31 DECEMBER 2021



## CONSOLIDATED SEGMENTAL STATEMENT

### EDF Consolidated Segmental Statement year ended 31 December 2021

	Unit	Generation			Aggregate generation business	Electricity supply		Gas supply		Aggregate supply business
		Nuclear (1)	Conventional	Renewables		Domestic	Non-domestic	Domestic	Non-domestic	
		2021	2021	2021		2021	2021	2021	2021	
<b>Total revenue</b>	€M	1,848.5	378.0	60.3	2,286.8	2,333.4	4,336.0	1,243.6	30.2	7,943.2
Revenue from sale of electricity and gas	€M	1,687.8	296.5	48.2	2,032.5	2,301.7	4,322.8	1,223.0	30.2	7,877.7
Other revenues	€M	160.7	81.5	12.1	254.3	31.7	13.2	20.6	0.0	65.5
<b>Total operating costs</b>	€M	1,654.5	294.8	21.8	1,971.1	2,467.3	4,251.7	1,263.4	27.1	8,009.5
Direct fuel costs	€M	392.9	138.1	0.0	531.0	985.0	1,907.2	676.1	14.2	3,582.5
<i>Direct costs:</i>		332.4	109.8	21.8	464.0	1,213.9	2,230.2	401.5	7.2	3,852.8
Transportation costs	€M	329.7	21.3	2.3	353.3	589.4	1,023.3	324.6	6.5	1,943.8
Environmental and social obligations costs	€M	2.7	85.8	0.1	88.6	539.6	1,151.2	19.0	0.0	1,709.8
Other direct costs		0.0	2.6	19.4	22.0	84.9	55.7	57.9	0.7	199.2
Indirect costs	€M	929.2	46.9	0.0	976.1	268.4	114.3	185.8	5.7	574.2
EBITDA	€M	194.0	83.2	38.5	315.7	(133.9)	84.3	(19.8)	3.1	(66.3)
Depreciation and amortisation	€M	786.3	20.1	14.3	820.7	25.3	38.1	17.5	1.5	82.4
EBIT	€M	(592.3)	63.1	24.2	(505.0)	(159.2)	46.2	(37.3)	1.6	(148.7)
<b>Volume (2)</b>	TWh, m therms	41.7	3.1	1.3	46.1	12.5	31.0	1,202.3	27.5	1,273.3
<b>WACO (3) F/E/G</b>	€/MWh, p/th	9.6	72.6	0.0	82.2	78.5	61.5	56.2	51.6	247.8
<b>Customer numbers (4)</b>	000s	N/A	N/A	N/A	N/A	3,148.8	418.1	2,179.0	26.8	5,772.7

(1) Figures shown represent 100% of nuclear capacity, shared 80/20 by EDF and Centrica plc.

(2) Volume measured net of losses i.e. National Balancing Point for Generation and Customers Meter Point for electricity supply and Local Distribution Zone for Gas supply.

(3) Weighted average input cost of fuel ("WACO") for Supply of electricity / gas. WACO is calculated as the direct fuel cost per MWh. For Generation this reflects the delivered cost of fuel and emissions costs, and for the Supply business, it covers the wholesale energy costs, the energy element of Reconciliation by Difference costs as well as balancing and shaping costs.

(4) Dual Fuel customers are included within Customer numbers in both Electricity and Gas supply segments. Customer numbers are based on average number of meters.

# EDF'S CONSOLIDATED SEGMENTAL STATEMENT YEAR ENDED 31 DECEMBER 2021



## BASIS OF PREPARATION

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The following notes show the basis of preparation of the 2021 Consolidated Segmental Statement:

### Segments<sup>1</sup>

- Nuclear Generation is the generation of electricity using the fleet of nuclear power plants. By its nature, Nuclear Generation has relatively high fixed costs and relatively low fuel costs compared with Conventional and Renewable Generation and hence Nuclear Generation is shown separately within the CSS.
- Conventional Generation includes coal and gas fired generation.
- Renewable Generation includes wind farms and Independent Power Purchase agreements. The wind farms are held on an associate basis and these are accounted for by recognising the proportion of income and assets on a line by line basis. EDF's share of their results is included within the Renewable Generation segment on a line by line basis.
- Domestic Supply reflects the supply of electricity, gas and associated services to domestic users.
- Non-Domestic Supply reflects the supply of electricity, gas and associated services to Small and Medium Enterprises (SME) and Industrial and Commercial (I&C) users. This includes users that are on domestic (Profile Class 1 & 2) meters, but are billed in the name of a company.

