



EDF 2015 annual results

Tuesday, 16th February 2016

Jean-Bernard Lévy
Chairman and CEO, EDF

Good morning, ladies and gentlemen. Thank you for attending this conference, which is about, of course, our results. **Our results show that we have fulfilled all of our commitments. In particular, EBITDA in 2015 grew 3.9% in organic terms, in line with the upgraded guidance that we issued at the end of 2015.** This shows that EDF employees can make huge efforts, can deliver success in front of a difficult market but with a commitment to the collective strategy that EDF is implementing.

And I would like to get into some of the other highlights of our results before I hand over a bit later to Thomas Piquemal, our CFO, who will provide you with all the information required. I would like to just take a few moments to reflect on EDF, as we are a major energy company generating and selling electricity, gas, heat and energy services.

We are going through a period of very profound changes. These changes can already be seen in the global economy, more competitive, more technology-driven. The pace of these transformations is especially fast in our energy- and commodity sectors – starting with the importance that low-carbon energies have today.

Our sector went through a historic moment with the major international climate conference in Paris, COP 21. This conference was an enormous success for the planet and was remarkably successful for France, which hosted and chaired the conference. EDF was an active and credible participant in COP 21 discussions, first of all because we, at EDF, are the number one renewable energy producer in Europe. We produce electricity with our hydroelectric dams, our wind farms, our solar parks and biomass plants. It is important to remember this: we are leaders.

Second of all, because here in France we are also setting an example by using very little fossil fuels to generate electricity. Interesting to remind all of you that the electricity generated by EDF in France has the smallest carbon footprint in Europe: 15g of carbon dioxide per kilowatt hour, which is a new record; we were at 17 a year ago, in 2015 we are at 15g.

May I remind everybody that while we are at 15g of carbon, the European average is at 325g, 20 times more, due mostly to differences in the electricity mix. Germany for example emits about two-times more tonnes of CO₂ than France. So we are also already the European player at the cutting edge of the energy transition and the fight against climate change.

COP 21 is now showing us the way via the commitment of more than 190 countries and this way is coherent with our expertise at EDF and our own **CAP 2030 strategy. Right from the time when I joined, I wanted to define and implement the strategic priorities of EDF for the next 15 years, and now we have done so.** After a team effort involving all the business lines of EDF group, we are currently concluding the operational roll-out of this strategy within the company. In short, CAP 2030 is shaping up, as you know, around three main themes: supporting customers and local communities in their energy transition; producing low-carbon energy based on nuclear and renewable energy; and expanding internationally.

As I just said, **our number one priority is a close relationship with our clients**; EDF must develop new solutions that are competitive, digital and decentralised. EDF must promote new customised energy services and create an industrial model for smart grids. We need to support the evolution in how energy is used and produced.

Our second fundamental strategy in CAP 2030 is to be positioned as the world's leading low-carbon electricity producer, moving ahead on our own two feet: nuclear and renewables. We plan to massively invest in renewable energy each year, over €2 billion per year. Our objective is to reach 50 gigawatts of net installed capacity in 2030 in the world, against around 28 gigawatts currently.

And the third strategy in CAP 2030 is our international expansion. At EDF group, we believe this expansion needs to be selective, developing low-carbon solutions in growth countries, especially in Asia. We will of course strengthen our positions in our key countries: France, the UK, Italy and Belgium.

As I said, we are currently experiencing unexpected market turbulence, mainly in the wholesale electricity markets in France and Western Europe. These markets are today the main drivers of our operational margins, and prices have dropped 30% in these markets over the last twelve months. This price drop was experienced by all our competitors without any exception. This price drop forces us to accelerate our transformation - a transformation which affects all sectors and all business lines within EDF. This transformation is consistent with the strategic priorities of EDF in CAP 2030.

The first transformation we need for our company's success is innovation: innovation to serve clients, innovation based on new technologies, especially digital technology, and innovation based on new decentralised solutions to use energy.

Since EDF was founded precisely 70 years ago, the company's ability to innovate has been second to none. Today, we are increasing our innovation initiatives everywhere in the company. As an example, we are already running ten labs which gather EDF and external players, especially start-ups. We are developing many projects in partnership with entrepreneurs and local authorities. Each week and sometimes several times a week, we announce one or several concrete results on the ground: new partnerships for energy efficiency, for renewable energy, for storage, for better use of our industrial assets, in network and generation.

EDF's long-term commitment to innovation, as a way to differentiate and to keep ahead of the curve, is reflected in the investments we devote to R&D every year, which are €650 million. In a few weeks, our new EDF research centre in the Plateau de Saclay, close to Paris, will open. Saclay is the leading higher education and research hub in France. EDF and Saclay will gain from their mutual cooperation.

In 2015 we innovated for our electricity customers, launching 100% renewable energy offers towards our client base, and implementing a new digital tool, called "e.equilibre". Already more than 600,000 customers have subscribed to it.

Being at the cutting edge of innovation is also about supporting our customers in new ways of using electricity, such as electric mobility. The "national dimension" of our subsidiary

Sodetrel has just been recognised by the French Ministry of Environment. Sodetrel is currently deploying 200 rapid-recharge terminals on the main motorways in France.

The other major transformation that EDF must lead is our collective vision, that will mean that we work differently. We renew our human ambition, drawing from the development and fulfilment of employees. Our human ambition naturally complements our public service mission, which is at the heart of the energy transition. In particular, our human ambition aims to develop a new digital culture and also new ways of organising work, with the objective to streamline our operations. Initiative, accountability and delegation must have a strong place, so that each individual can fully contribute to transforming and building the future of EDF. As an example, the draft agreement on managers working hours, which will be signed soon; this agreement demonstrates that the transformation of EDF group's culture and human ambition is under way. It also shows our employees are very committed to a dynamic of progress and performance.

EDF's transformation also requires major efforts to optimise our resources and decrease our costs. Just let me highlight the progress we made to lower our costs in 2015. For the first time in a long while, we managed to cut our operating costs from 2014 to 2015 by approximately €300 million at constant scope and exchange rate. This joint effort deserves some recognition; it confirms that when we cut costs collectively, we can perform as well and even better. While we have significantly hired and made an effort in investing into new recruitments, we are now able to provide the best conditions for knowledge transfer across generations.

