2018 Full Year Results

Friday, 15th February 2019
Annual Results 2018
Jean-Bernard Lévy
Chairman and CEO, EDF Group

Good morning to you all and welcome at the headquarters of EDF for this meeting. We will present our annual results for 2018. Let me tell you we are very pleased because we said we would do it and we indeed have delivered the rebound that we had promised. This is reflected in the figures that we are publishing today and I have to say we are very happy with our performance.

As each and every year we are a profitable company; this year our EBITDA has shown a double-digit increase. Our balance sheet is stronger: all our key objectives have been exceeded; our debt level is stabilised. I will come back to this later.

This rebound can also be seen in our market performance where we have successfully resisted very aggressive competition. The initial positive results of our marketing offensive are driven by our innovative spirit and are further evidence of this rebound.

As far as low carbon power is concerned, we have accelerated the growth of renewables with record highs in 2018. It is also clear that we have succeeded in commissioning the world’s very first EPR station at Taishan. This is a major achievement for the French nuclear industry, which is revitalised. EDF is at the helm of the nuclear industry in France and this will open doors for us into international markets.

2018 will of course be also noted for the French Government’s announcement regarding the country’s multi-annual energy programme, the PPE, which will span the next ten years. This roadmap sets a major priority: reducing our country’s carbon emissions, while of course we have to maintain our security of supply. The PPE highlights low-carbon electricity and more specifically nuclear and renewable power as the key drivers behind this ambition. For EDF this guiding principle is essential, as it confirms our convictions and forms the basis of our CAP 2030 strategy. Through the implementation of CAP 2030 that we have been rolling out for the past four years, we are already on the way to achieve strategic objectives that are aligned with the key principles of the French national energy policy.

In order to secure the achievement of these targets, we have stepped up the pace of transformation. This has engaged our entire workforce and energised all our business sectors: nuclear, renewables, heat, trade, central functions.

Last but not least, we initiated over the last 18 months three major plans: the Solar plan (le Plan Solaire), the Electricity Storage Plan (le Plan Stockage Electrique) and the Electric Mobility Plan (le Plan Mobilité Electrique). These plans are steering us towards an increasingly low carbon future and we are already witnessing the first concrete steps in the good execution of these plans.

So, I want to extend my congratulations and my thanks to the women and the men who work for EDF Group. Their unwavering commitment, their innovative spirit, their professionalism do them credit. Each and every one of them has contributed to these excellent results.
I would like also to say that I am very proud and honoured that I will lead the very prestigious EDF group for the next four years pending approval by the French parliament and I want to thank the French State for renewing its trust in myself.

**In 2018, EDF met or exceeded all operational and financial targets**

So, I will now move on to the key figures for 2018. In 2018 EDF met and even exceeded all its operational and financial targets. EBITDA amounts to almost EUR 15.3 billion and stands at the upper end of the projected range as we had forecasted, the latter having been revised upwards back in July. EBITDA shows a strong organic growth rate of 11.3%. So, we have fully met the commitment that we made last year towards this significant rebound in terms of our major KPI for profitability.

This growth of EBITDA is primarily due to the strong operational performance of our nuclear and hydro facilities in France, as well as to the growth of EDF Renewables. It is also due to the excellent results obtained by EDF Trading and to the very good execution of our performance plan as we have exceeded our cost-cutting objectives.

Similarly, our cash flow target, which was set more than four years ago as you are well aware, was met. The actual figure of EUR 1.1 billion compares to an initial target that was close to balance. So it is very positive.

Our net financial debt has flattened at EUR 33.4 billion, and the EBITDA to net Financial Debt ratio stands at 2.2.

Yesterday the Board of Directors decided to recommend to the General Assembly of Shareholders a dividend pay-out of 31 EUR cents per share for financial year 2018, which means that the pay-out ratio is 50% when compared to net income excluding non-recurring items.

As regards Sales, Net Income excluding non-recurring items and Net Income-Group share, Xavier Girre, the CFO will walk you through the details in a few minutes.

**Performance plan delivered beyond targets**

In addition to the year’s strong performance, the sustained execution of the performance plan is also very satisfactory, yet again with all targets being exceeded or met.

Let us start with the savings plan. Over the period of 2015 to 2018 our initial savings target of EUR 800 million has been exceeded by 160M€. And in a few minutes Xavier will describe in more detail the underlying actions behind these numbers.

Over the same period, we implemented actions to optimise our working capital requirement for a total cumulative gain of more than EUR 2.1 billion. This is also beyond the target which had been set at EUR 1.8 billion.

We have completed our EUR 10 million assets disposal plan, two years ahead of schedule, thereby significantly helping to improve our balance sheet and refocus EDF on its strategic priorities. And lastly, we have kept up our efforts to control our investments, which amount to EUR 14 billion.
Cap 2030
The results we achieved in 2018 are an outcome of the decisions that we made four years ago when we launched CAP 2030. Since then, we have been focusing on three priorities and on the transformation plan encompassing all the facets of our business. And let me share with you some of these achievements.

Customers and services
Competition on the electricity market is intensifying across the whole of Europe. We have seen new players that understand what we know: electricity is the energy of the future. So, they want to come into this market and we see erosion of our customer portfolio, which we consider to be normal and predictable. But it is not insurmountable. We are resisting in reality quite successfully, thanks to well-chosen strategies in each of our markets. In order to face up to this competition in France, we have redoubled our efforts; whilst at the same time, leveraging our three major strengths. The close ties that we have forged with our customers, thanks to our 5,000 advisors, all of them are based in France and we are the only ones that can claim this. The quality of service, of which we are very proud and which is recognised by our clients, and our ability to innovate.

We have indeed pursued and even increased our marketing offensive and these efforts are starting to bear fruit. One year after its launch, our totally new offer “Vert Electrique” has already attracted more than 210,000 customers. We have just launched our first 100% online package, which is called Digiwatt and we will soon launch commercially - we announced it just recently -, “Mon Chauffage Durable”, which is a package to encourage customers to replace their old oil, gas or coal-fired boilers with heat pumps. All this can be done with a financing system that enables lower-income households to cover the project’s costs.

The momentum has continued into 2019. Just a week ago, we unveiled our new “IZI by EDF” service platform which is designed for residential customers and businesses, tradesmen, shop keepers and self-employed professionals. We are aiming to become the standard-bearer in the provision of services for the home and the workplace, ranging from small scale jobs to energy upgrade projects.