EDF has an Optimisation division whose purpose is to manage the wholesale market risk of EDF in one place within pre-defined risk limits and control framework. While each segment designs its own hedging approach for the medium to long term, Optimisation compiles the resulting positions from these hedging strategies into a portfolio and manages price and volume until delivery. The hedging strategies are all designed to strictly and gradually reduce the impact of energy market risk over time, consistent with the guidelines of the EDF Group Energy Market Risk Policy. As a service provider, the Optimisation division is not separately identified as part of the Consolidated Segmental Statement because the costs and revenues attached to transactions are allocated between Generation and Supply according to where the gross margin is derived based on volume supplied or generated, as further explained in the 'Revenue', 'Direct fuel costs' and 'Transfer pricing' sections below.

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<sup>1</sup>Segments in the CSS have been determined in accordance with Ofgem Guidelines, which differ from the requirements of International Financial Reporting Standard 8 under which the Segmental note of EDF S.A.'s statutory accounts is prepared. The Ofgem Guidelines require greater granularity.

# EDF'S CONSOLIDATED SEGMENTAL STATEMENT

## YEAR ENDED 31 DECEMBER 2021



### BASIS OF PREPARATION

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#### Revenue

- Generation revenues from sales of electricity generated include sales to external third parties as well as sales to internal customers within EDF, principally the Electricity Supply segments.
- Supply revenues from sales of electricity and gas include revenues from the direct sale of electricity and gas to customers, both domestic and non-domestic.
- Other revenues for the reported segments include:
  - Nuclear Generation: Provision of miscellaneous services to other nuclear facilities and capacity market.
  - Conventional Generation: Sale of Renewable Obligation / Carbon Certificates, by-products (e.g. ash, gypsum), capacity market and ancillary service income.
  - Renewable Generation: Renewable Obligation Certificate Recycle income and sales of Levy Exception Certificates.
  - Supply – Domestic electricity and Domestic gas: Other revenue primarily relates to weather hedge income, capacity market and charges to customers for non-energy supply services provided, e.g. energy saving products.
  - Supply – Non-Domestic electricity: Other revenue relates primarily to energy services and capacity market.

#### Direct fuel costs

- Direct fuel costs relating to Nuclear Generation principally include the cost of uraniums (including fabrication), spent fuel management costs plus the release of fair value adjustments on fuel contracts which arose on the acquisition of the Nuclear Generation business.
- Direct fuel costs for Conventional Generation reflects the direct costs of coal, oil, and gas purchase costs.
- Direct fuel costs for the Supply segments include the cost of purchasing energy in advance, as well as retrospectively through the industry imbalance mechanisms, the energy costs of Reconciliation by Difference (“RBD”) and Residual Cashflow Reallocation Cashflow (“RCRC”). Such purchases include external parties as well as from the Generation segments within EDF.

#### Please note that:

- EDF’s hedging policy leads to volumes of energy being sold or purchased in advance of delivery dates. The hedging policy attempts to reduce the impact of market volatility on the prices we offer our customers, and on our gross margin. Each Generation or Supply segment designs its hedging approach based on its view of an efficient risk management approach.
- Expected Generation and Supply volumes from the relevant segments are consolidated by Optimisation. In doing so, each transaction for the relevant delivery period is at market price.
- All energy purchased for our residential customers is either purchased from the wholesale market or provided by our upstream activities at wholesale market reflective prices. Where volume is transacted internally, no bid-offer spread costs are borne by either side.