I must say I am always pleased to go on site and see a true handover, a true transmission, between the generation that built and developed the company, and the generation whose mission is to lead it to new successes in the future. As we did plan for this need for renewal, we can now start to reduce the workforce in due composure. This is a first step to control our costs, which is essential for us to adapt to the new competitive situation and sale prices.

2015 was the year with the first reduction of our costs, but we will continue in the next few years, and our commitment is to operate in 2018 with a further cost reduction of €700 million. So, in total, we will have achieved by 2018 an Opex reduction of €1 billion. And we also closely monitor our net investments, with a target to keep our investments by 2018 below €10.5 billion, excluding new development projects. As I have already mentioned several times, these new developments will be funded by asset disposals. So putting Opex and Capex under control and decreasing them is key to our new balance inside EDF.

This good management approach, this new management approach will provide us with the room required to make our strategy a success and to reach our ambition, which I am happy to reiterate: our ambition to achieve positive cash flow after dividends in 2018.

However, this discipline should not hide the current problems in the European electricity market, with electricity prices as low as they are today, overcapacity related to sluggish growth, to renewable energy development, operators today can barely cover their variable costs with this market model. Energy supply is secured, but no operator is able to invest in building new means of production without public subsidies to support them. So it is now urgent to reform the current market model and to adapt it to the energy transition, by quickly implementing capacity mechanisms in order to secure energy supply, by setting a European

carbon price which will be in line with the commitments made by Europe at COP 21, and by introducing a new and enhanced regulation.

Let me now turn to the key points of our 2015 results and our perspectives for 2016.

Once again, we have demonstrated our resilience by reaching all the targets we had set ourselves for 2015, and EDF has even exceeded some of these targets. I would really like to pay tribute to all the teams that made this achievement possible. This is all the more outstanding as we had to face a particularly weak market, with significant price drops.

Our **sales** in 2015 stand at €75 billion. As I said in my introduction, **EBITDA** was in line with our expectations, and even slightly exceeded them. Restated for the 2014 impact of the tariff catch-up, EBITDA grew 3.9% in organic terms. Our objective, which we had revised upwards in December last year, was to reach at least 3%. Although net debt increased, reaching €37.4 billion, the **net debt to EBITDA ratio** – a very important metric for us – was 2.1, remaining in the lower end of the 2.0–2.5 range that EDF group had set for itself at the beginning of year 2015.

These results attest to **very strong operational performance**, which I would like to illustrate with you by a few examples.

- One at the top of our mind through the whole year was the fact that regulated yellow and green tariffs came to an end in 2015, and many business customers and local authorities had to decide who to go with. Many of them have decided to sign a new contract with EDF. We estimate that we have today still nearly **75% of the market share in this segment**, a very good result, a very strong demonstration of resilience.
- Another example to illustrate our operational performance is our nuclear output. **Our nuclear output in France** was 416.8 terawatt hours, rising 0.9 terawatt hours compared to 2014 and thus exceeding the upper end of the range of 410–415 terawatt hours that we had set. This performance shows how well we control today the duration of planned outages, demonstrating the success of the programme that was implemented in 2013. This plan will continue to yield its effects this year, and our target nuclear output for 2016 is between 410–415 terawatt hours. In the UK, the eight nuclear reactors that we operate have also performed extremely well, reaching, at 60.6 terawatt hours, their highest level for the past ten years.
- In 2015, in line with our CAP 2030 strategy, we continued to accelerate our development in **renewable energy**. We added 1 gigawatt of net installed capacity. We also had a significant amount of success stories with major clients, especially brands in the United States and very large companies, such as Microsoft, Google, Procter & Gamble and many more. We have every intention of keeping this up.

In Italy, which is also a strategic country for EDF group, the arbitration of the price revision of the Libyan gas contract was made in favour of **Edison**, leading to a positive one-off EBITDA impact of €855 million in 2015.

EBITDA growth also reflected EDF group's intensified effort to control its costs. As I said earlier - but we are very pleased with this -, for the first time in at least five years, our

operating expenses decreased. They decreased 1.4% in organic terms compared to 2014, which can also be expressed by a reduction of Opex of €300 million. These efforts were made in all segments, especially in the United Kingdom and in Italy, where our largest subsidiaries operate. In these countries, operating expenses decreased by 6.9% and 9.8% respectively. In France as well, we put under control the increase in operating expenses: it was limited to 0.4%.

What about our 2016 objectives? We have a difficult market but we believe, with our cautious selling strategy, that we are in a position to make strong commitments. For 2016, our commitment is a target EBITDA between €16.3 and €16.8 billion at constant scope. Our financial discipline remains where it was last year: our debt ratio should be between 2–2.5. Our dividend policy is unchanged, with a pay-out of net recurring income, adjusted for hybrid coupons, between 55% and 65%.

This is the strategy of EDF and its initial concrete results. I would like to conclude by telling you we have a clear roadmap: the CAP 2030 strategy. We need to be resourceful, imaginative, creative to respond to all the challenges we have and I have just shared with you. We also need to be very cost-conscious and devote all the necessary resources to building the future of the company. And we must be able to change our practices, our culture, to undergo the significant transformation that has started.

I know EDF, especially EDF employees and EDF assets. They are exactly what we need to have to succeed in this transformation; we all believe in it and we will succeed.

Day after day, we are making EDF stronger and stronger, in a new world where electricity will play an even more pivotal role in our daily lives.

Thank you very much and, with this, I hand it over to Thomas. Thank you.

Thomas Piquemal

Group Senior Executive Vice President, Group Finance, EDF

Good morning everyone. I will now detail our 2015 financial performance and explain our 2016 guidance, and also explain how we are going to be cash flow positive in 2018 (after dividends and before Linky).

So, you already know our 2015 numbers, Jean-Bernard has just shared his comments with you.

Quickly again, **sales** are up 2.2% at €75 billion, essentially driven by the scope effect of Dalkia and the rise of the British pound versus the Euro.