We are also very active in other European countries. As an example, in Italy our subsidiary, Edison has strengthened its market position by acquiring a portfolio of 500,000 customers coming from Naturgy originally.

As regards the provision of services to businesses and municipalities, our specialised subsidiaries have continued to pursue EDF’s low-carbon ambitions both in France and abroad. Dalkia is continuing to grow with new contracts for renewable heating systems, such as in cities like Rouen and Perpignan. We have also strengthened Dalkia’s position in the US by acquiring a company called Aegis Energy. In Italy, Edison has done the same by acquiring Zephyro.

We also decided to step up our positioning on the electric mobility service side. We indeed intend to become Europe’s electric mobility leader by 2022 and more specifically in our four core European countries.
We are also ramping up our marketing strategy. Our subsidiary, Izivia, which was Sodetrel before but now it’s called Izivia, just won and is setting up 600 charging points in the Metropolitan area of Lyons, while also extending and operating a network of charging points throughout the country, such as for instance also in the greater Nice area.

**Renewables**

Let me now move to the second priority of CAP 2030, low-carbon power, with its two cornerstones, nuclear and renewables. They are, as you know, inter-dependent and indispensable when it comes to fighting effectively climate change issues. Whilst our energy mix is already among the most carbon free, we have undertaken to reduce our direct carbon emissions by 40% between now and 2030. And we are already well on the way: in 2018, our carbon emissions dropped to a record low, as you saw on the film before. They decreased by more than 30% when compared to 2017. This is thanks to the disposal of high-carbon assets but also to the operational performance of our renewable and nuclear generation facilities.

2018 has been a great year in all respects for our renewables business. It was a good year for hydro generation in France, hydro power generation is up by 25%, a 15-year record in terms of output. But we have also increased our renewable output, excluding hydro, and this has grown 14% for the second year running. These very good achievements are due to a number of large-scale projects commissioned by EDF Renewables and totalling 1.6 GW across the globe.

This growth will continue as this is reflected in some of our achievements for which 2018 will be remembered. And I will just give you a few of these great contract wins that we have been awarded recently. Like the first large wind farm in Saudi Arabia, which is the largest in the Middle East with 400 MW where we are in a consortium partnership with Masdar.

Our portfolio of construction projects in the renewables field is very well balanced between solar and wind and is today 2.4 GW, which is 21% above what we had achieved at the end of 2017.

We are also expanding our Plan Solaire, which I unveiled in December 2017. It is on track to deliver its first promises by 2020 as we had predicted. Since early 2018, the amount of land that we have managed to secure has more than doubled. We have also just recently announced, that was last night, yesterday evening, that EDF Renewables entered into exclusive negotiations to acquire a company based in France called Luxel Group, which is specialised in solar energy. Luxel has 90 MW of existing capacity but close to 1 GW of development projects. This acquisition will provide EDF group with additional assets to implement the solar plan through which we expect to obtain a 30% share in France’s solar market over the period of 2020 to 2035 and to reach an installed base of 30 GW of solar capacity in France by 2035.

Storage has also been highlighted as one of our major growth areas. We are seeking through our Plan Stockage, Electricity Storage Plan, to become Europe’s electricity storage leader by 2035 with the aim of commissioning 10 GW of new storage capacity on a global scale.
Nuclear

Let me now move to the second cornerstone of our low-carbon generation business, which is nuclear energy. In 2018, nuclear power output was in line with our projections in France, up by 3.7%. Nuclear safety is our over-riding priority and we are happy that 2018 witnessed a record low number of automatic reactor trips, which as you are well aware is a key operational performance indicator.

2018 will also be remembered as the year in which the first EPR in the world was commissioned in the south part of China in Taishan. We built this reactor together with our partner, CGN, our partner for the past 35 years. Taishan 1 has now been safely delivering low-carbon power to China’s southern population since the 13th of December 2018.

2018 saw the complete re-founding of French nuclear industry. We now have fully integrated Framatome into EDF. Framatome ended the year with a EUR 3 billion order book and a drop in fixed cost and we are very satisfied with Framatome’s operating performance.

Across the Channel, our nuclear projects are progressing as expected. At Hinkley Point C, we have cleared the three major milestones set for 2018, including the completion of the reactor’s final design. We have started the first nuclear concrete pouring for Unit One’s common raft, with that work being completed hopefully by the end second quarter of 2019.

International

The third pillar of CAP 2030 as you know is our international business and we intend to strengthen continuously our foothold outside of Europe. Let me highlight a very good momentum of our business in Africa, which is a strategic part of our international expansion.

In 2018, we signed binding and final agreements for the construction of the Nachtigal dam, which is the major project for Cameroon. It will generate when it is finally built 30% of the country’s electricity.

In Africa, we are also active in the off-grid sector, a great business that we are very proud of because we provide electricity access to some of Africa’s most rural areas through the use of off-grid solar kits. Just two years after we launched in the Ivory Coast, we are market leaders and are also doing business in three other countries, Togo, Ghana and Kenya. In total 72,000 African households have acquired our off-grid offers. And considering the size of the household, this means about 450,000 people, which did not have access to electricity now have access to electrical power, almost half a million people in two years. I think we can be very proud of this.

We are also expanding in Asia. We are diversifying our business in China. We are also building new projects in Latin America.

So, this is the end of my presentation for the 2018 achievements of EDF. I will now let Xavier walk you more in detail through quite a good set of numbers and I will come back with you in a few minutes.
Key figures

Good morning, thank you Jean-Bernard. I am very happy to walk you through our financials for 2018. First a quick look at the key figures again. Sales amounted to EUR 69 billion, EBITDA came to EUR 15.3 billion, up 11% in organic terms. Net income stood at EUR 2.5 billion. Net income group share, at EUR 1.2 billion, 63% below 2017, which had benefitted from the capital gain on the 49.9% RTE stake disposal and from sustained market financial performance with no equivalent in 2018. I will come back to this specific item in detail. Net financial debt is broadly stable at EUR 33.4 billion and the net financial debt to EBITDA ratio is reduced to 2.2 times.

Performance plan

Before detailing these figures, let me say a few words on our performance plan, starting with the cost-cutting programme as Jean-Bernard Lévy highlighted. Our target for 2018 was to reach EUR 800 million cumulative reductions versus 2015 and we actually delivered EUR 962 million. Cuts have been delivered mainly by French Generation & Supply with contributions from all activities.

