Annual Results 2016

Tuesday, 14th February 2016

Jean-Bernard Lévy

Chairman and Chief Executive Officer, EDF Group

Good morning all of you, thank you for being here. Thank you for those listening over the phone. As you may understand, I have a broken voice, so I will do my best, but in a way you have our numbers, which is of course the most important. This opportunity to speak to you is due the publishing of our 2016 results after a year of a lot of obstacles to be overcome, but I believe we have demonstrated our ability to indeed surmount those challenges. I would like to first start by thanking our employees for their efforts in France and all over the world. What we have achieved I think is a very strong performance, and it reflects extraordinary level of commitment and efforts.

Just a few moments to reflect on the **highlights of 2016**, and then we will go through the figures. 2016 does show a very robust level of performance. Once again, we are profitable. We are now through 18 months of having to bear the consequences of a historical break in the European wholesale electricity market, just when our exposure to these prices tripled. Nevertheless, we have successfully withstood the effects of this very rapid downwards change in 2016.

We know that 2017 should be the low point in the cycle, and 2018 will see the start of an upward trend, what we call a rebound. This is my personal pledge: 2018 will be the year of the rebound. At one time or another in recent years, almost each of our main European competitors has reported losses, but not EDF, not us. It shows EDF Group has the strongest fundamentals of the European energy marketplace. This resilience is largely due to our nuclear business, which has given us self-sufficiency, competitive strength and industrial job opportunities.

In this quite stormy weather, we have a compass, and our compass is **CAP 2030**. CAP 2030, our strategy, sets out a clear goal for all our employees and partners. It is very effective in helping to get us through today's challenges and simultaneously to plan for the future. 2016 was a milestone year in the implementation of CAP 2030, and we made tangible progress on all three cornerstones of this strategy: innovation and customer proximity; development of a low carbon energy mix, founded on nuclear and renewable capacity; and growth of the Group's international business. The company's transformation plan, which guides us through our various business evolutions, changes: this transformation plan is also well underway.

I would also like to point out that the **financial trajectory** that we laid out in April is now followed in all respects: cost reduction, control of investments, disposal of assets and increase in equity. Plans are now in place for our €4 billion capital increase by the end of the first quarter, to which the Board of Directors committed as recently as yesterday. You may have seen that the French state has just issued a press release confirming that it will underwrite this capital increase to the tune of €3 billion, exactly as scheduled.

I will now take a few minutes to go through our **key financial indicators** before I hand over to Xavier Girre, our CFO, who will present the detailed figures for 2016. In 2016 our sales amounted to €71 billion, our EBITDA to €16.4 billion. This shows an organic decline respectively of 3.2% and 4.8%, which demonstrates our ability to manage the effects of the challenging market conditions we encountered. You are all well aware that since I started at

EDF a little over two years ago, I have emphasised my concerns about the Group's debt. In 2016, we have stabilised the debt after it has been rising continuously in previous years. We have exactly €37.4 billion of net debt reported at the end of last year, which means we have a net financial debt to EBITDA ratio of 2.3x, which is within our guidance limit of 2.5x. Net income excluding non-recurring items essentially reflects the drop in wholesale prices: -15%. Net income group share is on the rise because we had a much more favourable balance of exceptional items in 2016 than in 2015.

Key financial indicators are in line with our announced or revised targets. We delivered on the new target for French nuclear output with the great support of all the teams under Dominique Minière. Output amounted to 384TWh, down by 32.8TWh compared to 2015.

Regarding **operating performance**, as you know, a notable event in the year 2016 was the performance of additional inspections on some of our steam generators in the nuclear fleet. During these inspections, the units were shut down. Some of the reactors have now been restarted, most of them, indeed, under the close scrutiny of French regulatory authority ASN. These challenges should not overshadow that the performance of the nuclear fleet in France was excellent, and this is especially highlighted by a record low in the number of forced, unplanned outages, and in the improving results in the area of routine plant operations with a historically low number of automatic reactor trips.

At the same time, last year our eight **nuclear power plants in the United Kingdom** achieved their highest output since 2003 with 65.1TWh of generation. This shows excellent operating performance, and also is in line with constantly improving nuclear safety results, so I really want to send a special message of congratulations to our British colleagues.