EBITDA comes to €17.6 billion, nearly stable in organic terms versus 2014, but up 3.9% compared to 2014 adjusted for the 2012 tariff catch-up. 3.9% is above the high-end of our range that I announced beginning of December last year, despite the fact that we had mild weather towards the end of the year. We were able to compensate for this negative weather effect and achieved 3.9% EBITDA growth, in our guidance scope.

Net income Group share is down 67.9% at €1.2 billion, mainly due to impairment charges and non-recurring items. When excluding those charges, recurring net income is at €4.8 billion, almost stable compared to last year.

Net debt is up €3.2 billion, of which almost €900 million is due to Forex effect; and **net debt to EBITDA ratio** is in the lower end of our range, at 2.1-times EBITDA. Financial position is very strong at the end of 2015, not only because of this ratio but also because we have a long maturity in our average debt - 13 years -, and we enjoy very high liquidity levels - more than €22 billion.

Over the last years, the Group consistently met or exceeded its targets, regardless of the changes achieved in economic, weather or regulatory conditions. This was again the case in 2015: we met all our objectives, and the dividend proposed by the Board is within the target that we announced (55–65% range): 56% including the impact of Cigéo - the additional provision that we had to take in 2015 accounts after the Ministerial order we received beginning of the year.

As you know, the Board also proposed an option to receive the dividend in newly-issued shares, and the French state confirmed this morning its willingness to take this dividend in shares after the AGM.

As I said earlier, Group EBITDA grew 3.9%oin the scope of our guidance, which excludes the 2014 impact of the adjustment in 2012 tariffs. This reflects the good operating performance across the Group in the face of a challenging market environment. Looking at the main components of this EBITDA performance on the slide number 11, EBITDA in France is stable in organic terms and excluding the 2012 tariff catch-up. The operating performance and cost stabilisation efforts provided strong support, whereas market prices are under pressure and competition intensifies.

In the UK, EBITDA grew 4.9% organically, benefitting from an outstanding nuclear output and further reductions in Opex. Significant reduction in Opex in Italy as well, together with the positive arbitrage on the Libyan gas contract, explain the very good performance of our Italian business in 2015, as you can see on this slide: +€456 million of EBITDA compared to last year. In other segments, EBITDA grew by €91 million, driven by EDF Énergies Nouvelles, our activities in Poland and Belgium.

Despite this EBITDA growth, EBIT is down 46.4%, for two main reasons. The first one is because, as you can see on this page number 12, our depreciation and amortisation expenses are up by 12.5%, plus €1 billion in depreciation in 2015 compared to 2014. This is driven by rising maintenance investments in the UK generation fleet, and by high investments in generation and distribution assets in France. But, as you know, those investments made in the French nuclear fleet face an even shorter amortisation period every year. EBIT is also impacted by impairments and other income and expenses which are non-recurring.

Let me detail those non-recurring items, net of tax, on the following page: -€3.6 billion. In this number we had to incur the exceptional charge linked to the European Commission

decision on the RAG issue for €354 million, net of tax, and the increase in the Cigéo storage provision for €509 million (it is €800 million increased provision before tax), but also impairment charges. As you may remember, we had booked €500 million during the first half of 2015 in our financial statements, and as we announced back in December, we increased our impairment charges by €2.3 billion. This number was slightly revised upwards beginning of the year, for our E&P assets in Italy due to the continuous decrease in Brent prices.

Overall, –€3.6 billion of non-recurring items net of tax explain the fall in non-recurring net income. You see it again on this page number 14. €1,187 million Group share, –67.9%, stable compared to last year without giving effect to non-recurring items.

This good net income excluding non-recurring items at €4.8 billion, above market consensus by a significant amount, was achieved thanks to a good financial performance. We were able to increase the fixed-to-floating swapping operations on our outstanding bond debt. We enjoyed in 2015, an average cost of debt of 2.92%, despite the fact that we had an average maturity of 13 years. We also enjoyed a very good performance in our dedicated assets fund, with significant capital gains and returns, both on our financial portfolio and within EDF Invest.

Net income also benefitted from strong results at RTE, boosted by cost control and a favourable weather effect.

Looking now rapidly at EBITDA of each segment, starting with **France**. The EBITDA reflects the positive impacts from the increase in regulated tariffs and from a more favourable weather effect. You see that the weather impact, especially in distribution at ERDF, led to an increased consumption of 7.9 terawatt hours, with some effect on EBITDA globally. But we also enjoyed a strong nuclear output; I will come back to it in a short while.

France benefitted also from enhanced cost-control efforts, both on external charges and staff costs. As a result, in 2015 Opex in France increased marginally by €60 million. In the lower market price environment, ARENH volumes dropped compared to 2014, with corresponding volumes sold on the wholesale market at a lower price.

As you know, significant overhaul took place in the B2B market in 2015, with the end of the yellow and green regulated tariffs. EDF lost a certain number of customers in the process, but our market shares generally showed a strong resilience, considering the increasingly competitive environment. More than 70% of yellow and green customers signed a new contract with EDF, and I also should mention that the satisfaction rating for residential blue customers stands at a very high level.

The last point on this slide: the poor hydro conditions resulted in a lower hydro output, carrying a negative EBITDA effect, slightly above €200 million compared to 2014. This is illustrated on the customary upstream/downstream balance. You see on the left hand side that nuclear output was up by 0.9 terawatt hours. Hydro power was down compared to 2014, as I said, by 5.4 terawatt hours. On the right hand side, major shift on the ARENH volumes, –55 terawatt hours sold on the wholesale market (the line just above +55.8) and customer

demand was slightly up by 1.2, because of weather effects, partially offset by the loss in market shares.

Focussing now on **nuclear output**, continuous improvements of the nuclear output during the year, and a final output above our maximum target of 415 terawatt hours - as you know.

Our ambition remains the same for 2016, despite the fact that we will have more decennial visits (six instead of five), and among those decennial visits, we will have three decennial visits on 1,300 megawatt units, for which we do more work than for other decennial visits. So, ambition is confirmed for our team to still manage, as they did over the last two years, the planned outages, yielding very good results.

The outlook for hydro improved significantly, as you can see on this slide number 19, when you look after December 2015, there is a strong uptake on the hydro conditions, and this is good news, looking at what happened during the last quarter of the year. We are now close to normal hydro conditions after a negative second half of 2015.