#### Transportation costs

- Transportation Costs include all costs incurred in delivering energy to customers (e.g. Transmission (“TNUoS”), Balancing Services Systems (“BSUoS”), Distribution (“DUoS”) and the transportation costs for gas including the transport element of RBD.

# EDF'S CONSOLIDATED SEGMENTAL STATEMENT

## YEAR ENDED 31 DECEMBER 2021



### BASIS OF PREPARATION

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#### **Environmental and social obligation costs**

- These include costs such as Carbon Certificates, Carbon Price Floor costs, Energy Company Obligations (“ECO”), EU Emissions Trading System (“EU ETS”), Renewable Obligation Certificates (“ROCs”), Warm Home Discount, Levy Exemption Certificates (“LECs”), Feed in Tariffs (“FiT”), and Assistance for Areas with High Electricity Distribution Costs (“AAHEDC”). FiT and ROCs are allocated to segments based on electricity supply volumes.

#### **Other direct costs**

- These include all other gross margin costs but do not include customer or business support costs (e.g. Customer service costs and HR costs, which are included in indirect costs). Other direct costs also include Third Party Intermediaries (TPI) costs and Aggregator element of Acquisition costs.

#### **Indirect costs**

- Indirect costs contain marketing costs, smart meter related costs, metering charges (net of income received), staff costs, property costs, Corporate recharges and bad debt expenses.
- The costs relating to EDF Corporate and Centralised Functions are allocated to the operational business units based on clearly defined rules agreed with the business unit Finance Directors as being equitable. Where costs can be specifically allocated to a particular business unit, these costs are allocated directly to that unit, for example: insurance costs based on policies, property on floor space. Where costs are not directly attributable to a single business unit, costs are allocated based on key drivers, either number of employees, pre-agreed contributions or a combination of employee numbers and direct costs. For example: strategic support, brand and HR policies.
- Indirect costs within business units, allocation per segment:
  - Indirect costs relating to Conventional Generation, Renewable Generation and the Supply segments are allocated where the costs are principally incurred within that segment. Where a function cannot be linked directly to a segment (e.g. HR, Finance) the associated costs are apportioned to each segment based on drivers such as number of employees, number of product accounts, percentage of product spend, occupancy rates, other verified allocations or on an equal basis. The most appropriate driver is chosen to reflect the nature of the costs incurred.
  - Nuclear Generation operates as a standalone segment and hence no judgment is required in apportioning of NG indirect costs.
  - Indirect costs relating to Optimisation are allocated to the Segments as further described under “Transfer Pricing” below.

# EDF'S CONSOLIDATED SEGMENTAL STATEMENT YEAR ENDED 31 DECEMBER 2021



## BASIS OF PREPARATION

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### EBITDA/EBIT

- EBITDA is earnings before interest, tax, depreciation and amortisation, calculated by subtracting the total Segment operating costs from Segment revenue.
- EBIT is earnings before interest and tax, calculated by subtracting depreciation and amortisation from EBITDA.

### Exceptional items

- In accordance with the licence condition, the Consolidated Segmental Statement has been prepared to reflect the operations of EDF in 2021. On this basis, impairment charges relating to the Generation segment, guaranteed minimum pensions adjustment costs and restructuring provision costs have been excluded in accordance with Ofgem guidelines. The gain/loss arising on the revaluation of contracts to buy commodities and power in future periods, known as the impact of IFRS 9, has also been excluded under Ofgem guidelines. The impact of these can be identified in the appendices which show the reconciliation of key figures between the statutory accounts and the Ofgem segmentals.
- The results of the Nuclear Generation segment include the impact of acquisition accounting fair value adjustments. To account for the acquisition of British Energy in 2009, all of the assets and liabilities within Nuclear Generation were revalued in accordance with International Financial Reporting Standards so that their carrying values reflected their fair value at that date. These revaluations are recognised through the profit and loss account in subsequent years to match the economic benefits they relate to and are not excluded as exceptional items.

