



# **EDF**

# **Annual Results 2019**

**14 February 2020**

## ANNUAL RESULTS 2019

**Jean-Bernard Lévy**

*Chairman and Chief Executive Officer*

Good morning, ladies and gentlemen. Thank you for being with us this morning. Welcome to our traditional presentation.

Last year, here, I showed you in line with our strategy, that 2018 was the year of the rebound. And today, you will see that our 2019 performance has indeed boosted this momentum.

As evidenced, each and every year, we are a profitable company. In 2019, our EBITDA stood at the upper end of the projected range. We reduced carbon emissions in a way where at the same time we met all our financial targets. We have successfully reconciled the development of our activities, with disciplined investments, rigorous efforts to reduce operational costs, and making a good road into full decarbonation by 2050.

Our performance confirms the soundness of the actions we undertook five years ago to consolidate our results. It also validates the relevance of our three priorities as set out in 2015 through CAP 2030. CAP 2030 is based on the deep and widely shared conviction that plentiful and competitive low-carbon electricity is essential if we are to overcome the challenge of the century: limit global warming.

In energy policies, in France, in the United Kingdom, our second largest market, and now in the European Union through the Green Deal, we know that reducing carbon emissions, becoming carbon neutral, is the objective that has been set out to all of us. EDF is determined to undertake a key role in achieving this huge ambition.

With our strategy, CAP 2030, with our 98% carbon free energy mix, with our position as the leading investor in energy transition in France, we are already a driving force behind the decarbonization of the economy here in France and also in Europe. But we are not going to stop there. We are already deploying all our resources and skills so that we can continue to play this role in the future.

By the way, it is no accident that we have been selected as the official electricity supplier for the Olympic and Paralympic games in Paris in 2024. Indeed our expertise and our legitimate status as a low-carbon leader, this makes us the natural choice to ensure that the Paris 2024 games will be the first carbon-neutral games in history.

We are rising to all tomorrow's challenges today through continual transformation. We are testing new work organization methods; we are fostering collective intelligence and innovation. We are also embracing new businesses, essential for the success of energy transition.

This includes low carbon hydrogen, aggregation solutions for de-centralized renewable energy generation and, as demonstrated earlier this week, block chain technology. Let me address the women and men working for the EDF Group and extend my thanks for their commitment and for their professionalism. Each and every one of them has contributed to the results that I will now outline.

## ALL 2019 FINANCIAL TARGETS ARE MET

All our 2019 financial targets are met.

EDF Group's EBITDA has shown a strong growth rate of 8.4%. It is at the upper end of our projected range at 16.7 billion euros. We have been able to achieve these very positive results by successfully taking advantage of favourable market price conditions, of reducing our operational costs and of achieving a good performance, both in our renewables activity and in EDF Trading.

In 2018, we had set a very challenging target of reducing operational expenses by a total amount of 1.1 billion euros with a starting point in 2015. We have met this objective and moreover, we have exceeded it by 100 million euros. Investments have been effectively controlled and are even below the upper limits due to the exceptional disposal achieved by EDF renewables of 50% of the energy offshore project off the coast of Scotland.

Later on, Xavier Girre will be able to walk us through the impact of this operation on our financial statements. The cash flow target, excluding investments in Linky and Hinkley Point projects, the target of greater than or equal to 600 million euros in 2019 was largely exceeded, multiplied by three. This reflects good EBITDA performance and control of net investments as well as a lower working capital requirement.

The disposals programme is continuing over the 2019/2020 period. In 2019, we signed or realised transactions of 1.1 billion euros. Our target of a range between 2 and 3 billion euros is maintained for the end of 2020.

The net financial debt to EBITDA ratio stands at 2.46 which is well in line with the target that was lower than or equal to 2.7.

Yesterday, during the Board of Directors, the company has decided to propose to the annual general meeting to offer shareholders a dividend of 48 euro cents per share for the 2019 financial year. This corresponds to a payout ratio of 45% of net income. In December 2019, we already paid an interim dividend of 15 euro cents per share.

## HIGHLIGHTS

Let me go through these highlights. I would like particularly to draw your attention to first the strengthening of our commercial momentum, thanks to a renewed range of offers and services, second to a sharp increase in the development of all renewable energies. Also, of significant progress is the implementation of our three long-term plans: *Le Plan Solaire*, *Le Plan Stockage Électrique* (Electricity Storage Plan) and *Le Plan Mobilité Électrique* (Electric Mobility Plan).