In the UK, as I said earlier, EDF Energy had a fantastic nuclear performance and, at the same time, managed downwards its Opex. Nuclear output was at 60.6 terawatt hours, despite the fact that some of the reactors - Heysham 1 and Hartlepool - were still running at reduced load.

In an increasingly competitive environment on B2C, the average number of electricity and gas product accounts dropped by 286,000. But in that context, EDF Energy strengthened its cost control efforts, with a 6.9% organic reduction in Opex, mitigating the impact of the loss in market shares and the negative effect of a very mild Q4 on gas sales.

In Italy, significant efforts were also conducted on the cost base. You see that the Opex on the Italian segment were down by almost 10% compared to 2014. This strong cost control effort, together with very positive outcome of the arbitration on the ENI contract with Libya, explained the jump in EBITDA contribution of our Italian segment on the Group results: plus 51.8%, €1.3 billion of EBITDA, a very strong contribution of our Italian activities to the results of the Group.

Moving now to the **Other International segment**, overall a good performance in Europe.

In Belgium, +50% driven by the increase in our renewable business and positive evolution in ancillary services, compensating the negative effect of the nuclear output we faced in 2015.

In Poland as well, as anticipated, 2014 was a low point, and we see further improvement in our performance starting in 2015, fuelled by higher realised power prices and heat tariffs, and by the renewed support to cogeneration since mid-2014.

Brazil was penalised by a heavy maintenance programme and lower market prices, partly mitigated by sustained cost control efforts, which is, I think, a constant in all our businesses during 2015. And this is a trend that will be pursued in the forthcoming years.

The slight organic drop in EBITDA in the other segments is mainly explained by the end of the Figlec concession in China in September.

Moving now to the last segment: **Other activities**. EBITDA is up 6.2%, driven by Dalkia's contribution in organic terms: a positive growth thanks to operating efficiency plans and a good commercial performance.

EDF Énergies Nouvelles is up by 10%. More favourable wind conditions as well as a growing installed base boosted the power output. EDF Énergies Nouvelles again registered a very strong performance in the sale of structured assets which is - as you know - a way to develop more assets and redeploy capital in new projects. And I have to mention that since EDF Énergies Nouvelles was fully integrated within the EDF group back in 2011, EBITDA almost doubled, for those of you who remember the contribution of EDF Énergies Nouvelles to the EDF results back in 2011. I think this demonstrates the strong growth that we enjoy at EDF Énergies Nouvelles.

EDF Trading performance is 22% down: a significant drop compared to last year, mainly due to a lower activity in the US compared to 2014, which had been boosted by exceptional weather conditions.

Looking now at the **cash flow**, which is one of our key metrics going forward. You can see on this page that our operating cash flow after net investments is positive by €1 billion compared to -€1.2 billion last year. This is a strong improvement driven by several items: cash contribution of the EBITDA, which is higher than last year; net financial expenses, which are lower due to the fact that we lowered the average cost of our debt during 2015; income tax paid, which is lower as well because we had paid significant down payments back in 2014; but also working capital management. In 2015, the working capital improvement programme that we launched in 2014 yielded strong results, +€700 million of cash contribution during 2015.

As you can see on this page number 24, we also enjoyed two non-recurring items. One is negative on our cash flow, it is again a CSPE deficit for €200 million, but one is also positive, that is the fact that we started to cash-in the tariff catch-up that we recorded back in 2014 for €775 million. Overall, the net effect of those non-recurring items is +€500 million.

Without giving effect to that +€500 million, you see that our cash flow improved by more than €460 million, which is again a positive trend given the fact that our ambition remains to be cash flow positive in 2018. This was achieved despite the fact that we had higher Capex: €12.6 billion, €12,672 million to be very precise. This is below the €13 billion number that I gave as maximum Capex level that we would reach in 2015, which is the peak year in our Capex programme, despite the fact that we had to finance on our own 100% of the development costs of HPC in 2015.

This positive cash flow after net investments was negative after dividend and hybrid debt coupons, but a lower number compared to last year: -€2 billion, compared to -€4 billion in 2014.

For the first time, we also indicate the cash flow under the scope of our 2018 guidance. Let me just explain that to you. You see on this page that it was -€1.8 billion compared to -€3.6

billion in 2014 - so again, divided by two. This cash flow is prepared according to our guidance for 2018, and the major difference with the line just before, which is Group cash flow, lies within the gross Capex, development Capex and disposals.

As I have already explained, our intention is to become cash flow positive in 2018, but without giving effect to disposals. Disposals will be carried out according to their own time schedule with just one goal, which will be to maximise the proceeds and the value for the Group, and therefore they will be accounted separately to reallocate capital, to finance new growth projects. Therefore, our cash flow will be positive in 2018 without giving effect to disposals, that will finance new developments. This is reflected in this line, and you see that we have to make €1.8 billion efforts to achieve our ambition. I will explain to you how we are going to do it.

The page number 26 explains the **evolution of net investment**. Just a few comments beyond those I have just mentioned. Total Capex have increased in 2015 compared to 2014 in our international segments, mainly due to new developments in Belgium, but also to the fact that we recorded in Italy negative Capex due to the sale of renewable portfolios in 2014. In fact this is due to scope effect, and not so much an increased effort in our international segments.

You see that disposals increased in 2015 compared to 2014 for €478 million, more than offsetting the increase in new development prospects for €296 million.

Overall, **net debt** increased by €3.2 billion, of which 0.9 is due to Forex effect; and the rest is due to negative cash flow for €2 billion. I have already explained that €37.4 billion is at the low end of our leverage range, and we have a strong financial position at the end of 2015.

Those are the comments I wanted to make on our past performance, which is obviously key. Now is: how are we going to adapt to the challenging market conditions? Of course, what is a surprise to everybody is the low level of the commodity prices, but the fact that we face increased competition due to the loss of green and yellow tariffs, the fact that we increased the volatility on our revenue line because of this loss, and the evolution of regulation in France comes as no surprise to us. We knew it back in 2014; that is the very reason why we announced we would be cash flow positive in 2018. We knew that we would face this volatility, and we knew that we had to adapt our financial equation to face this volatility by becoming cash flow positive in 2018.