### WACO

- As required by Ofgem's guidance, the weighted average input cost of fuel ("WACO") for Supply of electricity/gas covers the wholesale energy cost, losses, the energy element of RBD costs, balancing and shaping costs. It does not include other direct costs such as distribution, transportation, metering and renewable obligations.
- The weighted average input cost of fuel for Conventional Generation is based on the cost of coal, gas, carbon, oil and biomass.
- The weighted average input cost of fuel for Nuclear Generation is based on the cost of uranium (including fabrication) and spent fuel management costs.
- The weighted average input cost of Nuclear Generation has been calculated on a consistent manner to the WACO calculation for Supply and Conventional Generation. The WACO for Nuclear Generation is lower than for the other segments due to the nature of Nuclear Generation. The fixed costs in relation to a nuclear power station are higher than for other types of plant due to the capital cost of the power stations and other non-fuel costs of increased safety measures, security and regulation, but the direct fuel cost of generating each TWh is lower.

### Volume

- The Supply volume is as recorded at the customer meter point (i.e. net of losses) for electricity and at the Local Distribution Zone (LDZ) for gas (i.e. purchased volumes which are net of shrinkage but before subsequent losses). Generation volume is the volume of power that can actually be sold in the wholesale market, i.e. generation volumes after the losses up to the point where power is received under the Balancing and Settlement Code, but before subsequent losses.

# EDF'S CONSOLIDATED SEGMENTAL STATEMENT YEAR ENDED 31 DECEMBER 2021



## BASIS OF PREPARATION

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### **Transfer Pricing**

All power, gas and commodity transfers between Segments are based on market traded prices and products, either from price reporting agencies, or live market prices observed on broker screens. The methodology is designed to reflect the costs and revenues which would be achieved if the segments were standalone businesses, operating in accordance with EDF's policy which leads to volumes of energy being sold or purchased in advance of delivery date.

Gains and losses accumulated within the Optimisation Division relating to its role in managing EDF's wholesale energy sales and direct fuel purchases are reallocated on a volume basis to the Generation and Supply Segments.

Non-fuel operating costs in relation to Optimisation are generally apportioned without mark-up based on the percentage of time spent on Generation and Supply activities with the remainder, allocated evenly between Generation and Supply.

# EDF'S CONSOLIDATED SEGMENTAL STATEMENT YEAR ENDED 31 DECEMBER 2021



## QUESTIONNAIRE ON BUSINESS FUNCTIONS

The table below outlines where responsibility for each business function lies:

Business Function	Generation	Supply	Another part of the business
Operates and maintains generation assets	✓	-	-
Responsible for scheduling decisions	P/L	-	F
Responsible for interactions with the Balancing Market	P/L	P/L	F
Responsible for determining hedging policy <sup>(1)</sup>	F P/L	F P/L	F
Responsible for implementing hedging policy / makes decisions to buy/sell energy <sup>(2)</sup>	P/L	F P/L	F
Interacts with wider market participants to buy/sell energy	P/L	P/L	F
Holds unhedged positions (either short or long) <sup>(3)</sup>	F P/L	F P/L	F
Procures fuel for generation <sup>(4)</sup>	F P/L	-	F
Procures allowances for generation	P/L	-	F
Holds volume risk on positions sold (either internal or external)	P/L	P/L	F
Matches own generation with own supply <sup>(5)</sup>	P/L	P/L	F
Forecasts total system demand	-	-	F
Forecasts wholesale price	P/L	P/L	F
Forecasts customer demand <sup>(6)</sup>	-	F P/L	F
Determines retail pricing and marketing strategies	-	✓	-
Bears shape risk after initial hedge until market allows full hedge	P/L	P/L	F
Bears short term risk for variance between demand and forecast	P/L	P/L	F

**Key:** ✓ : Function and P&L impacting that area

**P/L:** Profit and loss of that function recorded in that area

**F:** Function performed in that area

Within the EDF SA Group, EDF Trading Ltd (“EDF Trading”) provides market access services to execute most of the trades performed across the Group on wholesale commodity markets. In this context, EDF Trading effectively acts as a broker to EDF (and other Group entities) and receives a commercial arms length transaction fee for providing this service. For the avoidance of doubt, EDF Trading is a fully separate legal entity from EDF, regulated by the Financial Conduct Authority, with separate accounts, a separate Board, separate governance processes and is not controlled by EDF. Therefore EDF Trading activities do not fall within the scope of Ofgem Consolidated Segmental Statements.