They reflect our efforts on purchases and on staff costs and they also reflect our transformation programme as illustrated by the savings achieved by corporate functions for more than EUR 100 million.

At the same time, this effort is carried out in consistency with the strategy as illustrated by the continued increase in operational expenses at the level of EDF Renewables, which has to invest in development costs to deliver the expected growth.

All in all, the group continues to deliver on its cost-cutting plan and is well on track to meeting its 2019 target.

Disposals

Turning now to the other pillar of our performance plan, disposals.

We have reached our EUR 10 billion target two years ahead of schedule. In a nutshell, this plan was made of four main blocks.

First, selling non-controlled assets that were mobilising large amounts of equity, the most important one being the 49.9% stake in RTE.

Second, exiting non-core markets and also CO2 intensive activities that did not fit with the CAP 2030 strategy.

Third, alleviating the balance sheet with the disposal of real estate assets.
And fourth, exiting gas infrastructure assets,

With the execution of this plan that had been set up when market conditions were very adverse, we have clearly demonstrated the capacity of the group to react to such adverse conditions and to adapt quickly.

**Group EBITDA**

Let’s now have a look at the group’s 2018 operating performance. As already said, you can see that 2018 delivered a double-digit growth in group EBITDA. This is mainly driven by the French - Generation & Supply segment, whereas the business in the UK experienced difficult market conditions. EBITDA in Italy is broadly stable, excluding the 2017 one-off capital gain. EDF Trading also performed strongly, taking advantage of a supportive environment.

**France – Generation & Supply**

Let me enter into more details. First, looking at non-regulated activities in France. EBITDA was up nearly 30% to nearly EUR 6.3 billion, supported by four main drivers.

First generation, with an overall positive impact from higher nuclear and hydro outputs estimated at over EUR 1 billion. Nuclear output was up 14.1 TW to reach 393.2 TW. This reflects normalisation of operating conditions compared to 2017, which was penalised by outages triggered by the Creusot Forge situation, the so-called carbon segregation issue, in addition to the temporary outages at the four Tricastin reactors. Hydro output grew 25.4% to 46.5 TW. Very favourable hydro conditions during the first half of the year combined with a strong internal performance in terms of availability rate of the hydro fleet are driving this evolution.

Second item, a supportive wholesale market environment. The improvement is attributable both to purchases and sales on the power wholesale market. First let me remind you that 2017 had been heavily hit by the high sourcing costs on the wholesale markets in the context of reduced availability of the French nuclear fleet in order to meet the request of ARENH volumes. On the other hand, 2018 sales on the wholesale market benefitted from higher prices. The estimated combined effect on 2018 EBITDA is EUR 413 million compared to 2017.

The third driver relates to downstream margins. The positive impact of higher average market prices on market-based supply contracts more than offset market share erosion. The net impact is a positive EUR 150 million.

Fourth factor: the roll out of our performance plan in French generation & supply activities, which delivered a further EUR 313 million in OPEX savings as detailed earlier.

To conclude the review of EBITDA evolution on this segment, let me highlight a couple of additional points. The evolution in tariffs, excluding the effect of energy saving certificates, carried a EUR 152 million negative impact. This negative effect is attributable to the end of the tariff catch up component, which was still in our 2017 numbers. It also reflects a negative price effect resulting from the lag included in the tariff methodology.

The last block on the right-hand side of the chart reflects various effects, part of them being related to value added taxes and the other part being non-recurring items.
**France Nuclear Generation**

I just commented nuclear output in 2018, which increased by 14.1 TWh compared to 2017.

**France Hydro output**

And as regards hydro generation trends, they were very strong in H1 2018, while the second semester was much dryer.

**France – Regulated activities**

Moving now to Regulated activities in France. EBITDA in the segment is broadly flat at EUR 4.9 billion. First, positive impact of the tariff changes under the TURPE framework amounted to an estimated EUR 68 million. Enedis also benefitted from an increased activity in grid connections. This represents a 37 million positive. In addition, OPEX decreased by EUR 38 million compared to 2017. Finally, these positives were partly offset by a one-off provision related to a risk of change in Enedis and Electricité de Strasbourg’s contributions to the Electricity Equalisation Fund for the period 2012 to 2018.

**EDF Renewables**

Moving to EDF Renewables, whose EBITDA was up 4% organically to EUR 856 million. This reflects the good operating performance of EDF Renewables generation fleet. Output stood at 15.2 TWh in 2018, up nearly 15% in organic terms. As a consequence, EBITDA from generation activities grew accordingly to EUR 903 million. This improvement is mainly attributable to capacity commissioned in 2017, some of which were sold end-2018. In this respect, the above-mentioned level of production may not fully replicate in 2019.

Coming to the capacity development, gross capacities commissioned by EDF Renewables in 2018 amounted to 1.6 GW, including 0.9 GW in solar power. At the end of 2018, net installed capacity was up 0.5 GW compared to the end of December 2017 and stood at 8.3 GW. Gross portfolio of projects under construction is also growing by 0.5 GW to 2.4 GW. All these indicators reflect the high level of development activities, which translate into higher development costs as well.

Conversely, EDF Renewables DSSA business contribution was slightly over.

**Group Renewables**

Looking now at renewable activities across the group, overall EBITDA grew by 35%, thanks to strong increase in French hydro generation in addition to commissioning and acquisitions made in 2017 in onshore wind and solar.

Including investment in the hydro fleet, net investments amounted to EUR 1.2 billion. 2018 was marked by important acquisitions in the offshore wind segment. First, in May the NNG project in Scotland, which is fully permitted and contracted, with a contract for difference over
15 years. And second, the acquisition in December of development rights for future projects on the coast of New Jersey.

These developments were financed by the sell down of 49% of the Group’s wind assets in the UK under very satisfactory conditions, but with no EBITDA impact as the group retains control of the portfolio.

**Dalkia**

Coming now to Energy services; EBITDA at Dalkia came to EUR 292 million, up 12% in organic terms. Enhanced efficiency from the performance plan was the main driver of EBITDA growth. 2018 EBITDA improvement is also attributable to a 2017 negative one-off, which had created a temporary headwind. Dalkia continues to be successful on the commercial front in its core activities of renewable heating networks and energy efficiency contracts in France. Group energy services benefit in addition from international expansion in Italy, Belgium and in the United Kingdom, through Imtech that was acquired in 2017.