How are we going to do it? The major driver is on Capex. By achieving global Capex in 2018 of roughly €10 billion - below 10.5 - we will be cash flow positive, post dividend, without taking into effect a potential scrip dividend in 2018. This is really the operating cash flow covering Capex and dividend in 2018. As I said, the major driver will be our ability to control our Capex number, our ability to reallocate capital to further develop the Group, our ability to manage our cost base and our working capital. As I tried to demonstrate earlier, we are on the right path.

Lastly, we will also have to make new proposals to adapt the regulation model in France. The ARENH mechanism is the wrong answer to the right question, which is: how do we create competition in France? We face volatility on the French market, at a time when we have to invest for the long term to extend the life of our fleet, to launch a significant Capex programme. Obviously we have to make proposals to improve the situation without forgetting the fact that the regulator wants increased competition in France. As I said earlier, we do not fear competition at all in our markets.

So this will end my presentation. Again, on the page 29, you see the major drivers that I have just explained, and through which I am very confident we will reach our ambition to be cash flow positive in 2018 - which is our roadmap, driving all our efforts to adapt to this challenging market environment. As far as 2016 is concerned, Jean-Bernard has already explained to you our objectives for the year: EBITDA target between €16.3–16.8 billion at constant scope and exchange rate; leverage ratio within the same target; pay-out ration within the same target... so no surprise on that front.

Thank you very much and I think that we can now take your questions. Thank you.

Q&A

Vincent Ayrat (Societe Generale): Good morning. I will stick to three questions, the first one coming back to the question I asked last year on the unsustainability of the regulation in France. I see on your almost last slide, Mr Piquemal, that EDF is planning to propose new type of regulations, in order to fix the hole, if I may say. What type of structures are you looking at? We could have temporary ones, like CO₂ floors; we could have a number of others, like a framework for life extensions... what type? So that is question number one.

Question number two: in order to make our estimates, it is quite difficult these days. I would like to know, now you are exposed to commodities like most generators in Europe, what are your assumptions in terms of average achieved power prices in France for the next 2–3 years? If this is not something disclosed, the market share assumptions you have on the regulated blue tariff, which provides you a floor here?

And finally, third question: if no support is to be expected until the elections, EDF will have to rely on self-help, that includes cost savings and disposals; could you give us some colour on your cost-saving plan and the potential stake disposal in RTE? Thank you.

Thomas Piquemal: Right. On the regulation aspect, we believe that we have to make proposals. Of course, this will not depend on us, it will depend on the support that we need from the French government and the understanding that we need from the EU and from all regulators involved. Our goal is not to subsidise the supply side with the output and the fleet - which we can read sometimes - but it is really to provide the visibility that we need at a time when we have to invest.

So we are working on all sorts of ideas, CO₂ price is also part of the equation. But it would be very premature and not very humble from my part to give you precise ideas on how we are going to get there. What is clear is that having to sell at a price when it is low, and being capped when the price is high, is certainly not a good answer to what we need to create, which is competition in France.

Unfortunately, you will be disappointed because I will not answer your question on average power prices in France, nor on the average market share that we expect, except by saying that we set ourselves very high objectives in terms of market share. In terms of prices, we do not disclose the hedging of EDF. We understand that some other players in some other markets are doing it. We are not doing it in France for an obvious reason, which is the very heavy portion of the volume that we would represent, and the price signal that it would send.

The only thing I can say is that for 2016, we are by and large hedged, even though we have a small volume which is still to be sold on the market. This is one of the reasons why we have this EBITDA range, the other reason being hydro and nuclear output, as usual. And where we have to adapt, is going forward after 2016 increasingly on our cost base; Even though the trends were already set in 2015.

The trend in cost saving, which is your third question, has already been demonstrated. We work on all lines; we have specific efforts on indirect costs. I mean: overhead as a whole, real estate, procurement, IT – which is significant, and of course we have to make some efforts there and we set ourselves targets.

We have also to manage our total workforce and, as you might have heard or read, we announced some measures. I am talking about France, I think that the international activities demonstrated in 2015 that they were able to adapt. We still have some cost-cutting efforts to make, for example in Italy, to adapt to the low Brent price environment, especially in the E&P expenses.

You had a question hidden in the cost saving plan, which is not very related to it, concerning RTE. I think you asked where we were on RTE. As a principle, we never comment on potential disposals, except when they are done. I am not saying that there is any process going on on RTE. I think Jean-Bernard explained many times that governance of RTE could be improved, RTE having no other shareholders than EDF, who cannot exercise any decent shareholder right within the current RTE governance. And we, at EDF, believe that any company needs real shareholders.

Now, as I said, no process is going on, no decision is made. But this is a key question that we might ask in the near future: how can we help RTE to further develop? Through the industrial project that RTE is working on, but also maybe by improving the shareholding structure, if this is necessary - and we might believe that it is the case.

Vincent Ayrat: Just on the first question, I understand you cannot comment on the structures; is there any idea of timing potentially, because the elections are coming. Can we expect anything before the elections?

Thomas Piquemal: As I said, we need to convince in France, we need to convince in Brussels, we need to convince regulators. So it is difficult to tell you when it is going to happen, but we are working on some ideas.

Ashar Khan (Visium Asset Management): As I model out your net investment decrease from €12.7 billion from 2015 to 2018, could you give us a trajectory how it decreases – what is the level in 2016? What is the level in 2017? So we can monitor whether you are going to be able to achieve your ambition or not. And similarly, can you tell us how the cost savings reach the €700 million target - the Opex savings, over 2016, 2017 and 2018? That is question number one.

Question number two is: could you elaborate a little bit what you are thinking about the EBITDA from the level you have set in 2016 to 2018? What does it imply: flat / down, in terms of achieving your ambitions?

And third, if you can bring us up to date: what is happening on the UK nuclear investment decision? Thank you.

Thomas Piquemal: Well, on the Capex, I would like first of all to remind everybody that we always delivered our Capex forecast, or a number *below* our Capex forecast. What we achieved in 2015 (€12.7 billion) is much lower than – for those of you who remember – the number that we announced back in 2011. I said in 2011 that we would do €15 billion in 2015, it was easy to remember. We did €12.7 billion because, again, this is a major driver to improve our cash flow.