## QUESTIONNAIRE ON BUSINESS FUNCTIONS

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### Notes

**(1) Responsible for determining hedging policy**

The Generation and Supply divisions independently define their hedging strategies. In addition there is a hedging strategy, defined by the Optimisation division, which ensures that EDF bears the appropriate amount of consolidated energy market risk in total, in line with the risk mandate as approved by the EDF Energy Holdings Limited board.

**(2) Responsible for implementing hedging policy / makes decisions to buy/sell energy**

The hedging policies defined above are implemented in each of the relevant divisions.

**(3) Holds unhedged positions (either short or long)**

The hedging policies defined above are implemented in each of the relevant divisions.

**(4) Procures fuel for generation**

Nuclear fuel is procured by the UK Generation Division, whilst financial and physical coal, biomass, oil, gas and carbon are procured by the Optimisation division.

**(5) Matches own generation with own supply**

Generation and Supply hedging strategies are defined independently. EDF only nets its Generation and Supply hedging volume on the occasions that each divisions order flow overlaps.

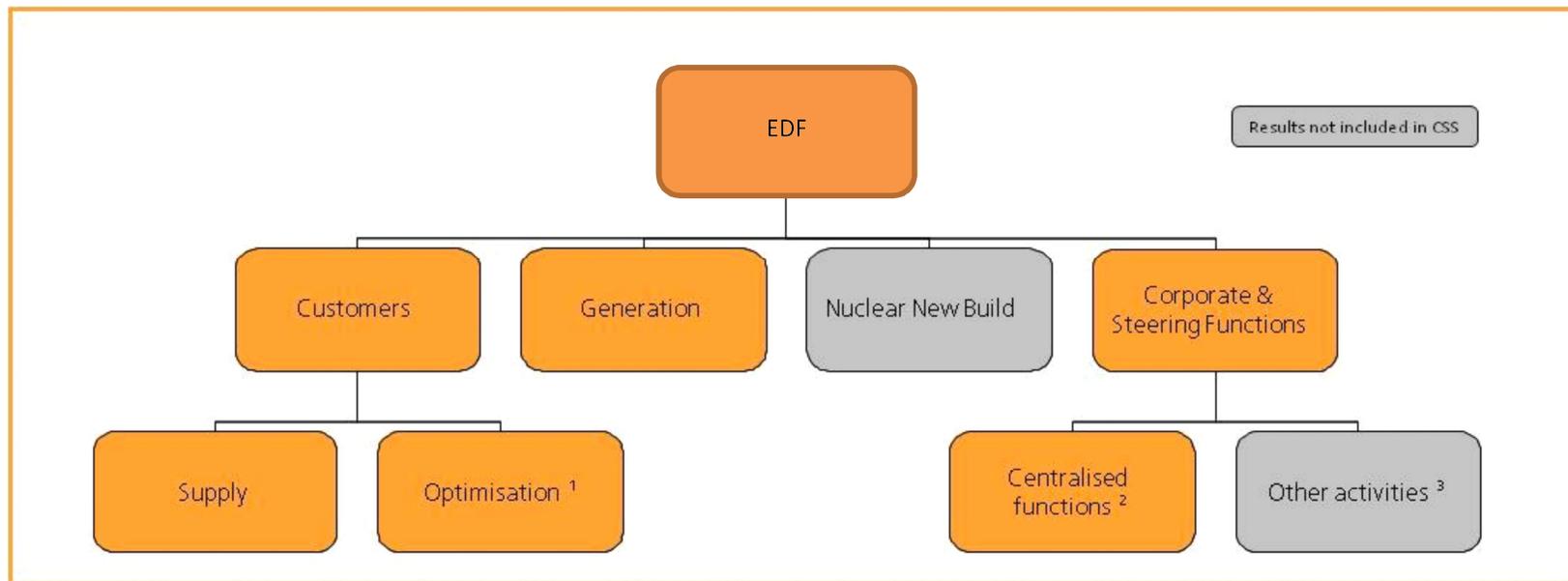
**(6) Forecasts customer demand**

Customer demand is forecast in the short-term (within month) by the Optimisation division and by the Supply division for the longer-term horizon.

## APPENDIX 1: SUMMARY OF GROUP AND LICENSEES

### Appendix 1: Summary of Group and licensees

Certain activities performed within EDF are not related to or carried out by licensed entities. These activities have been excluded from the Consolidated Segmental Statement. The diagram and notes below demonstrate and explain the key areas included and excluded.