**Framatone**

As regards Framatome, EBITDA reached EUR 465 million in 2018. Its contribution to Group EBITDA stood at EUR 202 million. This reflects the successful integration of Framatome within EDF. Indeed, a significant portion of Framatome business is realised with EDF in connection with supply of fuel and services to the installed base and to projects in new nuclear.

EBITDA benefitted in particular from the continuation of the operational and structural cost reduction plan, which is progressing as expected. On the commercial front, 2018 was a solid year with the order intake reaching EUR 3 billion, out of which 60% with non-EDF customers.

Framatome registered a good level of activity in the Fuel business with notable achievements in 2018. Thanks to the purchase of Schneider Electric’s nuclear instrumentation and control offering (I&C) in North America in 2018, Framatome is expanding its engineering expertise and broadening its portfolio of I&C solutions. On the other hand, the Installed Base business has experienced a slight slowdown, in particular in the United States.

**United Kingdom**

Looking now at the UK segment. In organic terms EBITDA was down 15% to EUR 783 million. This evolution was mainly driven by nuclear generation, which was hit both by lower output volumes and by a decline in net realised prices. UK nuclear output stood at 59.1 TWh, indeed down 4.8 TWh compared to 2017 in relation to the Hunterston B inspection and to Dungeness outage extension. This lower fleet availability combined with lower hedged prices triggered buy-backs on the wholesale market in a context of higher prices.

Supply activities helped mitigate those negative factors to some extent. Increasing tariffs had actually higher positive effects than the residential portfolio decline of 4.2%.
**Italy**

In Italy, 2018 EBITDA reached EUR 791 million, down 12.7% in organic terms. But this change in EBITDA mainly reflects the 2017 one-off capital gain on the disposal of Edison’s headquarters with no equivalent in 2018.

Performance in power activities was up EUR 35 million, lifted by strong hydro and thermal output in addition to high level of ancillary services. These positive drivers were partly mitigated by negative price and volume effects in wind generation. Conversely B2B retail business has slightly improved despite margin pressure in a context of fierce competition.

Gas activities were down EUR 76 million, mainly due to the unfavourable price effect affecting the margin of long-term contracts.

Lastly, Exploration and Production activity benefitted from positive price and volume effects related to the increase in Brent price on the one hand, and to the commissioning of a new field of operation in Algeria on the other hand.

**International**

Looking now at the International businesses.

EBITDA in the Other international segment was down organically 3% to EUR 240 million.

In Belgium, EBITDA decreased by 5% in organic terms. This slight decline reflects the impact of the extended outages at nuclear plants operated by the Engie Group. This large negative was partly mitigated by higher thermal and renewable output and by growth in service activities. In this respect, it is worth mentioning that EDF Luminus was in 2018 the first onshore wind player in Belgium with 440 MW, representing 20% market share.

Brazil was penalised by planned outages and unplanned interruption in gas supply, which both triggered buy backs on the market in order to meet PPA obligations. And as you know, the sale of EDF Polska’s assets was completed at the end of 2017. So, as a whole, these figures do not pay tribute to the strong development of our international business in consistency with our CAP 2030 strategy.

**Other activities**

Lastly, the other activities segment.

EBITDA in this segment was up 62% organically to EUR 858 million. This was mainly driven by EDF Trading, whose EBITDA grew 73% to EUR 633 million.

EDF Trading’s activity was boosted by higher market volatility on commodities such as coal and CO2 and by favourable weather conditions, especially in Europe. LNG activities also posted significant gains, benefitting from the continued divergence between Asian LNG and European gas prices in 2018.

This segment also includes capital gains on real estate disposals. In 2018, we completed the last tranche of the real estate disposal programme with a significant capital gain.
Group EBIT

Let’s now move to the other items of the P&L, starting with EBIT, which is down 6% at EUR 5.3 billion. First point: 2017 capital gain on the 49.9% RTE stake disposal had no equivalent in 2018. Second point: increase in D&As, which come mainly from a volume effect in the French nuclear fleet maintenance in the context of the Grand Carénage programme and from the integration of Framatome activities in 2018.

Net income

Net Income-Group Share came to EUR 1.2 billion, versus EUR 3.2 billion in 2017. Net income was penalised by the financial result which deteriorated by EUR 2.6 billion compared to 2017, in particular in connection with the evolution of financial markets. I will detail that on the next slide.

Two main supporting factors did partly offset this trend:

- First, improvement of Income tax by nearly EUR 300 million at EUR 149 million, mostly as a consequence of the lower profit before tax in connection with the large financial charge to the P&L.
- Improvement of Income from associates by EUR 534 million year-on-year at EUR 569 million, mainly driven by the EUR 491 million impairment that had been recorded in 2017 on CENG assets, with no equivalent in 2018.

Lastly, when excluding non-recurring items, Recurring Net Income comes to EUR 2.5 billion.

Change in Financial Result

Let’s now focus on the change in financial result.

First, a continued pro-active debt management helped yield a further drop in financial costs. Taking into account the senior bond debt of US$ 3.75 billion that we successfully raised in September 2018, average coupon was down 8 bps at 2.87% end of 2018, while maintaining the average maturity of gross debt at more than 13 years.

Second point, which was expected, was the 20 bps decrease over 2018 in nuclear provision discount rate in France, versus a reduction of only 10 bps in 2017, which resulted in a EUR 455 million increase in discounting costs.

The most important, and unpredictable element, is the fair value adjustment of debt and equity assets under IFRS 9, which carried a large negative impact at the end of 2018, in the context of adverse market conditions, while the group had recorded significant capital gains within the portfolio of dedicated assets in 2017. This change in accounting norms, combined with adverse market conditions, represents an additional EUR 2 billion negative. As a matter of fact, financial results is more volatile under IFRS 9. As an illustration, fair value adjustment of debt and equity assets in January 2019 is positive and offsets the 2018 negative. And once more, this has no impact on the net recurring rate income.
Non-recurring items

Just a quick word on the post-tax effect of non-recurring items. In 2018, they stood at a negative EUR 1.3 billion, versus a positive EUR 353 million in 2017. Impairment losses have been recorded on some specific assets for a total amount of EUR 498 million, which is significantly below 2017 level. However, this does not offset the fact that 2017 benefitted from the EUR 1.3 billion capital gain on the RTE transaction.

Net changes in fair value, both on financial assets and on energy and commodity derivatives, excluding trading activities, are accounted for in non-recurring income.

Cash flow – Part 1

Looking now at the first part of the cash flow.