So yes, we have visibility on our Capex programme, and now that the principle is clear that our development projects have to be financed by disposals, the things we really have to manage are our maintenance Capex, both in the fleet in France - and here we are reaching the maximum level that we can deliver on the French hydro and nuclear fleet -, and in the maintenance Capex in the networks, which really depend on new connections that we have to finance every year, but also on the improvement in the network that we decide; and [we have to manage] the end of big projects that we are financing today. Dunkirk will be finished in 2016. The big Capex programme that we launched in the French islands was finished in 2015: a significant Capex programme (€2.5 billion), which is completed. And by the way, EBITDA now in this regulated business is significant and that is why, for 2016, we anticipate a total Capex number of €12 billion, and it is not difficult to draw a line to the €10.5 billion maximum in 2018. But as I said, we have visibility on how we are going to manage this Capex trajectory.

On EBITDA, we just gave a target for 2016; there are many moving parts for beyond 2016 and we have just given our guidance for one year.

On HPC maybe: Jean-Bernard, do you want to answer?

Jean-Bernard Lévy: Thank you. On our Hinkley Point project, we have gone a long way in finalising the discussions with our Chinese partners. We announced a little while ago that we would share the investment for the two units in Hinkley Point: 66.5% EDF, 33.5% our Chinese partners CGN. We have not yet fully finalised the discussions going from this agreement in principle to a set of finalised documents. There are thousands and thousands of pages to agree on, and this still needs a little work. At the same time, we are looking at the way to implement the decision in terms of what I would call the financial equation for EDF, as we have a number of constraints. This investment will represent roughly 15% of our total

Capex for the next ten years - every year 15% -, so it is well-embedded into our plans and we will implement the decision. We will decide on what is called the "final investment decision" when all of this is fully organised. But this is now well advanced and final investment decision is just ahead of us.

Julie Arav (Kepler-Chevreux): Good morning. I have several questions. The first one: can we have an update on the recent change in the CSPE, and what are the quantitative impacts for EDF?

I have a quick question on the nuclear life, more on: when do you expect the PPE to be published by the government, and what are your expectations on that front?

Can we also have an idea of the normative tax rate to use in our models / going forwards, given the huge decline experienced in 2015?

And sorry, two other quick questions: do you provide any sensitivity of Edison to the oil and gas prices? And can you also provide what has been the selling price for ESTAG and BERT? Thanks.

Jean-Bernard Lévy: I will just take the PPE question and maybe leave Thomas with the next seven.

On the PPE - just for everybody to understand -, the government in France has implemented an energy transition law which calls for the government to publish very soon the "3+5" - that is an eight-year programming (they call it "Programmation Pluriannuelle de l'Energie": multi-annual energy programming). So the programming of the power demand and offer, and how they look at the different energy mix. So it is a 3+5 year plan. The most recent news we have regarding this is an updated draft document which will be released very shortly by the government. It was said before the end of February, so it could be within the next two weeks. Then it will go under consultation; everybody will be able to give its advice and comments, and I guess it will take a few months before it is finalised. We have been, of course, working with the government to give our own views regarding what demand and offer could be, and we will continue to do so as progress is made towards the finalisation of this PPE during the current year.

Thomas Piquemal: Right, on CSPE, I think we made a huge progress in 2015 with this new mechanism, for two main reasons. The first one: because support to renewable energy will no longer be only financed by the electricity bill. And secondly, because we totally secured the repayment of our deficit through this mechanism of public accounting, that hopefully I will not have to explain now.

Going forward, what is the effect of this? First of all, we are no longer going to face any new deficit according to our projections and the way the mechanism works. So we had a 200 million deficit in 2015, again. Secondly, we are going to enter into a discussion with the French state to get full compensation for the overhead that we are incurring in managing these regulated tariffs or contracts. So overall, it is an improvement in the device.

On normative tax rate, you can assume 33%. It is true that our normative tax rate on the net income (the last line of our P&L) is pretty low because we incurred impairments in Italy and in

the UK. And this had also an impact - especially in the UK - on the overall tax rate that we are paying. But overall, in your model / going forward, you can assume 33%.

Brent prices on Edison: it is a very complex question. First of all, I should say it has almost no impact in 2016, and a small impact going forward. You might have seen that Edison released its guidance for 2016: €600 million of EBITDA, instead of €1.3 billion achieved in 2015. And these €600 million assume the current price environment. But just to explain to you why it is not an easy question: it is because in some of our contracts, we are protected against a drop in oil prices within a certain range. And in addition, we are also hedged through some of our positions on the gas market.

So, overall, I would say that a €10 Brent price decrease has a €20–30 million EBITDA effect going forward which is modest compared to our global EBITDA.

Lastly, ESTAG and BERT: overall, the disposal proceeds were close to €280 million, if I remember well.

Questions on the phone

Cosma Panzacchi (Bernstein): Hi, good morning and thank you for taking my questions. I have a couple of questions. The first one regards your positive cash flow after dividend target in 2018. So, if understand correctly, that excludes the usage of the scrip dividend in 2018. Do you also exclude the usage of scrip dividend in 2016 and 2017?

The second question regards (again) going forward, adjusting the level of your structural Capex down and reaching the 2018 targets that you have shown. This new structural level of investments... does it imply that you are also reducing the original number that you were planning for the Grand Carénage? We remember an original target of €55 billion and then, there were rumours of a reduction to €50 billion; are you planning to reduce it further even?

And, finally, on your expansion in the renewables space, you have highlighted that this will be one of the key areas of your new strategy. Are you planning to focus mostly on Europe and in particular France in your renewable development, or are you planning on extra-European countries and, in particular, the US? Thank you.

Jean-Bernard Lévy: Thank you. I will answer your questions, first on our 2018 cash flow target. That will be positive: this means after dividend. That is with the assumption the dividend will be paid in cash. We are not assuming that the dividend will be paid in scrip, we do not know what our shareholder, the French state, will do. We know what has been decided for the 2015 dividend. We have no news to share on what is going next, and so our assumptions are based on a dividend paid in cash for all our shareholders.