(1) The purpose of this division is to manage the wholesale market risk of EDF. All of its costs and revenues are allocated between Supply and Generation as further described in the Basis of Preparation section of the CSS.

(2) These costs are costs that have been incurred on behalf of the business in scope for Ofgem reporting and are recharged as indirect costs across the business based on transfer pricing methodology as discussed on page 10.

(3) These include indirect costs which are not recharged across the business such as management recharges from EDF S.A. and hence which do not form part of the Supply or Generation segment.

## EDF'S CONSOLIDATED SEGMENTAL STATEMENT YEAR ENDED 31 DECEMBER 2021



### APPENDIX 1: SUMMARY OF GROUP AND LICENSEES

The individual supply and generation licences which are held by EDF Energy Holdings Limited's subsidiaries, joint arrangements and associates are as follows:

Entity	Licence	Ownership at 31 December 2021	CSS Segment
EDF Energy Customers Limited	Supply	100%	Electricity Supply Gas Supply
EDF Energy Nuclear Generation limited	Generation	80%	Nuclear Generation
EDF Energy (Thermal Generation) Limited	Generation	100%	Conventional Generation
EDF Energy Renewables Limited	Generation	49%	Renewables Generation
NNB Generation Company (HPC) Limited	Generation	66.5%	(i)

i. Although NNB Generation Company (HPC) Limited has a generation licence, the operational activities are deemed immaterial, with turnover of £1.4m and EBIT of £0.2m relating to wind farm activities.

EDF's ultimate parent company, EDF S.A. has two subsidiaries in the UK which are not part of EDF but which have Ofgem licences. These companies are EDF Development Company Limited and EDF Trading Limited. These companies do not have any generation or supply activities which would be in scope of the Ofgem Consolidated Segmental Statement.