The important milestones that we have achieved in our nuclear project and international success stories, especially in the hydropower sector. I would also like to add that we had a positive momentum in Enedis, our distribution activities.

## CUSTOMERS AND SERVICES: RENEWAL OF OFFERINGS' RANGE AND SALES DEVELOPMENT

Let me now expand a bit on each of these items. Regarding customers and services, I'm delighted to note that we are started to reap the rewards of the marketing offensive we launched two years ago. We now have more than half a million residential customers that have opted for our marketing offerings.

We pursue this marketing offensive with new solutions that go hand in glove with our customers' needs, such as *Mes Jours Zen* or the first regional offer called *Vert Électrique Bretagne* (Brittany). Just three years after the launch of our first solar self-consumption offer, we are the number one provider in France with 20% market share.

Supporting renewable energies and becoming actively involved in the fight against climate change is an aspiration shared by our corporate customers. We are meeting this need by investing in a new market segment: Corporate Power Purchase Agreements - corporate PPAs. We have already signed four such agreements in the space of less than a year.

With regard to local communities, we have created Hynamics, our young subsidiary specialised in low-carbon hydrogen, only low-carbon hydrogen. Hynamics has had its first success like as an example what we have in Dijon, we work with the city to install electrolyzers in order to feed hydrogen-based buses and trucks.

With regard to energy services, growth is gathering pace. We are expanding our foothold across the channel with the acquisition in the UK of Breathe, a company which is specialised in energy efficiency in commercial buildings. In France, Dalkia has continued to forge ahead with a year marked by renewing or signing several new contracts, both in heat networks and in energy performance, especially for industrial customers.

IZI by EDF is our service platform which we launched about one year ago. It serves residential and professional customers in France. We are getting ready to extend our heating-based service range over the coming weeks with the integration of a smaller company we acquired, and it is called *MyChauffage* (my heating).

## ACCELERATION IN THE DEVELOPMENT OF RENEWABLE ENERGIES (1)

Accelerating in the development of renewable energies, in that space 2019 was a year of strong growth. We have doubled when compared to 2018 the construction starts of wind and solar facilities. They represent today more than 4 gigawatts. We have taken major steps to achieve our ambition of developing offshore activities in France and abroad. We are the leader of offshore wind power in France. We have won four out of seven tenders, with a total slightly above two gigawatts.

France's first offshore windfarm, close to Saint-Nazaire is already under construction. Two more farms will kick off this year. The fourth farm off the coast of Dunkerque will have the greatest capacity. We won it during the summer of 2018 against six other consortiums. This illustrates our ability to develop highly competitive renewable projects.

In 2019, we have begun construction of our NnG Scottish windfarm. International prospects for development are very promising with two gigawatts on the development in the US and 500 megawatts

in China. We have just announced our entry into the Irish offshore market, and we will develop and build a new windfarm close to one gigawatt of installed power called Codling.

In the solar sector, our activities are also showing strong momentum with an increase of 31% of installed capacity when compared with 2018. Talking about renewable, just a few words on hydropower. In 2019, we finalised the extension of *La Coche*. This is a renewed pump storage hydropower plant in the Alps. It was - because it's now in operation - our second largest worksite in France, increasing the facilities capacity by 20%.

In 2019, we have consolidated our rank. We are the leading French and European renewable energy generator. We are the number one. And in the world, our position is number five. That said, winning the prize for the highest installed megawatt capacity is not our core target. As you well know, developing new projects, rather than buying them, is what sets EDF apart and what really provides our added value for the good of the planet.

We are proud of this. We believe this is the right way to drive forward energy transition by building not by acquiring. Recently we have defined a new framework to issue green bonds. This will make it possible to further support our ambition to force the growth in renewables whilst re-enforcing consistency between our strategy and our funding tools.

### **THE FRENCH SOLAR PLAN**

A few words on the French solar plan. Preparation of the solar plan, which should pave the way for EDF to gain 30% market share between now and 2035, has increased significantly in 2019. 2,000 hectares of land have now been secured to host future facilities. This is equivalent to seven times more than what we had two years ago.

We have already received all necessary approvals to build 500 megawatts of solar facilities. This is five times more than two years ago. And in the first quarter of 2019, we acquired a French developer, Luxel, with a total project portfolio of almost one gigawatt, which we now will get prepared to build.