The Group is continuing to grow its **renewable energy business**. In addition to strong hydro performance, several facilities were commissioned in 2016. I would mention Ensemble Eolien Catalan, France's biggest wind farm complex, commissioned in the eastern part of the Pyrenees. Work began on our now very celebrated solar generation facility located in the middle of the Atacama Desert. This is the largest solar facility in our portfolio. Just as a third example, we built and commissioned in Alsace a geothermal power plant in Rittershoffen, especially built for a single industrial customer, Roquette Group. Today we have almost 2GW of generation capacity under construction, only taking account EDF Énergies Nouvelles.

In terms of **commercial performance**, EDF has maintained its position on all markets, with close to 90% market share on the private customer market and around 65% market share on the business market. A year ago, we would have spoken a lot about the end of the regulated Green and Yellow tariffs, but as many of you know, we have beaten our targets by retaining three quarters of our customer base instead of the projected two thirds. I would also like to add that in the United Kingdom, in Italy and in Belgium, all three being core countries for EDF, our performance on the retail markets has been very strong.

In **energy services**, which is a growing sector for EDF, Dalkia is now strengthened through acquisitions and restructuring initiatives, and is once again doing business in several countries outside France. Our growth is boosted by the success of our heating networks and by the greening of some existing networks. Among the numerous accomplishments that we had in 2016, I would like to highlight the agreement signed with the Greater Lyon area, Métropole de Lyon.

As you can see, we have a large number of assets, and they are getting stronger as we continue to implement our **performance plan** in line with the financial trajectory announced in April last year. Throughout the whole of the year, we continued to deploy and intensify our efforts to control the Group's expenses and net investment. As you can see, our **operating expenses** fell by 1.3%, €300m over the period of 2016, absolutely in line with our four-year goal of €1 billion.

Net investments are now under tighter control. Within the core portfolio, they stood in 2016 at €11.8 billion, €600 million less than in 2015. Xavier will have the opportunity to come back to this point in a few moments, but I would like to say a few words about our ability to optimise **working capital**, which, of course, is key to secure our trajectory. This had a positive impact last year of €700 million.

Lastly, but not least, a key aspect of our performance plan is based on the success of our **asset disposal plan** remembering that we set a target of €10 billion to be reached by 2020, from 2015 to 2020. Indeed, this plan is having great success because the disposal agreements that have been signed or completed to date already amount to €6.7 billion, two thirds. Of course, 2016 was a particularly intense year as we signed a deal to sell 49.9% of RTE asset towards Caisse des Dépôts and CNP Assurances. Other examples include the disposal of our last subsidiary in Hungary called EDF DÉMÁSZ, which we completed a few weeks ago.

I have outlined that our financial trajectory, whether it includes our savings plan, our investment control plan, our disposal plan or the equity increase, is fully in line with what we have been looking for when we made this announcement back in April 2016. **However, before I wrap up at this stage I would like to highlight a few of our key strategic priorities.**

To begin with we are multiplying the number of innovative services that we provide for our customers. 90 innovative services in all areas were showcased at the Electric Days event just three weeks ago. We had dozens of specialist laboratories, a burgeoning number of interactions with start-up companies, universities, incubators, whether external or internal, and these are essential assets for our future. Our ability to launch a product like Sowee within the space of just a few months shows that we too can be agile. Innovation is a mainstay of our digital transformation, and is particularly strong through our subsidiary Enedis's efforts. Enedis has just installed the three millionth smart meter in France. This is the first building block in a chain of smart grid and smart proximity services, already making Enedis a big data operator for everybody to access this data in France.

Innovation also means being a pioneer in the area of self-generation. EDF Énergies Nouvelles Réparties offers today solar packs and batteries with great success. In this promising sector, we already have a foothold in France, but also in the United States and in West Africa, for non-connected areas.

Our second key priority is to deliver the step-change to our nuclear programme after 40 years of continued success. We have many challenges. I will just recall them quickly. The first one is of course to deliver Flamanville 3. Flamanville 3, which will be the bedrock of the nuclear revival in less than two years now, as we are on time. Finalising the acquisition of Areva NP is also essential, as we need to remain competitive by bringing together all the talents and all the efforts. Successfully completing the Grand Carénage, which is the fleet upgrade programme, will enable us to secure energy self-sufficiency and competitive strength for many years, so that we can continue to serve businesses and households in the best secure and competitive conditions. As you know, Grand Carénage has now started for three years and is well in line with our objectives.

Successfully completing the construction of the two EPR reactors at Hinkley Point. This programme is essential for maintaining our capabilities, but also, it is a highly profitable programme and it lays the foundation for a long-lasting cooperation with our Chinese partner CGN. Last but not least, we are now working on a nuclear new-build programme to eventually replace the existing fleet. It is in the national interest to keep a strong nuclear base in the future energy mix of France. Upon this strong nuclear base, we will also build a bigger renewable energy fleet.