Operating cash flow stood at EUR 12.9 billion, up EUR 2.7 billion from 2017, in line with the EBITDA trend. Three main drivers here.

First, the significant EBITDA growth and the improvement in quality of earnings with non-cash elements being significantly reduced.

Second, tax disbursements, which were much lower in connection with the decline in the Group’s taxable income in France.

Third point on the lower financial expenses disbursed, linked to the decline in interest charges on financing activities as mentioned above.

Cash flow after net investments and change in working capital requirement, came to EUR 1.3 billion, down EUR 0.6 billion versus 2017. Two main drivers.

First, the change in working capital requirement, which still brings a positive contribution, but lower than in 2017. This positive contribution in 2018 is linked to continued efforts on working capital optimisation; in 2017 it benefitted from the one-off cash-in related to 2016 tariff adjustment.

Second point, total net investments and acquisitions excluding the Group’s assets disposal plan reached EUR 14 billion, down EUR 2 billion, which is explained of course by the acquisition of Framatome in 2017. The amount of disposal was much lower in 2018, with only EUR 1.9 billion proceeds, mainly in connection with Dunkirk LNG terminal and real estate assets disposal.

Cash flow – Part 2 - Net investments

On this slide, we shed some light on total net investments and acquisitions, excluding the Group assets disposal programme. The first thing to note here is that excluding the exceptional cash out associated with the acquisition of Framatome in 2017 for nearly EUR 1.9 billion, net investments are broadly stable.

The second thing to note is that the discipline on net investments, illustrated on the left-hand side on the bridge, has financed the natural increase in our strategic next developments, such as Linky and HPC and also selected acquisitions in retail and services in Italy.
Cash flow – Part 3

This last slide on cash flow shows the EUR 0.5 billion negative contribution of the dedicated assets funds, which include a disbursement made to them in order to respect the regulatory requirements in terms of coverage ratio. After deducting the interest payments on hybrids and the share of the dividend paid in cash, group cash flow stood at negative EUR 480 million.

But most importantly, I want to highlight that cash flow, excluding Linky, new developments, group asset disposal plan and 2018 interim dividend is largely positive. This target set by the Group four years ago has been delivered, and even exceeded.

Net Financial Debt

As a consequence, Group cash flow came nearly balanced after taking into account dividends, (including the hybrid bonds remuneration) and investments in Linky and new developments which were partly financed by the 2018 Group’s assets disposal plan contribution. This triggered stabilisation of the net financial debt at EUR 33.4 billion.

This ends my presentation. I thank you and now hand back over to Jean-Bernard Lévy

Guidance and Outlook

Jean-Bernard Lévy
Chairman and CEO, EDF Group

Thank you, Xavier. So, I will end this initial presentation by giving you some of our targets and ambitions for 2019 and 2020 and then we will leave you with a Q&A session and hope you will have many questions.

Guidance and outlook

Please note that all these figures are at constant accounting standards.

- We are setting an EBITDA target in the range of EUR 15.3 – 16 billion.
- We will continue to reduce our expenses aiming a total of EUR 1.1 billion of cost reductions when compared to what we had in 2015.
- And we are targeting a positive cash flow, excluding investments related to Linky and to Hinkley Point C.

As far as our ambitions for 2019 and 2020 are concerned,

- Total net investment excluding Group acquisitions and disposals will amount to approximately EUR 15 billion per year.
- Group disposals will be within a range of EUR 2-3 billion over the period of 2019 and 2020.
- The net financial debt to EBITDA ratio will be less than or equal to 2.5 times over that period.
The dividend pay-out rate will reside within a range of 45-50%. The option to receive the payment of the dividend in new shares will be offered to all shareholders. Please note that the French State has undertaken to opt for the scrip payment for the balance of the dividend due for 2018 and for the whole of the dividend due for years 2019 and 2020.

PPE

In addition to these financial prospects for the coming years, it is essential that we focus our efforts on structural factors, which will enable EDF to fulfil its role as a leader of the energy transition.

So, we will be focussing on three key dossiers which have been determined by French President Emmanuel Macron in his speech in November last year, at the same time when he outlined the key principles of the PPE, the multi-annual energy programme.

The first of these key areas is regulation. I have many times highlighted how the asymmetrical nature of the ARENH mechanism is unfair. The government has announced its intention to reform this mechanism. In an address delivered by the French President, he stated that the challenge is to protect consumers from hikes in the price of electricity, but also to give EDF the financial means it requires to deliver the goals of the PPE. And you have the quote on the slide.

The second key area relates to our organisational structure. The government has asked me to recommend how we could change the group’s organisational structure so that it is better suited to the scale of our investment and our industrial ambitions. These recommendations will be submitted by the end of 2019. One thing is already certain at this stage, EDF will remain an integrated group, but this does not prevent us from considering some structural changes.

I would like also to reassure all of our stakeholders, including our employees, of course, who will naturally be involved in these discussions through our “Parlons Énergies”, (let's talk energy) initiative, based on the model we had used in 2018. And our investors too, all of you, whose legitimate interest must also be addressed when we think about some of these structural scenarios.

The third key area relates to French nuclear new build. The government has directed the management of EDF to draw up a plan for the construction of new EPR reactors. We have started to prepare EPR 2, which is the design of an optimised EPR, which can be developed together with Framatome and on which we have been working since 2015. Such an industrial challenge of building new EPRs has of course many dimensions that need to be addressed; legal, regulatory, pre-financing, regulation and so on. We are working hard to ensure that indeed we will be ready by the summer of 2021 to provide the government with a very detailed plan so that the government will have all it needs to make a decision.

So, there are the 3 key areas on top of our current operational performance that are on the agenda for the short and medium term. We obviously are very enthused by the period we are living and we will live in the next few years. We know that the future will be electrical because it needs to be low carbon. And as individuals and as a team, we will bring all our energies into
achieving our climate goals as well as our economic performance goals as we have always done.

So, we have a slogan inside the company and also inviting all of you to be part of this effort. Our new slogan is “devenons l'énergie qui change tout”, “we have the power to change it all.” Thank you for your attention.

So, this ends our initial presentation and we will now take your questions

Q&A

Vincent Gilles (Credit Suisse): [free translation from French]: first question is a financial question: what are the moving parts in order to bridge 2018 vs 2019 Ebitda guidance? Second question on the nuclear framework: what would be the optimal framework, from a legal perspective and in terms of guarantee of returns?