### **ELECTRICITY STORAGE PLAN (1)**

If I say a few words about the electricity storage plan. We have also made significant progress. Our realised or agreed project portfolio stands today at half a gigawatt. I would just like to illustrate with three major projects. The 800 megawatts solar power station called Noor Midelt 1 which we have secured in Morocco. This station will supply electricity up to five hours after sunset thanks to its hybrid system combining electricity storage and solar power.

Second illustration, in Petit Canal, the windfarm in Guadeloupe which I visited two weeks ago. This facility is now connected to a battery system that stabilises power delivered to the network. The battery is very close to the windfarm.

And the third illustration, we now have three battery storage solar farms combining batteries and solar farms in the US. The third one is called Arrow Canyon. It is in the state of Nevada. Furthermore, we have recently acquired a company called Pivot Power based in the United Kingdom to enhance our project portfolio and the first storage sites to be developed based on the Pivot Power portfolio will be constructed this year.

## **EDF ELECTRIC MOBILITY PLAN (1)**

The Mobility Plan is designed to make EDF Group the leader in Europe from 2022. We already supply 210,000 cars corresponding to one third of our objective at the end of '22. We have developed our dedicated subsidiary, DREEV, dedicated to smart charging. We have now commissioned the first smart charging stations in France. And with regard to the operation of charging stations and access to these charging stations, yesterday evening we announced the acquisition of Pod Point.

Pod Point is the leading charging solutions company in the United Kingdom. This is a genuine change of dimension for EDF in the mobility sector. 60,000 charging stations have been already installed in the UK by Pod Point. So, we are now getting very close to our three-year target of 75,000 charging stations in Europe.

## **NUCLEAR (1/2)**

Let me now turn to nuclear. Nuclear alongside with renewables, these are the cornerstones of our low carbon power generation strategy for the next ten and even 30 years. As you know, in December we presented an action plan called Excell. We aimed to restore the level of excellence and industrial mastery on which the French nuclear power sector reputation was built.

Excell translates the conclusion of the report, which Jean-Martin Folz wrote and publicly explained in October last year. It translates the report from Jean-Martin Folz into specific actions. The stakes are very high. We need to obtain the performance levels needed to restore the trust of both citizens and political decision-makers. During my presentation of Excell, two months ago, I indicated that the plan would be implemented under the supervision of an executive director for industrial quality and skills. This person will be one of my direct reports. And today, I'm really happy to announce that this responsibility will be entrusted to Alain Tranzer.

Alain Tranzer is from an industrial background with more than 25 years' experience in the automotive sector, in another French major group, Peugeot, PSA. Alain successfully managed several large-scale projects and I'm really confident that Alain will succeed in his new role which is of overriding importance for EDF and for the entire nuclear sector in France.

Alain will shortly take up office and I'm of course publicly welcoming Alain who will very soon be part of EDF.

Let's move on to our EPR projects. At Flamanville 3 we have defined a scenario by which we will use remote-controlled robots to repair the penetration wells which have to be repaired. Our objective as you know is to complete fuel loading at the end of 2022.

Our onsite teams are currently finishing the hot functional tests. In China, the second EPR reactor on the site of Taishan has begun commercial operations. Both EPRs - Taishan 1 commissioned in '18, Taishan 2 commissioned in '19 – both EPRs are living up to their promises and have achieved excellent performance levels. Altogether, the station has already generated 16 terawatt hours. This provides evidence of the quality of the EPR technology.

In Hinkley Point the project succeeded in achieving its first major industrial milestone in the middle of 2019, fully in accordance with the schedule. This milestone is the completion of the common raft for reactor number one. The completion of the common raft for reactor number two is due to follow mid-2020.

## NUCLEAR (2/2)

With regard to the French nuclear fleet, I am keen to stress two important points. First, the success of the fourth ten-year visit in Tricastin 1 which is the first 900 megawatt reactor to be approved for a 50-year operating life by the French Nuclear Safety Agency. This success bodes well for the rest of our programme of *Grand Carénage*, which is to extend the lifetime of all our units.

Secondly, three weeks ago the French government launched an open consultation on a far-reaching reform of the current regulatory framework for existing nuclear generation. This a major move since the text submitted for consultation highlights what we have long said: we have long said that the ARENH mechanism is dysfunctional and outdated.