Our third key priority is the gradual restructuring of business activities abroad in order to reap the benefits of more dynamic economic and demographic growth. In the large majority of cases, we are developing renewable energy projects outside Europe as a concrete proof of our commitment towards the fight against climate change. We will focus and are already focusing strongly on the US and on China, which are hubs for growth and innovation. We are also focusing on about ten other countries, for which we have established detailed strategies. Thanks to the expertise we possess across the full range of technologies and applications in electricity, gas and energy service sectors, we are able to deploy an ever-increasing number of projects.

I will now hand the microphone to Xavier Girre for his presentation on the results. Thank you.

Xavier Girre

Group Senior Executive Vice-President - Finance

Good morning. I am happy to share with you the highlights of our 2016 results.

First, as Jean-Bernard said, we are well on track to deliver our performance plan, and I will share some details about it. Second, I will walk you through our financials.

Starting with our performance plan, Jean-Bernard presented our disposal programme in detail. I will therefore focus on the other items.

First, Opex. Our target is a €1 billion cut in 2019 in comparison with 2015. And for 2016, Opex went down €0.6 billion, which is a strong acceleration following a first cut in 2015. On a comparable basis with 2015, excluding certain Opex of service activities, Opex was cut by roughly €0.3 billion. Developing energy services activities is a priority for the Group. It may require increasing Opex: for 2016, this Opex grew approximately by €50 million. Of course, we will monitor closely this business profitability.

Savings have been delivered from throughout the Group: France, UK, Italy. Staff and purchasing costs are being adjusted in support functions and commercial teams to adapt to new market conditions. Most businesses are putting in place specific operational action plans. Some examples, "Thermocash" or "CAP Hydro" address Opex reduction and efficiency in France's thermal generation and hydropower activities. In the UK, a digitisation plan is being rolled out.

Net investments are under control. Let me stress three points on this matter.

First, Capex reduction is another key element of our performance plan. In this area as well, we are well on track, on our way to target, €10.5 billion in 2018 excluding Linky, new developments and disposals. On this scope, investments are down €600 million to €11.8 billion in 2016. Some examples of specific actions: rationalisation of maintenance investments in UK thermal generation, decrease in E&P investments, or completion of the asset modernisation programme in Poland.

Second point, overall investments in regulated activities and quasi-regulated activities, including renewables and new nuclear build, represented close to 40% of our total net investments in 2016. Clearly, we intend to increase this proportion, investing in Linky, Hinkley Point C and renewables.

Third point, as you know, we want to finance roughly Linky and new developments through disposals at least from 2015 to 2019. You can see that we reached our target also on this item in 2016, even though the RTE deal will only be closed in 2017.

As regards the working capital requirement optimisation plan, the Group is also on track to deliver expected optimisations. Continued effort on receivables and inventories have produced further results. Since its inception in 2015, the plan has delivered cumulative gains of €1.4 billion from all parts of the Group. We are well on track to reaching our €1.8 billion target in 2018.

Let me now come to my second point, 2016 results. Starting quickly with the key figures again, sales at €71.2 billion. EBITDA came to €16.4 billion, in line with the lower end of our initial EBITDA target and slightly above our revised target. Net income was down 15.3% to €4.1 billion. Net income Group share stood at €2.85 billion, 2.4x the 2015 income. Net debt was stable at €37.4 billion. As a result, net debt comes to 2.3x EBITDA, fully in line with our target of under 2.5x. **These results show a clear resilience from our operations and our ability to react to adverse events.**

Now starting the review of the Group operating performance. This chart presents five key points to understand our 2016 performance and a 2017 outlook.

First, a positive but non-recurring tariff adjustment in 2016. Second point, issues in French nuclear generation that will be progressively solved. This situation compelled the Group to buy on the wholesale markets to mitigate the lower generation output and, in 2017, meet ARENH demand. Third point, significant negative impact in 2016 of the end of Yellow and Green tariffs in France: fewer customers, lower prices. This will be repeated to a lower extent in 2017. Fourth point, tough wholesale market conditions also in Italy and UK, with lower prices and stiff competition. This trend is ongoing in 2017. Fifth point, our ongoing performance plan on Opex.