# EDF'S CONSOLIDATED SEGMENTAL STATEMENT YEAR ENDED 31 DECEMBER 2021



## APPENDIX 2: RECONCILIATIONS TO AUDITED FINANCIAL STATEMENTS

### Reconciliation of EBITDA and EBIT to the EDF S.A. financial statements

	2021		2021	
	€M	€M	€M	€M
	<b>EBITDA</b>		<b>EBIT</b>	
<b>Per Segmental Analysis</b>		<b>250</b>		<b>(654)</b>
Generation	316		(505)	
Supply	(66)		(149)	
<b>Per EDF SA statutory accounts (in GBP)</b>		<b>(19)</b>		<b>(1,733)</b>
In EUROs	(21)		(2,016)	
Exchange rate used	1.16288		1.16288	
<b>Variance</b>		<b>269</b>		<b>1,079</b>
<b>Reconciled as Follows:</b>		<b>(269)</b>		<b>(1,079)</b>
<b>EBITDA/EBIT of Non Supply / Generation Business Units (Corporate and Nuclear New Build)<sup>(1)</sup></b>		<b>(100)</b>		<b>(237)</b>
Corporate & Steering Functions	(92)		(120)	
Gas Storage	(13)		(18)	
Optimisation	1		0	
Nuclear New Build	4		(99)	
<b>Non recurring items<sup>(2)</sup></b>		<b>(131)</b>		<b>(817)</b>
Restructuring costs	0		(21)	
Onerous Contracts <sup>(4)</sup>	(92)		(92)	
End of generation <sup>(6)</sup>			(523)	
Exceptional costs	5		(16)	
Pension Adjustment	(35)		(35)	
Energy Services	(10)		(14)	
Impairment			(122)	
Other			5	
<b>Revaluation of derivative contracts under IFRS 9</b>		-		0
<b>Results of associates<sup>(5)</sup></b>		<b>(38)</b>		<b>(25)</b>
<b>Difference</b>		<b>-</b>		<b>-</b>

1) The Corporate and Centralised Functions, Nuclear New Build and the Gas storage plants are not licensed by Ofgem and hence are excluded from the scope of the Ofgem report.

2) Ofgem guidance dictates that the CSS should reflect the year of operations and that exceptional items should be excluded which would generally be included in the statutory accounts. For 2021, the impairment of assets, profit on disposal and restructuring costs have all been excluded from the CSS.

3) The Energy Services provided are not licensed by Ofgem and hence are excluded from the scope of the Ofgem report.

4) The provision for Onerous contracts has been excluded from the segmental reporting as this relates to unavoidable future costs of energy and therefore out of the scope of Ofgem reporting for 2021.

5) These adjustments relate to the results of the Group's associates (EDF Energy Renewables). Per Ofgem guidance they have been included within the Segmental analysis, however for statutory reporting, they are excluded from UK EBITDA and EBIT as they are equity accounted and fully consolidate into the results of EDF Renewables (which is outside of the UK segment results in EDF SA's financial statements).

6) End of generation relating to Dungeness

# EDF'S CONSOLIDATED SEGMENTAL STATEMENT YEAR ENDED 31 DECEMBER 2021



## APPENDIX 2: RECONCILIATIONS TO AUDITED FINANCIAL STATEMENTS

### Reconciliation of Revenue to the EDF S.A. financial statements

		2021
		£M
<b>Revenue per Segmental Analysis</b>		<b>£M</b>
Generation		<b>10,230</b>
Supply	2,287	
	7,943	
<b>Revenue per EDF SA statutory accounts (in GBP)</b>		<b>8,697</b>
In EUROS	10,114	
Exchange rate used	1.16288	
<b>Variance</b>		<b>1,533</b>
<b>Reconciled as follows:</b>		<b>(1,533)</b>
<b>Revenue of Non Supply / Generation activities</b>		<b>95</b>
Gas storage <sup>(1)</sup>	23	
Nuclear New Build <sup>(2)</sup>	11	
Energy services <sup>(3)</sup>	60	
<b>Elimination of intra- segment sales <sup>(4)</sup></b>		<b>(1,601)</b>
<b>Results of associates <sup>(5)</sup></b>		<b>(60)</b>
<b>Turnover / COS reclassification not captured by EDF SA</b>		<b>35</b>
<b>Difference</b>		<b>-</b>

1) Gas storage plants are not licensed by Ofgem and hence are excluded from the scope of the Ofgem report.

2) The operational licenced activities within Nuclear New Build are deemed immaterial and hence excluded from the scope of the Ofgem Report.

3) The Energy Services provided are not licensed by Ofgem and hence are excluded from the scope of the Ofgem report.

4) This represents the elimination of sales between the Generation and Supply segments.

5) This adjustment relates to the results of the Group's associates (EDF Energy Renewables). Per Ofgem guidance they have been included within the Segmental analysis, however for statutory reporting, they are excluded from UK revenue as they are equity accounted and fully consolidate into the results of EDF Renewables (which is outside of the UK segment results in EDF SA's financial statements).