Xavier Girre: As regards the 2019 guidance, it reflects the fact that we are very confident in our ability to increase EBITDA once more in 2019 after this very strong rebound in 2018, with positive impacts of the prices. We expect significant positive impact of the prices both in France and to a certain extent in the UK.

On the other hand, we have taken into consideration the fact that in the UK we have been capped on the SVT, which is a negative of course, in addition to some uncertainties about the capacity mechanism in the UK.

And when you compare also 2018 versus 2019, we had two positive impacts in 2018 that we have not for the time being included in our guidance: hydro, which was beyond a normal year, and trading, EDF Trading, which was very strong in 2018.

So, this is why we’ve given this guidance, which once more is, as far as we are concerned, a signal of our confidence in our ability to deliver another growth of the EBITDA in 2019.

Jean-Bernard Lévy: And regarding the second part of your question, what is a good framework? Well, it is very early to give any details. I think what is a good framework is something that will work. What we are obviously expecting at this stage is that it is not straightforward considering our existing debt, considering the competition that we have to live through, considering the regulation that has been put in place within the European directives.

It is not obvious to find the right solution in order to build EPRs with a 60-year lifetime, a 10-year construction time, another 20-years for the deconstruction and so on.

We have found some solutions within the EU system for Hinkley Point but we have seen that this solution brings a lot of debt during the construction period to EDF. We are right now building up on our balance sheet a significant amount of money for which we will have very good returns but not now, in 2026 and into 2060, 2080, 2090, I don’t know, but this doesn’t fit with a large programme for building more EPRs. We will have to find more innovative ways of doing that. So, it is doable because we have seen with Hinkley that we can build nuclear reactors. We have seen other nuclear reactor construction decisions being made elsewhere within the EU, and so we will have to work on how we can do that without jeopardising the balance sheet of EDF and while we keep our ability to innovate and to serve our clients.
So, this is exactly what we have to do for the next let’s say ten months because we have to provide the government with new regulation and organisation prospects that will include of course new nuclear build for France by the end of the year. And then we will have to have a more detailed dossier for an investment decision to be ready in about two-and-a-half years.

Vincent Ayral (JP Morgan). I’ll go on a fairly similar question to start with but for the existing nuclear fleet. Macron said that a new regulation is being worked on. Can we expect something like a RAB-based type of regulation? What type of framework do you personally prefer regarding the existing fleet? That would be number one.

Going with this, we have the restructuring of EDF. You have been asked to look at this. There have been some articles talking about a potential nationalisation. Do you believe that EDF is best listed, or not, or just splitting the nuclear in a separate entity within the EDF group and remaining listed is the preferred option from an EDF point of view? Obviously, you cannot speak for the government here. And all of this needs approval from the European Commission and potentially antitrust. Have the discussions already started in the background, what are your key arguments on this? Thank you very much.

Jean-Bernard Lévy: Thank you. So, on the existing nuclear system, President Macron I think was very clear to say that we need to find a way by which customers are protected when prices are very high and EDF is protected when prices are very low, which is not at all the case right now. As we all know, we had difficult times when the prices were in the 30s EUR per MWh for the wholesale prices.

And, obviously, as I have said, the asymmetry of the current regulation is something that we could understand when our competitors were just emerging, were just starting. But now we have very large competitors that are obviously making a lot of money, a lot of returns. We have seen very expensive transactions on the market, so we absolutely need to find a regulation where asymmetry is behind and we go to a symmetrical and fair situation. We consider after ten years that it is unfair that we remain in an asymmetrical situation.

So this is, I would say, the framework within which we will support the government in its discussions with Brussels, because the government is in charge of regulation, and we can try to provide the government with our best arguments in order to achieve what Emmanuel Macron was saying about revisiting this regulatory situation.

On the nationalisation items, and I guess this is the first time I am getting the question but not the last time, so I really want to say something which I can repeat for the next hundred times I will be asked the question. We do not have any view on this matter; it is up to the Government and to Parliament. You cannot nationalise without going through legislation that have to discuss the pros and cons on various scenarios regarding EDF ownership and EDF structure, and I will not make any further comments on this matter.

Emmanuel Turpin (Société Générale): I would like to come back on the first question on the underlying assumptions for the 2019 guidance. You gave a couple of pointers, specifically on the UK capacity payment, there is uncertainty; does it mean that in your guidance there is zero for 2019?
For the French retail tariffs, the regulator has given a proposal, which is public information. Do you include this proposal in your budget? And every year when you look at the bridge from the past year to the current year, we’ve got a number of elements that do not recur. Right, you mentioned for this time round the hydro production, which is totally operating but high: are there any other kind of financial or one-off items in 2018 that help us understand the 2019, which is, you know, slightly below what everybody was expecting?

And last point on 2019, my understanding is that this guidance is, as Jean-Bernard Lévy said, at current accounting standard. So, we need to adjust our numbers for IFRS 16, we need to add EUR 700 million of EBITDA, is that right? Is it broadly neutral at the net earnings? And how much debt does it add on the balance sheet?

And finally, to finish my thorough job, how to bridge between EBITDA and net earnings for 2019? Could you give us a couple of pointers at the D&As, and at the cost of gross debt level? Regarding D&As, we should expect an increase versus 2018: the same amount as we had versus 2017? And should we keep cost of gross debt flattish?

And, as a bonus, if you had any comment on the level of consensus for 2019, that would be great. Thank you.

**Xavier Girre**: Thank you for these questions. I guess they are for me. So, as regards the EBITDA guidance for 2019, our hypothesis is that the capacity mechanism will be re-established in the UK. We have taken, as a hypothesis, 1st July, meaning that we have taken 50% impact for 2019.

Second point as regards the tariffs in France, we have taken, as a hypothesis, the proposal made by the CRE. As regards one-offs in 2018, I think I have already explained some of them. I also explained that we had some capital gains due to our disposal in real estate for example. So, I think this clarifies our guidance.

And once more, definitely we are committed to improve significantly the EBITDA in 2019 and are very confident to go on due to the price increase, due to our strong performance in operations. So, we are very confident.

As regards the IFRS 16 impact, you are right, the impact at the EBITDA level is more or less EUR 700 million for 2019. We have put it here on the screen: under the IFRS 16 frame, we have from now on an asset on the balance sheet called “Right of Use”, and a debt, and no longer annual lease expenses, so this improves the EBITDA.