Group EBITDA was down 4.8% organically to €16.4 billion. I will walk you through EBITDA trends for certain segments over the next slides. However, here, one new important point: to improve the information we give you, we have split France into two segments, one segment for French generation and supply activities and a separate one for regulated activities that includes distribution networks - Enedis, French island activities and Électricité de Strasbourg. This will help you analyse our results and outlook in these two segments driven by two different business models. For 2016, you can see on the right-hand side of the slide that French regulated activities represented 31% of Group EBITDA and contributed to the resilience of our performance.

Turning now to the **EBITDA of the French generation and supply activities**. Two main items.

First, generation. French nuclear generation, at 384TWh, was negatively impacted by outage periods linked to additional controls on carbon segregation carried out on 18 reactors. These outages drove roughly a 30TWh drop in output between 2015 and 2016. However, let me highlight that the French nuclear fleet reached record low levels of unplanned outages and of automatic reactor shutdowns.

Hydro net output was up 9% to 42.4TWh, as hydro conditions were closer to normal in 2016 compared to 2015.

Due to the unexpected drop in nuclear production, we had to buy electricity on the wholesale market at high prices, mostly during Q4. As a whole, this first item had an estimated impact of -€1.6 billion.

Second key item, downstream, showed an estimated €1.2 billion negative impact. In the context of the end of Yellow and Green tariffs, we succeeded in keeping 75% of those B2B customers. However, combined effect of loss of customers and pressure on price led to an estimated €1.2 billion impact. These items were partly compensated by the retrospective adjustment of 2014 regulated tariffs with an EBITDA impact of €859 million. The next slides show the nuclear generation and also the hydro generation in 2016 compared to 2015.

Regulated activities in France delivered a strong performance with an 8.1% organic growth to €5.1 billion. Weather and the leap year also carried a positive impact on this segment. Another positive driver was the reduced costs of covering network losses in a context of lower wholesale power prices.

Let us focus now on **EDF Énergies Nouvelles**, which is part of our business segment "Other activities". EBITDA came to €861 million, up 6.1% in organic terms against 2015. This growth reflects firstly the positive impact of the capacity commissioned in the course of 2015, with net installed capacity increasing by 1GW in EDF EN's portfolio. Output increased by 9% compared to 2015, as a result mainly from wind capacity and from the US. Growth in EDF EN's EBITDA in 2016 was also supported by a strong DSSA activity. EDF EN's pipeline of capacity under construction amounted to 1.8GW at the end of December, which should further support continued growth of the activity in selected areas.

Looking now at **the UK segment**, EBITDA came to €1.7 billion, down from €2.2 billion last year, due mostly to lower wholesale market prices. In organic terms, EBITDA was down 12.3% versus 2015. Nuclear output showed an outstanding performance at 65.1TWh, thanks to high availability and a low level of unplanned outages. In addition, despite fierce competition in the UK B2C market, EDF Energy's market shares were quite resilient, with a stabilised number of product accounts. EDF Energy delivered also further cost savings, with Opex down 3.6% compared to 2015.

In Italy, EBITDA came to €641 million, down 50.6% in organic terms compared to 2015. You may remember that Edison's 2015 EBITDA was lifted by the Libyan gas contract arbitration, leading to a €855 million positive impact in 2015, part of which was one-off. In Hydrocarbon activities, the Libyan gas contract renegotiation contributed to margins improvement and lower volatility. However, lower Brent and gas prices hit E&P activities. The performance in Electricity activities was penalised by hydro conditions which were less favourable than in 2015, and by the downward trend in electricity sale prices. On the other hand, Italy also, Edison, delivered a strong Opex cut programme, with a 4.7% decrease. In this context, Edison estimates that its 2017 EBITDA will be in line with 2016.

Now turning to **Dalkia and EDF Trading**, part of the "Other activities" segment along with EDF EN. With an EBITDA growing by 8.3% in organic terms, Dalkia continues to grow. Beyond the impact of cyclical drivers such as weather and gas prices, Dalkia displayed strong commercial activities in networks, industry and services. EDF Trading's operating performance recorded a 56.8% increase, mainly due to the high level of volatility on European power and gas markets over the second part of the year, and also strong performance from our LNG trading desk.

Let us now move to the rest of the P&L.

Starting with EBIT, which is up 75.6% at €7.5 billion. This change reflects firstly the lower level of impairments recorded in 2016, at €0.6 billion against €3.5 billion in 2015. We will look at impairments on the next slide. Secondly, growth in EBIT was supported by a €1 billion decrease in depreciation and amortisation, mostly due to the extension to 50 years of the amortisation period for the French 900 MW nuclear fleet excluding Fessenheim.