I have repeatedly stated that such a reform is crucial both for EDF as a company and for the success of the energy transition in France. The challenge is through a new regulation to create a new symmetrical system that will provide EDF with a fair remuneration for its nuclear generation while at the same time introducing a ceiling that will eradicate the risk of excessively volatile prices for end consumers.

EDF will participate in this open consultation in the same way as other market players. The final shape of this new regulatory framework will depend on some new legislation applying the directions which will have been decided through the French government and the European Commission.

## INTERNATIONAL: SELECTIVE DEVELOPMENT & PROGRESS ON LARGE HYDROELECTRIC PROJECTS (1)

International, we are focusing on selective development and especially progress on large hydroelectric projects. 2019 was indeed marked by two key success stories in the hydropower sector. After five years of construction, we commissioned our new dam in Brazil called Sinop. It has a 400-megawatt capacity. We are also the operator of the facility.

And in the start of 2019, construction of the Nachtigal dam in Cameroon began, a facility that will supply 30% of the country's electricity as of 2023. With now the worksite in full swing, the Cameroon government is happy and has shown that by already pointing EDF as the exclusive developer of a new facility of a similar size which is down the same river, the Sanaga River, the new dam will be called Kikot and we are in exclusive discussions to build Kikot after we complete Nachtigal.

We are also providing our expertise in hydropower engineering in many areas of the world and I would like to stress two important achievements: in Dubai the pump storage hydro power plant that we are designing for the Dubai utility in Hatta has entered its construction phase. Not far away in Israel, the pump storage hydro power plant in the area of Gilboa is almost finished and will soon begin its commercial operation.

That was for hydropower, but I would also like to mention a very innovative concession contract we signed with the government in the Ivory Coast, *La Côte d'Ivoire*. We are partnering with local companies and we will build the largest biomass power plant in West Africa. The name of the project is Biovéa. It will be powered using waste from palm tree plantations. This project is both a low carbon project and demonstrates the benefits of local circular economy.

## **ENEDIS: TERRITORIAL ANCHORING CONSOLIDATION AND LINKY PROGRAMME DEPLOYMENT**

A word on Enedis, I would like to highlight the very positive momentum in our electricity distribution independent subsidiary, Enedis. Enedis is a proximity driver between EDF Group and the regions and territories of France. As such, I would like to draw your attention that a couple of years ago, we renewed our concession contracts and we have now signed with 170 territories the new concession contract for a term of generally 30 years.

This illustrates the trust in the partnership between Enedis, the various territories in charge of the electricity matters, and also the very high stability of Enedis in its activity. I would like also to commend Enedis staff for their tireless efforts in response to the exceptional climate events, and we have unfortunately lived through several of them since the summer of 2019. These efforts now allow electricity being restored very quickly in the homes that are concerned by these storms.

Those collective efforts are illustrative of the strengths and the determination of the public service in electricity alongside the territories and our customers. Enedis also has a key role in energy transition and is involved in the mass development of renewable energies. In 2019 alone, to illustrate this, 30,000 renewable energy facilities became grid connected on the French territory.

Enedis has now exceeded the symbolic number of 50% of Linky smart meters being installed in France. This brings the total to more than 23 million at the end of 2019. As you know, the Linky programme is the essential driver for controlling electricity consumption and reaching climate targets.

Thank you. I will now handover to Xavier Girre who will talk you through our results for 2019 and I will be back with you in a few minutes. Thank you.

### **ANNUAL RESULTS 2019**

**Xavier Girre**

*Group Senior Executive VP- Finance*

### **2019 KEY FIGURES**

Thank you, Jean-Bernard. Good morning, everybody. I will now present you our 2019 financial results in more details.

Before detailing these results, let me first remind you that the Group applied the accounting rule IFRS 16 on leases starting 1<sup>st</sup> January 2019.

The Group decided to apply the modified retrospective approach and under this approach, there is no restatement of comparative figures. Therefore, the financial statements at end of 2019 are presented with no prior year restatement. However, organic changes in EBITDA are obviously calculated on a comparable basis and exclude the impact of IFRS 16 application.