On the second point, which was on Grand Carénage, yes indeed we are revisiting from time to time how we are going to manage this huge programme of safety improvement and lifetime extension of our fleet of reactors. And we do have good news, which is that we were working at this stage, based on the assumption the programme would cost about €55 billion, or up to €55 billion, between now and 2025. And with a number of optimisation and working on various ways to reduce the total spending for the programme without any reduction in the level of safety, of course. We believe today that the new cap for Grand Carénage spending over the ten years will be more likely in the range of €50 billion than in the range of

€55 billion. So we believe we have been able to save roughly 10% of this programme, which is going on. As you may have seen, Thomas was reflecting on some of the decennial visits that we are implementing today, of which a lot of what we do within these programmes includes Grand Carénage.

Regarding your question on renewables, we are working equally in France, in Europe and outside. We are searching the world for the best renewable opportunities we have, and we are being very active in many countries, on almost all continents. We have historically a strong market base, a strong penetration, in the US and in Canada. But I am quite sure I could list up to 15 countries where we are active. France is one of them, as are many of the countries where I am visiting. And I am almost everywhere meeting people from EDF, working on creating value through an excellent expertise we have in renewable projects, development and operations. So this is a global presence today, and a global view for tomorrow.

Thomas Piquemal: In order to finance this significant pipeline of EDF Énergies Nouvelles, as you might know, we announced back in 2014 a comprehensive agreement with Amundi to set up a fund that will be co-managed to finance renewable opportunities. We made very good progress with Amundi over the last months, getting the green light from AMF in France, and I confirm today that this will provide very significant capital to deploy our renewable activities in the OECD countries.

Questions in the room

Philippe Ourpatian (Natixis Equity Research): I have some detailed questions about some figures, and one strategic one. Could we just have an idea about the weather effect you mentioned, just to have an idea about what could be a normative level excluding some warm or cold periods? Is there any resilient portion in the Edison renegotiation of gas tariff which could still continue over 2016 and 2017? In the €600 million mentioned by Edison, is there something coming from this gas renegotiation contract, in fact? Third, do we have the amount of the disposal of the structured asset by EDF EN? The swing in terms of EBITDA is quite huge – just to have an idea about what could be the normal level of the operating only.

And I would say... two other questions, which are more strategic. One: could we have an idea about what could be the equation for EDF in terms of disposals: what is your global envelope? Most of your competitors are communicating on that. Do we have an idea about what could be your global envelope of divestment? The second one is that: the guidance you are giving is until 2018; looking a little bit beyond and trying to recoup the figures and the trajectory, there is a clear increase of the number of nuclear units you are going to revamp in 2020 and 2021: are these increases in your revamping still enabling the company to be free cash flow post-2018?

Jean-Bernard Lévy: Okay, I will take the last two questions and maybe turn to Thomas for the first questions. We will not commit on any number on disposals. But I am sure you do understand that we have an extensive programme, that we are looking at everything that is not fully strategic or focused on our key assets. So we will not make any further comment, but we do intend to refocus the asset base on the company in the next few years.

Beyond 2018, an obvious response is: the future is a long way ahead, the uncertainties are higher than the very near future. So beyond 2018, it is difficult from any perspective to say what would be market prices, what will be the consumption trends, what will be the technology improvements, what will be the efficiency programmes we can continue to deliver in order to improve the way we create value. So we are not going to make any commitment in numbers beyond 2018, because there are so many pluses and minuses. What I can just say is that in all the plans we have, 2018 is not just a one-off peak while we would have a positive cash flow. We consider that from 2018 and onwards (2019 and 2020 and so on), EDF will then deliver a positive cash flow after dividend for each and every year starting in 2018.

Thomas Piquemal: Weather effect: it was positive compared to 2014, but slightly below the normative weather. You might remember that 2014 was a very mild year – it was a record by the way, so top of my mind it is two or three terawatt hours compared to normalised weather conditions in France. Now, I understand your question, but you also have to factor into this difference with normalised weather conditions the fact that power prices are very low. Therefore we might face some climate effect, but the effect on EBITDA is much more limited than what it used to be before.

Within the €600 million EBITDA target of Edison, there is no gas renegotiation effect, for the very reason that, as you know, the price environment has completely changed and the issue has been reversed. For us, it is a normalised EBITDA level within the current price environment in Italy.

On the DSSA, I do not have the number on top of my mind. The only thing I can say is that overall, the total net Capex spent in renewable activities, which include both EDF Énergies Nouvelles plus what we spent in Belgium, in the UK and in other countries, was slightly below €500 million. This is the maximum net amount that we allocate to renewable. But gross Capex is much larger than that. I would say that, again, we spent this year more than 33% of our gross Capex in renewable, which is a number which is higher than what we spent in new nuclear. So I would say: DSSA contribution to EBITDA is roughly €300 million to €330 million during the year 2015, and gross Capex is - I would say - three times the net number within all the renewable aspects (roughly).

Questions on the phone

Emmanuel Turpin (Morgan Stanley): Good morning everyone. My first question comes back on the market structure, trying to discuss with the French authorities a structural solution to provide more visibility in the long term. I understand you do not want to give too much detail on that. My first question is maybe an update on the implementation of the capacity mechanism in France, which is in the French energy law but is being very slow in implementation. We saw a comment by the EU recently criticising the implementation. Could you give us an update about when you think this will happen? In terms of the structural solution, I guess it would be beyond that capacity mechanism. Could you maybe point us in the right direction in terms of what geography, what country you could seek inspiration from? I remember Energy Minister Ségolène Royal pointing to the UK capacity mechanism last year as maybe one direction to look into. Could you maybe tell us if that is one of the possible solutions, or *the* solution, you are looking at?

Second question would be on D&A [Depreciation & Amortisation]. We are all expecting the PPE – you said it would come later this year. Do you believe it is still reasonable to assume in our models that we will get a change in the depreciation life of the existing nuclear plants in France for this year? Is it still the basis for your budget?

Last, I understand you do not provide guidance at the net earnings level, but we have a consensus expectation at about 3.7 billion from your website. Can you tell us if that seems to you a reasonable expectation for this year? Thank you.

Jean-Bernard Lévy: Sorry, can you repeat the very last question you raised?