Considering **non-recurring items net of tax**, post-tax effect of all non-recurring items of 2016 is -€1.2 billion versus -€3.6 billion in 2015. This reflects first and foremost the significantly lower amount of impairments recorded in 2016, especially with regard to thermal power generation and E&P assets. Note that the Group recorded an additional impairment charge of €462 million on CENG to reflect the latest prospects in terms of wholesale power prices in the US. Compared to 2016, 2015 had also been penalised, you remember, by the impact of the EC decision on the RAG and by the adjustment of our nuclear provisions to reflect the target cost of €25 billion set for Cigéo project.

Net income Group share comes to €2.85 billion versus €1.2 billion in 2015, a positive evolution, indeed, driven by the significant growth in EBIT. Proactive debt management led to a decrease in financial costs: -€167 million. However, net financial result includes a €680 million increased charge related to change in discount rate on nuclear provisions. Income tax stands at €1.4 billion, €900 million above 2015, which is consistent with the income level. When excluding the non-recurring items described in the previous slide, recurring net income comes at €4.1 billion.

Looking now at the first part of the **cash flow** and considering, first, operating cash flow. It stood at €13.1 billion. Two points here: Tax, there were non-recurring income tax disbursements in 2015. Net financial expenses: a downward trend also reflecting our efficient debt management.

Second, considering cash flow after net investments. It stood at -€0.5 billion. Despite the gains delivered under our working capital requirement improvement plan, the change in working capital requirement came to a negative €1.9 billion. This results mostly from temporary events. First, the retrospective adjustment to the 2014 tariffs at €0.9 billion recorded in the 2016 EBITDA but not yet fully cashed in. Second, effects on power consumption of the colder weather in Q4 2016 are not yet cashed in either. Third, CSPE, which also carried a negative impact on working capital requirement, mainly due to the change in collection mechanism.

After deducting the interest payments on hybrids and the share of the dividend paid in cash - as a reminder, an option for scrip dividend was offered in 2016 - Group cash flow stands at a negative €1.6 billion.

Net financial debt is stable, at €37.4 billion at the end of 2016. Enhanced control of our net investments and the option to receive the dividend in shares helped mitigate the slight drop in operating cash flow and the temporary negative evolution in working capital requirement. The partial disposal of the CSPE receivable and the forex contributed also positively.

This ends my presentation and I will now hand over back to Jean-Bernard Levy for the Outlook for 2017, 2018 and beyond. Thank you.

Jean-Bernard Lévy

Chairman and Chief Executive Officer, EDF Group

Merci Xavier, I will now turn to **a few comments on our outlook**.

Starting with **2017 French nuclear generation**, our projections take account of the outage currently on the way in four units: Bugey 5, Fessenheim 2, Gravelines 5 and Paluel 2. They also include a number of planned outages, as usual, involving further work on Grand Carénage as well as the potential impact of tests being carried out in response to Areva's audit of Le Creusot manufacturing facility. For 2017, the range that we set is between 390TWh and 400TWh.

On the next slide you can see our **EBITDA targets for 2017 and 2018**. We do expect, as we have already said, a challenging year in 2017. We will not be enjoying the positive effect of the tariff adjustment that we got in 2016. However, this will be offset by the positive consequences of our performance plan and by a gradual improvement in nuclear power output. Today, we commit to a 2017 EBITDA in the range of €13.7 billion to €14.3 billion.

We are forecasting an upward turn in 2018 with an EBITDA above €15.2 billion. This growth is essentially due to continued implementation of the performance plan, to slightly improving market conditions in France and the United Kingdom, and to the expansion of our business in renewables and in energy services.

2017 targets on the next slide, a brief recap. We will continue to maintain the same levels of financial discipline, with a net debt to EBITDA ratio within 2.5x, less than 2.5x. We do have for 2017 a stable dividend policy with a net income payout ratio including non-recurring items adjusted for the remuneration of hybrid bonds in the range of 55% to 65%. The state has just confirmed that it will receive the 2017 fiscal year dividend in the form of EDF stock.

If I get to **2018**, as I was saying a moment ago, all our efforts, and more specifically the reduction of Opex, tighter control over net investment, combined with an overall improvement in market conditions, will help us to get back on a positive trajectory as early as the beginning of next year. Two comments about 2018. **Our positive Cash flow after dividend target remains unchanged**, but we are now giving some more details about the way we intend to operate on this metric, which is, as everybody knows, very important. As you know, as macroeconomic conditions have changed significantly. Since we announced these targets we want to be more clear in terms of detailing certain key assumptions underpinning the target, and more specifically, to factor in the drop in interest rates and its adverse impact on our long-term nuclear provisions. You will also note that in agreement with the French state, our majority shareholder, we are targeting a net income payout ratio of 50% for fiscal year 2018, excluding non-recurring items.