Then we have of course to take into consideration the financial interests due to the debt. This explains the slight difference between the impact on EBITDA and the impact on the cash flow, which is also positive. We have estimated it at EUR 640 million. And as regards the impact on the net financial debt to EBITDA ratio, we estimated it at more or less 0.2.

As regards 2019 D&As, they should increase regularly due to the fact that we continue to invest and to develop the Grand Carénage and other assets. Usually our D&As have increased more or less by EUR 500 million, so no change to this trend. As regards the cost of debt, there is no reason to change it. As I said, we made very positive and pro-active debt management in 2018 which has enabled us to reduce slightly our cost of debt to 2.87% keeping a very strong maturity, more than 13 years. So, this is more or less what we have in mind.

Thank you.
Vincent Ayral (JP Morgan): One point missing here is understanding what is the assumption you take on the regulated tariff increase, which was proposed by the CRE. It is quite material, especially when the guidance is about, I would say, EUR 300-500 million below market expectations.

So, that leads to my second question, if it is not explained by the assumption on the tariff increase, do you protect profitability on – or what is exposed to markets; so, your offers? You could consider yourself if the nuclear gets related as an upstream operator over there and decide to not compete outside the blue tariffs in order to protect value. The current regulation can take a number of years to come and it is a missed opportunity offering towards ARENH in the meantime, which could cost more than the value of a customer; what is your view on this? Thank you.

Jean-Bernard Lévy: Our view is to address our clients with what they need and we believe that the regulated tariff is what they need for many of them but not all. So, this is why we have been defending that we could keep the regulated tariff, within the French legal case that was brought to Conseil d’Etat over the years, and we have been successful in that. We have also requested that we can keep our regulated tariffs within the European timeframe. And while it’s not totally finalised we expect that the new winter package, as it used to be called, will include for countries who decide to do so, that there is a possibility to keep the regulated tariffs. But we do not consider this is in a position to address all the market.

And this is why two years ago we crossed the river from the regulated world to the non-regulated world and we have started to sell some non-regulated offers with new packages that we have been offering. And, as I said, the “Vert électrique” for instance is a very successful package, which means that while we’ll still have millions and millions and millions of clients with regulated tariffs, we are now building a significant base of customers with other kinds of tariffs and this is a very clear strategy that we intend to implement over time so that we can address the needs of our clients in the broader possible way.

Vincent Gilles (Crédit Suisse): In terms of retail, what is reasonable to assume for 2019 regarding number of customers and tariff increase? There has been all saga this week about the tariff increase, what the government is going to ask you to do, what the CRE is asking, etc.

Jean-Bernard Lévy: I think we have made it very clear that we have embedded in our guidance that the CRE recommendation will be followed by the government. I think Xavier said it clearly.

Vincent Gilles: I was trying to get more details. But the second question is on the number of customers: what is reasonable to assume for this year in terms of potential loss of customers or gain of customers considering the economics have changed a lot for your competitors?

Jean-Bernard Lévy: We are not releasing numbers for market share expectations.

Louis Boujard (ODDO BHF): Just wanted to come back a little bit on 2019 figures, more particularly on the net income and the financial cost of debt. What do you expect in terms of discount expenses for 2019 in comparison to 2018? It has raised sharply this year, what should we expect for 2019 figures?
Secondly, you mentioned in your comment regarding notably Hinkley Point that you might eventually think about a way to lower the cost of debt related to this project; does that mean that you would think about eventually opening the shareholding structure at a later time in the next years for Hinkley Point in order to enable an equity method accounting for this asset?

And lastly, could you please give us a quick update regarding Flamanville at this stage if possible? Thank you very much.

**Xavier Girre:** Yes, I can answer the first question about the unwinding charge: our hypothesis as regards the discount rate is that it will be 3.8% for 2019. Of course, it is a hypothesis and it is what we have built in our figures and guidance. As usual, you have in the appendices all the explanations. So, here we just explain the mechanism and maybe we have another slide which can show you also the sensitivity: a decrease of 20 bps (which will not be the case because we expect a 10 bps decrease) has an impact on the provision for more or less EUR 1.5 billion, with half of it, on the balance sheet and half of it on the P&L.

So very precisely 3.8% in 2019 versus 3.9% at the end of 2018. So, it means that this should have a positive impact on our financial result because the decrease will be lower in 2019 than in 2018. On the other hand, it is an increase of the provisions.

**Jean-Bernard Lévy:** So, regarding your question on the way we finance Hinkley Point, we decided back in 2015, if I am not mistaken, or 2016, to build Hinkley Point through debt, which is borne by EDF Group’s balance sheet in what we call the consolidated model. We made that decision after we had for several years envisaged to hold less than 50% of Hinkley Point and to have what we would call a de-consolidated model. We finally decided not to go through that de-consolidated way because it created a lot of legal and financial hurdles, which we could not overcome. So, we do not intend to go back to a situation where the financing of Hinkley Point would be done through a non-consolidated company.

**Xavier Girre:** Maybe some questions from the phone? I already got one, maybe I could give the question and the answer? And, of course, we’ll take some others. We’ve got a question from Ahmed Farman (Jefferies): “you announced a disposal programme, script commitment from government is back, should we see this as signs of concern by management on the balance sheet and which assets do you plan to dispose?”

So, of course, it’s a key question and it’s the logic of what is currently being done. I mean the decision by the State to opt for scrip dividend will indeed bring some support to the balance sheet, while asset disposal will help finance our CAPEX programme that remains heavy as you know.

And the decision of the State is also a sign of confidence and support to our strategy. There is no concern on our balance sheet as such but, as we explained, as long as the fundamental issue of asymmetric regulation, and Jean-Bernard Lévy highlighted this point, is not addressed, we will need to remain vigilant.

And to be very specific on the question of the assets we might dispose of, as you know, we do not give any comment about any options of disposals, but we believe there is still some room to further streamline and focus the group on key priorities and business sites. So, this is what we are doing in the years to come.
**Ajay Patel** (Goldman Sachs): Good morning. I just had two questions please. Firstly, on IFRS 16: does that impact the net income excluding non-recurring items, are the impairment expenses stripped out in that representation or not?

And then the second question is, do you have any rough guidance for the UK nuclear for 2019 so we just get an idea of what’s embedded in the numbers? Thanks.