Emmanuel Turpin: Sure. I was calling for a comment on the level of consensus expectations for ordinary net earnings for this year, after the figure shown on your website.

Jean-Bernard Lévy: On the first question, which is like market design capacity mechanisms and so on, we do believe that there is an urgent need for Europe and for many countries within Europe, to look again at the way that deregulation and competition have been implemented, and what it has led to today when you look at the situation with very low prices and a lack of a genuine market-driven investment – all the generation investment are only driven by regulation and not by market. So we believe the market design guidelines that are expected from the EU by the end of the year are an essential part of what should be the energy industry in the future. Because obviously, what has been implemented today does not work, unless we were not looking for deregulation but for re-regulation, which would be quite a surprise.

Regarding more specifically your question on capacity mechanisms in France, it is quite widely known that a capacity mechanism decision has been made in France, but that it has not been approved by the European Commission, and that the Commission has opened four or five months ago an investigation and has de facto suspended what had been prepared. Yes, indeed, there have been some statements made regarding the ability of France to try to understand the European Commission's constraints, by looking at what some countries have done where capacity mechanisms have been implemented with the support and with the approval of the European Commission, for example in the United Kingdom.

Regarding your question of the way we look at the nuclear reactor life extension programme effect on our accounts, we are expecting very shortly, as I said recently, that the government will publish its first draft for consultation of what we call the PPE, the eight-year programming of the energy mix for France. When that is published (which has been announced for the end of February), then we believe we will be in a position to look at what it would mean, regarding our own strategy, on the depreciation of our nuclear fleet over 40 years or more. So we will have an internal review of this depreciation policy within EDF group after we have received the information regarding the draft PPE from the government, so maybe this will be done during Q2. On the consensus, Thomas?

Thomas Piquemal: I will answer your two last questions together on D&A and consensus expectations, because we have three major drivers for our 2016 net income. First of all the EBITDA number, which is pretty clearly stated in our communication this morning. As I said earlier, within that range, it will really depend on the nuclear output, hydro conditions and how we sell the last volumes that we have to sell on the market. The second key driver is the financial income. I think it is no surprise to anyone that the beginning of the year is quite

difficult and volatile, with a significant downward trend on the financial markets. So whether or not we will be able to reach the same level of capital gains and financial performance as the one we had in 2015 remains to be seen. A fair assumption is to take (just to pick up a number) half of what we did in 2015. So if you take €500 million, and if you assume that we changed the D&A policy during the first half of 2016 as Jean-Bernard has just explained, I feel very comfortable with the consensus as it is on our website, and I think that the drivers are quite clear.

Internet questions

Alexandro La Scalia at BlackRock: Moody's recently put your rating under review for a potential downgrade – do you have a rating target you want to strongly commit to? Will you commit to the same leverage level, 2–2.5 times in 2017 and 2018, including development investments?

Thomas Piquemal: So, on the last question, the answer is clearly yes. We have consistently stated that we want it to be in the 2–2.5 times EBITDA range, and there is no reason why. Even though we do not provide detailed guidance for 2017-2018, we will change our vision on that issue going forward. On rating, I never comment decisions from rating agencies. Of course for us, having a very strong rating and the best in the industry is key at a time when we have to finance a significant Capex programme, and of course the impact on our rating of the HPC project is precisely analysed and taken into account for the decision that has to be made.

Sophia Savantidou (Exane): for your 2016 guidance, what do you assume for power prices or price tariff catch-up for annual tariffs? I think I answered this already. Of course we take into account the current price environment.

Question in the room

Louis Boujard (Oddo & Cie): Thank you very much. Just a quick question coming back to the Capex plans, the €50 billion by 2025. I was wondering if it included effective cuts in Capex or if it was mostly postponement of some Capex beyond 2025? My second question is regarding the hydraulic dam and the opening of the concession to the competition – could you please give a quick update on this?

Jean-Bernard Lévy: On the first point, the assumption that we have followed from the outset is that we would peak *by* 2025, not *in* 2025. 2025 would be the end of the peak period for the Grand Carénage effort, and we still believe that. So there is no delay. We never said that all the upgrades in order to meet the 40 to 50, the 40 to 60-year extensions would be finished by 2025. It is just that we are ramping up right now, then we will have a flattish line until 2025, and then at the end, after 2026 - say -, we will start decreasing the total amount we will use for lifetime extension. We are not changing this, so we believe it is a true optimisation. But we do not say that there is no expense post-2025. We have always said there would be some at a lower level.

On the hydraulic dam, the EU has given France a sort of injunction to open up its dams to competition, especially the ones where our concessions have expired. So France and separately EDF have received investigation documents from the Commission. We have responded to that, and we are now expecting this to be discussed over the next few weeks and months, but we have no further details at this stage.

Question on the phone

Harry Wyburd (Bank of America Merrill Lynch): Hi everybody. Just two remaining questions from me. Number one, in a hypothetical situation where the price carbon price floor did gain government support in France, when is the earliest you think it could practically be introduced? Then, secondly, you mentioned at half-year results that you had about €2 billion of unrealised capital gains in EDF Invest. I wondered how many of those were effectively utilised in 2015 and how much are remaining?

Jean-Bernard Lévy: On your first question, we do understand that the French government is very much in favour of implementing a carbon floor price. We understand that the French government is lobbying at EU level, so that there would be a joint view from as many as possible of the 28 countries. Of course, there are already a few of them, namely the United Kingdom or Sweden, maybe a few more, that have implemented a true carbon price floor at a level which is meaningful. As we know, the current ETS market is at a level which is not meaningful to the energy mix. We do have some expectation that a carbon price floor policy could be implemented by the current government, if you see what I mean in terms of timeline. On the second question I will leave it to Thomas.

Thomas Piquemal: On the unrealised capital gain, I will give you two numbers. One was the total unrealised capital gain that we had end of 2015 – it was €1.7 billion; end of January 2016, it was 0.9, given the market trend. So: yes, we have to be cautious for 2016 when it comes to the contribution of the dedicated assets fund - not only EDF Invest - to the net income for the year.

Jean-Bernard Lévy: So I guess this is the end of this meeting. Thank you very much for attending and for your very precise questions. Thank you again, and we will see you very soon. Goodbye.