Beyond 2018, wrapping up on the subject of guidance, a final word. Our operating expenses will continue to drop, with a projected saving of at least €1 billion in 2019 compared with 2015 - this is a confirmation of our **Opex reduction plan**. Also, a confirmation is the completion of our €10 billion **asset disposal plan** between 2015 and 2020. Last but not least, and starting in fiscal year 2019, our **net income payout ratio** excluding non-recurring items will be within a range of 45% to 50%.

A brief conclusion before we turn to Q&A, and I would like to really share a conviction with you. We are a robust organisation and we deliver solid performance. 2017 admittedly will be a challenging year. We are prepared for it. We will face them full on, but we can already see the upward trend happening in 2018. Starting in 2018, this upward turn will be particularly distinctive thanks to all the far-reaching efforts invested over the past couple of years to transform the Group. Currently, we are laying the foundations for lasting success. This combination of factors gives me a great deal of confidence for EDF. Thank you.

Q&A

Philippe Ourpatian (Natixis): Two first questions. One is concerning your guidance for 2018. You mentioned that this €15.2 billion is taking into account some not-hedged volumes at €38/MWh. Could we have an idea about the percentage of not-hedged in 2018? I do suppose that 2017 is fully hedged currently.

The second question is concerning EDF Énergies Nouvelles. You mentioned some disposal of structurated assets quite strong in your figures. Could we have an idea about the impact on EBITDA? Regarding the volumes and the production, 9% increase, it seems that, one, revenues are below the just increase of the volumes produced, and EBITDA grows too, where this difference is coming from?

Xavier Girre: Thank you for your question. As regards the EBITDA target for 2018, we have considered a hypothesis on the current forward for 2018 in France, which is €36/MWh (not €38/MWh but €36/MWh). We will not disclose the proportion of the volume which is not yet hedged, but this is on this volume that we have considered, this hypothesis for 2018.

As regards the DSSA for EDF EN, as you know, we do not discuss specific figures about that part, but it is important to have in mind that both in 2015 and also in 2016, the maximum was reached in 2016. This DSSA activity was very significant in the EBITDA, and it is not expected at the same level for 2017, which is also part of the trend between 2016 and 2017.

Carolina Dores (Morgan Stanley): I have two questions. First, looking at your EBITDA guidance, you are going from €16.4 billion EBITDA in 2016 going down in 2017, and even in 2018 you do not reach the same level. You pointed out in your guidance that you continued to see the discount rate being a headwind to your earnings on the nuclear provisions. My conclusion is that net income and therefore dividends are coming down. Do you have any positive effect that could help your net income in 2017 and 2018 that I am not considering? That is the first question.

My second question is on EDF Trading. You have a very good result in 2016. 2017, especially the beginning of the year, has been very volatile. Do you think that EDF Trading performance is sustainable in 2017?

Xavier Girre: On your two questions, first as regards EDF Trading, no, 2016 was quite a very good year for EDF Trading due to the very high level of volatility. We do not expect the result of trading to be as high in 2017, which is also part of the trend between 2016 and 2017.

Second point as regards net income, you are right to consider that the downward trend of the discount rate will have quite a negative impact on our net income, of course. No impact on our EBITDA, and so we have considered in our trend between 2016 and 2017 the impact of the lower level of prices. Also, the impact of the competition, and on the other hand, the fact that we are continuing our performance plan. We are also recovering progressively as regards the nuclear generation in France.

Emmanuel Turpin (Société Générale): Good morning. My first question would be to come back on the 2018 target, which is one of the news of the day. Trying to see a bit clearer about some of your assumptions. Looking at nuclear output, you do not disclose a target. I am trying to think about encompassing in our estimates the planned outages, the maintenance we have, and that can vary from one year to the other. Also, checking that you are, I guess assuming that all the current issues about unplanned outages, the extra-checks are solved, should we be assuming something that is close to an unaffected production of the past maybe five years before we had these issues this year and last? Or is there anything specific that you want to bring to our attention?

The second part of that question is, you are not going to give us the hedged volumes for 2018, you said that. However, in your budget, are you taking an assumption that they will have to sell some volumes at ARENH, or considering that your market price assumption is below the ARENH price, are you just assuming it will be close to zero? That is my question on the target.