In addition, Edison's E&P activities are treated as discontinued activities under IFRS 5, and 2018 numbers have been restated accordingly. As already said by Jean-Bernard, 2019 was a year of strong growth and we have met all our financial targets. Looking at the key figures, sales amounted to 71.3 billion euros, a 3.5% organic increase versus 2018. EBITDA came to 16.7 billion euros, up 8.4% in organic terms. Net recurring stood at 3.9 billion euros, a 58% increase compared to 2018.

Net income Group share raised to 5.2 billion euros. This very strong growth is essentially linked to the fair value adjustment of the dedicated asset portfolio, in the context of very supportive capital markets. I will come back to this specific item later in the presentation.

Net financial debt raised to 41.1 billion euros, mainly as a consequence of three elements: the negative group cash flow of 0.8 billion euros; the IFRS 16 implementation with an impact of 4.5 billion euros; the repurchase of some hybrid securities at the end of the year since these securities are treated as equity under IFRS standards, which increased net financial debt by 1.1 billion euros.

Net financial debt to EBITDA ratio stands at 2.46x, significantly below 2.7 as expected.

### **GROUP EBITDA BY SEGMENT**

Let's now have a look at the group's 2019 operating performance. As already said, the EBITDA raised by 8.4% organically. Nearly all segments were up compared to last year. The largest contributor is France - Generation and supply activities, which benefited from favourable energy prices. EDF Renewables also posted solid growth with a strong contribution from sell-down operations.

Regulated activities, Dalkia, Framatome, Italy and other international activities also contributed to the Group's performance as well as EDF Trading reported in the other activities segment. UK and other activities are the only segments not growing.

### **TARGET EXCEEDED IN REDUCTION OF OPERATING EXPENSES (1)**

A few words on cost-cutting. Our target was originally 2019 1.1 billion euros cumulative reductions versus 2015. We have exceeded this target by more than 100 million euros with a further economy of 278 million euros in 2019. Cuts have been delivered mainly by France – Generation and supply, but most activities contributed. These reflect our efforts and purchases and staff costs as you can see on the right-hand of the page.

### **FRANCE NUCLEAR OUTPUT**

Nuclear output came to 379.5 terawatt hours decreased by 13.7 terawatt hours or 3.5% compared to 2018. This is the consequence of a high level of planned maintenances such as the successful fourth ten-year inspection visit of Tricastin, the first of a kind of the 900 megawatt fleet to pass that mark. It also linked to a number of outages which have been extended, in particular in Flamanville 1 and 2 and Paluel 4.

In November, three reactors of the Cruas station have also been shut down for around one month following the earthquake that occurred in the area. Mild temperatures at the end of the year also led to lower demand and increase modulation of nuclear plants. Overall, lower production had a significant impact on EBITDA as I will detail later, and plant shutdowns and extended outages that occurred during the last quarter of the year had a relatively limited impact because unavailability did not cost much as purchase were made at low prices.

### **FRANCE HYDRO OUTPUT**

French net hydro output fell to 37.7 terawatt hours, down 6.8 terawatt hours versus 2018. As you can see on the right-hand side of the chart, generation was affected by changing hydro conditions versus normal for the first nine months of 2019, whereas 2018 was the highest level of output in 15 years. At the opposite, the first quarter was four above average, representing an increase of more than 40% versus Q4 2018.

### **FRANCE – GENERATION AND SUPPLY ACTIVITIES EBITDA**

As regards the EBITDA of France – Generation and supply segment, it was up by 16.1% organically to 7.6 billion euros. This substantial increase is mainly due to favourable price effects, totally as estimated 2.2 billion euros. This reflects two elements: first the continued increase in power prices and wholesale markets between 2016 and 2018, which have been captured through our progressive hedging; and second, the 5.9% increase in the regulated tariff on 1<sup>st</sup> June 2019.

In this respect, let me remind you that these rates should have taken place as from 1<sup>st</sup> February 2019. The corresponding missing remuneration for around 600 million euros will be recovered over two years in 2020 and 2021. The 2020 part is included in the 2.4% tariff increase that occurred on 1<sup>st</sup> February 2020.

Reduced nuclear and hydro output had a negative impact, estimated at -899 million euros. Continued revision of market shares in 2019 together with favourable elements in 2018 that had no equivalent in 2019 had an estimated -211 million euros negative impact on EBITDA. Operating expenses were cut by 342 million euros, through control of purchases and payroll costs, as I mentioned earlier.