**Xavier Girre**: As regards the net income, there is no impact of the IFRS 16 on the net income. As regards the nuclear generation in the UK, we give no guidance. As you know we have the Hunterston B generator that has been stopped, which is of course a concern but we give no specific guidance for the UK on the nuclear generation.

**Sam ARIE** (UBS): Thank you very much. Good morning everybody. Thank you for the presentation and congratulations on a good result for 2018. I think the questions we had on guidance and so on have been covered already. So, I would just like to ask you about your EDF Renewables business. And I think you said today that you commissioned 1.6 GW last year, gross. And I’m just interested in where that number could go to. Obviously, your solar plan for 2030 implies I guess 2-3 GW per annum just on solar; you’ve got offshore wind coming, onshore. But when you add it all up, I wonder if you’re heading for a sort of 4-5 GW annual growth requirement? And then I’m just interested if operationally you think you can deliver that with the current organisation and if financially you are comfortable that the balance sheet could support that level of growth. And if not, then I suppose coming back to this restructuring topic that you’ve talked about, obviously, one priority is to address the price risk around nuclear, which you mentioned. But can I ask if another priority in that restructuring thinking that you’re going through is how to recapitalise the renewables business for a level of growth that may be three or four times higher than even the high level that you’ve delivered in 2018? Thank you.

**Jean-Bernard Lévy**: On renewables, we expect that we will ramp up in phases and we expect, basically we really accelerated back in like 2016, we expect 2019 to look like 2018 and I will not give numbers, I will just remain very general.

The solar plan we want to grow is also going to ramp up and we will not all of a sudden start building every year the 2 GW that will lead us to achieve the Solar Plan objective of 30 GW by 2035. We have, maybe you have seen that, acquired a company with a, as I said, 1 GW of development capacity, which over time will help us accelerate in the Solar Plan.

But what I want to say very clearly in terms of strategy is that we are very determined in the current organisation of EDF’s assets to find sufficient resources to build our renewables portfolio to the level that we had considered in CAP 2030. Now I’m talking CAP 2030, which is globally to build up to 50 GW of renewable portfolio by 2030. We are keeping this objective, which, of course, includes hydro as we always said. It does include hydro. And then we intend to build 30 GW of solar in France by 2035, but some of that may be consolidated, de-consolidated and so on.

What I want to say is that when we in due course will discuss with the government about the way we work on reorganising assets and things like this, it is I think absolutely obvious on
both sides, whether it is the State, whether it is ourselves, that by no way we will jeopardise our renewables long-term objectives. We want to re-balance our low-carbon assets between nuclear and renewables. And while we have to be prepared that there will be less nuclear in France, because that is the law, the law will be 50% in 2035, (not in 2025), but still it’s the law to go down to 50%, we need to expand very significantly our renewable portfolio.

And we will do that whether it is in the current structure or whether it is in any new potential structure, which may happen or maybe will not happen but in no way will we jeopardise this very strategic objective of rebalancing nuclear and renewables.

Olivier Van Doosselaere (Exane): Good morning everyone. Thank you very much for the presentation and for taking our questions. I have two. First one is a topic I know you’ve already spoken three or four times about, so apologies for the repetition, but you mentioned that in 2018 there had been some negative impact on the EBITDA from the lag effect of the tariffs methodology in France. You mentioned that you assume that the CRE recommendation on tariff gets implemented as part of your guidance, but we are now mid-February, there is an expectation that the government will wait a bit before validating the proposal and so the tariff increase might maybe only be implemented in May or June. Now the CRE has said that if the tariff increase isn’t going to be implemented rapidly, you would be entitled to a catch up. So, I guess my question would be what is your assumption in terms of timing of tariff increase and any potential subsequent catch up? Would the effect of your assumption be that the tariff increase de facto would have been implemented from the start of the year or do you only assume tariff increase impacts from May or June without any catch up? That’s the first question.

And the second one on regulation. You stress quite strongly the fact that you would like to be able to address the problem of the asymmetry in the regulation; so, I wonder, will your discussions with the government mainly be about taking away the option for alternative suppliers to be able to purchase electricity below the Arenh price if wholesale prices drop to those levels, or would you also expect to have some discussions about the actual absolute price of Arenh?

And maybe a second point on regulation also, Arenh is supposed to be a temporary mechanism lasting until 2025, do you see at a European level openness to actually have that mechanism be extended? Thank you very much.

Jean-Bernard Lévy: First on price increase, as we have said, we have indeed embedded in our guidance the CRE recommendation, which is very detailed: it leads to a 5.9% increase by June 1st, including VAT. This is what we have in our numbers, because this is what is implied by the most recent statements made by the ministers in the government.

The potential catch up would be, I would say, a second-level effect, much less significant. [and the assumption is that there is a catch up over 12 months, meaning partial catch up in 2019].

Regarding your second question, we do not have at this stage any more details than what I said regarding the end of asymmetry. There is something in your question I did not fully understand. Today, when the price is low on the market, our competitors of course won’t buy the Arenh, they buy from the market. So, we won’t even get the benefit of being protected at
Arenh price, and this is something which we have been very vocal about for many years and we hope there will be an end to this asymmetrical situation soon.

**Vincent Ayral (JP Morgan):** So, coming back on one point. I mean it may not be relevant when the nuclear is re-regulated, but so far EDF is quite subject to market price movement. Power prices have increased very materially recently and I think that’s the surprise we have today of a guidance, which is potentially below expectations. So, we want to understand if it can be seen as slightly conservative in the current environment uncertainties: just to understand basically what are the key areas where you have taken the conservative assumptions? Just that would be very good. Thank you.

**Jean-Bernard Lévy:** So, I think we have given you a lot of details about what we had in the 2018 EBITDA and what we see in the 2019 guidance and the pluses and the minuses that I am sure you can all have in mind, and I won’t make any more comments on this. Obviously, we have explained that there were some positive items in 2018 that we may not find again in 2019.

And on the other side, as we said, our average selling price in 2019, with our hedging policy and whatever – will be above what it was in 2018. So, there are some pluses and minuses but the pluses are above the minuses and this is why the bottom part of the range for EBITDA in 2019 is above, slightly above what we have achieved in 2018. There is in our guidance a growth in EBITDA, even if it is a very slight growth if you look at the bottom of the range. It is more significant if you look at the top of the range.

And I would just end my answer by telling you that we believe very strongly that guidance is there to be met. Thank you.

I think this ends our session. I want to thank all the listeners or viewers from the outside of this room and all those who are present for their very nice attendance. Thank you.