To use my second bullet for a question, disposal proceeds to be cashed in in 2017-2020, you have announced that a lot has been presold or announced, €6.7 billion, but in terms of cash in, what should we expect on what has been announced in 2017 and 2018? What is the implication it has for dilution to earnings, i.e. reduction in EBITDA net earnings from these disposals? What should we therefore assume in terms of D&A for the Group, considering these disposals, the investments you are making and the change in the depreciation policy? Thank you.

Jean-Bernard Lévy: Thank you. I will respond to the first question and Xavier will answer the rest on going through the P&L, to help you with your model. On the first question regarding nuclear production in 2018 and what you should expect. Is it going to be a standard year? Is it going to be a year still affected by some of the quality issues? It is a very good question. If we are not giving a guidance, it is because we want to be cautious. Obviously, we have today four units which are going through long outages like Bugey, Paluel and so on, and a couple more which are going through shorter outages because they are the last part of the tail end of the JCFC carbon segregation issues. We still have a couple which are not in operation, so we are starting the year with quite a high number of missing units. On top of this we have the planned outages that we have to manage. In 2018 – and I will only give you a qualitative response – we do expect as usual to have a number of planned outages. We are not guiding you towards anything different from a standard year from the planned outage perspective. However, we are being a bit cautious because we are of course targeting that all the units that today have been stopped for some reason or other (like Fessenheim 2, Paluel and so on). Maybe some of these four may have issues that will delay, we want to be cautious. As you know, we have the "dossiers non-barrés" quality test and report still underway at Areva. Of course, we are supervising this very closely, and today we do not have any bad news because if we have a bad news we have to publish it immediately, but we still have many months to go before they have finished analysing all the "dossiers non-barrés". Essentially, we also need to be cautious that we may end up with a problem here or there. So, I am leaving it with you that hopefully 2018 could be a standard year like, say, 2015 - I am talking under Dominique's control. Maybe it could, where we reached if I remember well 416 TWh, or maybe we still have the tail end effect of the quality problems we have encountered.

Xavier Girre: As regards the disposal, of course, we expect to have a significant cash-in in 2017 because we will finalise the deal about RTE, so this year will be very significant on that matter. This deal, as you know, will have no impact on our EBITDA. The dilutive impact will be linked mostly to our Hungarian disposal and Polish disposal that we also target for this year.

As regards our assumptions for ARENH and market price, as we said, for 2017, we are quite significantly impacted by the necessity to buy significant volumes in order to satisfy the ARENH demand, which has a negative impact on our EBITDA for this year. On the other hand, for 2018, considering our hypothesis of €36/MWh on the part which is not hedged, you can consider which hypothesis we made as regards the ARENH volume.

Tancrede Fulop (Morningstar): What evolution of new tariffs do you assume in your guidance for 2017 and 2018?

Jean-Bernard Lévy: This is a very good question which will remain unanswered for the time being. You know we have a catch-up this year, but we had the EBITDA last year. It is one of the reasons why working capital was negative last year quite significantly, because we got the full benefit of the EBITDA last year and we had no revenues in front of this margin profit. For this year, we expect that CRE, in its final calculations, will reflect the TURPE 5, although it is contested, but at least there is a document which is now published on TURPE 5. We expect that the tariff will reflect TURPE 5 growth in transmission and distribution revenues for us. However, what will happen all through these processes and calculations, we do not make any comments whether this will lead or not to an increase in tariff on 1st August.

Tancrede Fulop: And for the energy share? Blue tariffs?

Jean-Bernard Lévy: Yes, that's what I've said.

Tancrede Fulop: Thank you.

Vincent Ayral (J.P. Morgan): Good morning. A quick question just to follow up on a previous one here. The market share on regulated Blue tariffs, these are the volumes where you may have a better margin, and retention is important. You talk about market share in B2C but that involves volumes which are sold at competitive market prices and volumes which are sold on Blue tariff with higher margins. I am interested in the latter one, so which type of assumptions are you taking there for 2017 and 2018?

Then, I would have another question related to the consensus which is published on your site on the recurring net income. I see in 2018 you got €2.5 billion. I see your guidance does not include a guidance on the net income. However, for the dividend, you provide a payout ratio, so just to see if you are comfortable with this type of level.