The Group keeps on reducing support function costs. Operating costs, our nuclear hydro power and thermal power plant fleet are also under strict control. Moreover, we put constant efforts to adjust retail costs for the erosion of our market share.

### **FRANCE – REGULATED ACTIVITIES (1) EBITDA**

EBITDA for the France – Regulated activities segment stood at 5.1 billion euros, an organic increase of 18 million euros or 0.4% from 2018. This limited growth was dampened by an unfavourable weather in 2019 and was further penalised in H2 from exceptional weather events. These different elements had an estimated negative impact of 95 million euros.

Changes in indexed adjustments to the TURPE 5 distribution and transmission tariffs were partially counterbalanced by the tariff optimisation operated by suppliers in connection with the rollout of Linky for a net estimated at +65 million euros. Growth in network connection services is continuing and made a positive contribution, estimated at 25 million euros in 2019.

And operating expenses were reduced by 83 million euros in this segment.

### **RENEWABLE ENERGIES**

Moving to renewables, EDF renewables whose EBITDA was up 33.5% organically to 1.2 billion euros. It was driven by development and sales of structured assets with a contributed EBITDA in 2019 of 560 million euros. It essentially reflects the sales of 50% of energy from the Scottish offshore windfarm project.

As anticipated, EBITDA from generation was essentially flat, given the disposals that took place in late 2018 and early 2019 despite a positive price effect. SG&A costs increased to support the strong generation and development that Jean-Bernard commented earlier and has resulted in a record high level of projects under construction: 5 gigawatt with 3.4 gigawatt for wind power including 0.9 gigawatt for French offshore wind power and 1.5 gigawatt for solar power.

Looking at renewables activities across the Group, overall EBITDA decreased by 1% organically, which reflects the reduced hydro output. Total net investments in renewables amounted to 404 million euros. The decrease compared to 2018 is explained by the impact of the deconsolidation of the debt associated with the energy project for 1.1 billion euros.

As a whole, including the Nachtigal hydropower plant, the construction of a gross total of 4.8 gigawatt of renewable capacity has been launched in 2019.

### **ENERGY SERVICES**

Regarding energy services, EBITDA of Dalkia came to 349 million euros, up 5% in organic terms. This rise reflects Dalkia's dynamic sales activity to win new clients and renew existing contracts with 80% that were renewed during the year. This dynamic encompasses both energy performance and heat network contracts.

Continued developed deployment of Dalkia's operational saving plan has also supported the performance and helped to keep overheads under control. Sales of energy saving certificates improved compared to 2018. Energy services also increased at Group level, with the contribution of Italy, Belgium and the United Kingdom. In the UK, a build-up acquisition, Breathe, was made by Imtech two years after its integration within the group in order to further strengthen the energy performance business.

### **FRAMATOME**

Framatome's EBITDA was 527 million euros including the margin realised with other EDF Group entities, corresponding to an organic growth of 3% between 2018 and 2019. Framatome's contribution to Group EBITDA for 2019 stood at 256 million euros, also an organic increase of 3%.

In a highly competitive market, Framatome's Installed Base and Instrumentation and Control businesses produced better performance than in US and Germany but were affected by rising execution costs on certain and French and export projects.

The key highlight of 2019 was the signing of two important contracts with Rosatom that open access for Framatome to the instrumentation and control market the VVER reactors.

Profitability in the Component Manufacturing business improved, thanks to a step-up in production of equipment to replace steam generators and equipment for new projects. The fuel business benefited from sustained production levels and fuel assembly deliveries for the Taishan EPRs in China.

Growth in the large projects business reflects progress on HPC with no impact on Group EBITDA, compensating for the decline in business activity after the Taishan plant in China came online. Framatome's EBITDA also benefited from continued overhead cost-cutting. Moreover, Framatome had a successful year on the commercial front, with an order intake amounting to 3.3 billion euros.

## UNITED KINGDOM

The United Kingdom's contribution to Group EBITDA for 2019 was 772 million euros, an organic decline of 4.6% from 2018. Regarding generation, EBITDA was impacted by the downturn in nuclear power output. Production totalled 51 terawatt hours in 2019, down by 8.1 terawatt hours from 2018 in the context of extended unavailability at Hunterston B and Dungeness B.

It was counterbalanced by first, an increase in capacity of revenue: 309 million euros accounted in 2019 following the reinstatement of the capacity market in October 2019. And second, by higher released prices for nuclear power circa 4 pounds per megawatt hour.

On the customer side, EBITDA was strongly hit by the introduction of first January 2019, of a cap on residential tariffs for electricity and gas, the standard variable tariff. Against intense competitive pressure, the residential customer portfolio increased slightly by 2% compared to 2018, notably due to the transfer of Toto Energy's customer base and the business customer segment registered positive performance.

More generally, while 2019 marked the closure of the Cottam coal fire power plant, the Group continued investing in the energy transition in the UK with three meaningful acquisitions. In storage, the acquisition of Pivot Power, in electric mobility acquisition of Pod Point, and in the energy services business the acquisition of Breathe.

## ITALY

In Italy, Edison further developed its renewable footprint and now operates 500 megawatt of net capacity in solar and wind. 2019 EBITDA reached 578 million euros, up 20.8% in organic terms. EBITDA for the power business was up 81 million euros, essentially due to the good performance of ancillary services, of renewables, benefiting from the output of new windfarms of 165 megawatt, and a favourable hydropower generation.

EBITDA for the gas business was also up as a result of better optimisation of long-term contracts. In the supply business, the integration of Gas Natural customer portfolio is well on track. However, the contribution of this business was lower than in 2018 due to smaller margins on the residential customer segment for both electricity and gas.

Lastly, a very positive development took place on the regulatory front in 2019 with the setting of a capacity market starting in 2022 which clearly strengthens the outlook for Edison.

## OTHER INTERNATIONAL

Looking now at international businesses on slide 28. EBITDA in the other international segment was up organically 36.3% to 339 million euros. In Belgium first, EBITDA showed organic growth of 54 million euros, +38.6%. The principle factor in this growth was the return of nuclear plant availability, which had been very low in 2018 and the increase in wind power generation. Wind power capacities reached 519 megawatt, up 18% compared to 2018, which already posted a strong growth.

Luminus is clearly the leader in wind generation in Belgium. Retail activities remained resilient, despite a strongly competitive environment.

EBITDA in Brazil also showed organic growth of 48 million euros, +60%, largely due to the +16% adjustment to the power purchase agreement price in November 2018. Furthermore, this growth reflected a good operating performance, with a record level of availability and a smaller maintenance programme than in 2018 and best provisions of gas supplies.

One of the key achievements of 2019 for the international business was the commissioning of the hydropower facility of Sinop in central Brazil, a 400-megawatt power plant in which EDF has a 51% stake. This is the first international hydro completion since the dam of Nam Theun in Laos in 2010.

### **OTHER ACTIVITIES**

Lastly, the other activities segment contributed 505 million euros to Group EBITDA for 2019, an organic decrease of 225 million euros from 2018. This is mainly attributable to provisions for long-term energy procurement contracts that became onerous in view of the downward perspectives of medium and long-term spreads between the US and European markets.

There was nevertheless a high level of gas activities in 2019, thanks to growing competitiveness of gas and better use of the Group's capacity. On the other hand, EDF Trading delivered a great performance with 733 million euros EBITDA, an organic increase of 18% compared to 2018 which was already a very good year.

This rise was driven by high volatility on the markets and favourable positions on the electricity and gas markets in Europe, together with a good level of business in the United States. Through our JV with Jera, LNG trading and optimisation and LPG activities also contributed to this performance.

### **GROUP EBITDA - SYNTHESIS (1)**

Before moving to EBIT, let me wrap up these different elements and show you the main building blocks of our 2019 performance. As already detailed, the largest positive driver was an increase in market prices in France and in the UK. There was, on the other hand, a strong headwind under generation and supply, with lower output in France and the UK. The third building block is a net positive contribution of our sell-down operations in renewables, strong performance in trading, however partly offset by negative spreads evolution in gas.

And last, continued opex cuts posted significant contributions to EBITDA Group.

### **GROUP EBIT**

Let's now move on to the other items on the P&L. first, EBIT is up 23.9% at 6.8 billion euros. This development is first explained by the Group growth in EBITDA of 1.8 billion euros. Volatility on commodities had a year-on-year overall impact of 866 million euros. This element is recording the net changes in fair value on energy and commodity derivatives, excluding trading activities, on contracts which do not qualify as hedge accounting, in particular, in relation with Edison's gas positions. The 2019 variation is explained by higher volatility effects in electricity and gas.