Finally, the last question would be related to the attempt we saw on CO2 last year, CO2 tax. It seems that it has been parked. We have here EDF, a company which could not get any windfall profits due to the liberalisation years ago. However, we see it does not have the pendent which would be a floor on its profitability, it is fully exposed here. Is it something you are discussing with the government in relation with the investment you have to do on life extensions? Are there schemes that have been discussed? Obviously, I do not expect you to say what, but at least if. Thank you.

Jean-Bernard Lévy: Some very specific questions. I will try to respond to the Blue tariff and the market share erosion, and to CO2 tax, etc., and maybe Xavier will take the difficult answer on making no comment on the consensus number, which is on our site.

On the Blue tariff and the market share we do expect some erosion. I have found –and I am very happy with that and Henri Lafontaine and his teams are really doing a great job- that French consumers are still very loyal to our Blue tariff-regulated level because they trust EDF. We have of course lost market share because the whole purpose of the regulation on the downstream area is that we lose market share. It would be extraordinary that we do not lose market share. We are having a slight erosion of our market share every year, and of course, I will not give figures on this, but we plan to see this market share erosion continuing to drop slightly every year. Right now there are many numbers, but let us say we are somewhere between 88% and 89% of consumers, still, if I may. We are very happy to keep them. 88% or 89% of households are still with EDF, and we see people of course going elsewhere, but we see lots of people coming back to us because of the EDF brand, because of the service quality, because we have a very good customer service relationship with people who are really doing their best to resist this secular trend which we are facing, but we are facing it very well.

Regarding CO2 tax, I like your word that it is parked, because usually something that is parked, let us say your car that is parked, will move out of the parking lot and get onto the highway. Our very strong hope is that indeed, this attempt which has not been successful at this stage, this attempt will be successful at a later stage. We have had a significant plus recently that the capacity mechanism, that was discussed in France for many years between the various power generators like us and others, and the government and the EU Commission, has been agreed by the EU Commission. The capacity mechanism auction was implemented at the end of last year, and the mechanism started 1st January, and this is good news for us. The efforts we have to try and mitigate the very volatile market conditions and the very low coal price, these efforts can be successful. They have not been successful yet on the CO2 tax, but obviously, we know there will be political events in France during the first half of this year. Obviously, we hope that we will be able to drive the concept out of the parking lot and into a very bright highlight drive for the next few years.

Philippe Ourpatian (Natixis): Could you just update us about where we are concerning the French dam concessions? It is a long not-end story, and if you could just remind us what is your position and what is the French government's position, too?

Jean-Bernard Lévy: Yes, this is a long-lasting story, as you say. We have, as you know, been summoned in France and EDF, by the way, both of us have been summoned by the EU Commission to implement tender offers on these concessions that have expired. This was at the end of 2015. A lot of conversations have occurred in the meantime, that include mostly the Commission and the French government, but we are also supporting these discussions. We have a good hope that we will find a good solution that will meet several requirements. Of course, the one that France should apply the directive, which is now a long one that there will be obviously tenders for some of the expired concessions, but also, some complementary decisions that could be made jointly by the EU Commission and by the French government and regulator in order to implement a win-win solution with regards to consumers and with regard to the stability of the electric system. I cannot say too much about this right now, just that discussions are well underway and we are confident that we can reach an agreement whereby there will be tender offers. At the same time, the electric systems will be more robust and the power generators will be incentivised for investment.

Philippe Ourpatian: May we have a diary?

Jean-Bernard Lévy: No, it is very difficult when you are discussing with the regulator to set any kind of target agenda, a target date, and so on. I will abstain from this.

Emmanuel Turpin (Société Générale): Just to follow up on the previous question, should we assume that your 2018 target assumes status quo on the hydro concession?

Jean-Bernard Lévy: Yes.

Emmanel Turpin: The RTE transaction, could you tell us, Xavier, how you will show the capital gains in the accounts? Will it be through the P&L or straight through the equity? Thank you.

Xavier Girre: First we will register it, we hope, at the end of the first half of this year, when the deal is completed. Secondly, yes, it will have a positive impact on our consolidated P&L.

Vincent Ayral (JP Morgan): Just following on the previous question, on RTE, it will go through the P&L. Will it be considered as a non-recurring? Obviously, the capital gain could be part of the dedicated assets. It could be considered either way.

Xavier Girre: Yes, you are right. It could be either way, so we will consider that.

Jean-Bernard Lévy: With this, we will call the end of this meeting, and we thank you very much for your attendance. Please, apologies once again that my voice was not at its best, but we hope the content was at its best. Thank you. Bye, bye.

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