The net depreciation and amortisation raised by 1.2 billion euros. The increase is of 585 million euros, excluding the impact of IFRS 16 for 634 million euros, foreign exchange and scope. This is essentially

explained by a volume effect related to newly commissioned facilities in the nuclear fleet, and to a lesser degree, accelerated depreciation of French coal fire fleet from 1<sup>st</sup> June 2019.

### CHANGE IN FINANCIAL RESULT

The financial result for 2019 corresponds to a financial expense of 0.4 billion euros, an improvement of 4.4 billion euros from 2018. This change is mainly explained by first, a positive change of 0.3 billion euros and the discount effect due to a lower reduction in 2019, 10 bps, than in 2018, 20 bps, in the real discount trades, used for nuclear provisions in France.

At the 31<sup>st</sup> December 2019, the discount rate for nuclear provisions was 3.7% incorporating an assumed inflation rate of 1.4%, respectively 3.9% and 1.5% at the end of 2018. Second, a 4.2 billion euro increase in other financial income and expenses, of which 3.5 billion euros due to the fair value adjustment of financial assets held in the dedicated assets portfolio and the application of IFRS 9 standard.

This reflects strong performance of equity in bond markets in 2019, a sharp contrast with 2018.

### NET INCOME – GROUP SHARE

Net income – Group share came to 5.2 billion euros versus 1.2 billion euros in 2018. As detailed previously, the EBIT and financial result represented a combined increase of 5.7 billion euros compared to 2018. As regards income tax, in 2018, the income of consolidated companies before taxes was amounting to only 656 million euros and was including favourable permanent differences, in particular linked with disposals, leading overall to a negative tax rate. In 2019 the income of consolidated companies before taxes is amounting to 6.4 billion euros. The effective tax rate is 24.7%, lower than the French tax rate, notably due to some favourable permanent differences.

The Group shares in net income associates was a positive 0.8 billion euros in 2019, compared to 0.6 billion euros in 2018. This positive 0.2 billion euro change is mainly explained by the increase in CENG's net income which was driven by a fair value positive adjustment of financial assets.

The Groups' net income excluding non-recurring items stood at 3.9 billion euros in 2019, up by 58% compared to 2018.

### NON-RECURRING ITEMS NET OF TAX

Just a quick word on the post-tax effects of non-recurring items. In 2019, they stood at a positive 1.3 billion euros versus a negative 1.3 billion in 2018 and impairment losses, have been recorded on some specific assets for a total amount of 0.9 billion euros versus 0.5 billion euros in 2018. The main element here was a 0.5 billion euro depreciation on the Edison E&P activities that are currently held for sale and treated as a discontinued activity versus 0.2 billion euros in 2018.

Net changes in fair value of instruments and other items, including commodities volatility, are accounted for a non-recurring income and represented a gain of 2.9 billion euros post-tax versus 2018.

## CHANGE IN CASH FLOW

Looking now at the cash flow. Operating cash flow stood and 4.2 billion, up 1.2 billion euros from 2018. The working capital requirement contributed positively for 0.5 billion euros. The net investments, excluding disposals, HBC and Linky, decreased slightly to 11.3 billion euros. Disposals generated 0.5 billion euros of proceeds in 2019, essentially linked to the disposal of Alpiq shares compared to 1.9 billion euros in 2018 which recorded the disposal of Dunkirk LNG terminal and of some real estate assets.

The income tax paid increased by 0.6 billion euros, in line with the increase in the income tax described previously. Last, dividends and coupons paid on hybrids presented a cash-out of 0.8 billion euros, almost 0.5 billion euros less than in 2018, as the French State and a portion of the shareholders opted for scrip dividend.

The cash flow, excluding Linky and HBC, amounted to 1.8 billion euros and Group cash flow established at -0.8 billion euros.

## NET DEBT

And let's now review the evolution of the net financial debt. We have grouped three specific items on the left-hand side of the graph. The first one is the 4.5 billion euro impact of IFRS 16 that we have already mentioned. The second one is the consequence of the buy-out of hybrids. The third one is linked to two technical effects, foreign exchange and IFRS 16 impact for 2019, for total impact of 0.7 billion euros. And the right-hand side of the slide is summarising the evolution of the debt by 0.8 billion euros in line with the elements we have just reviewed for the Group cash flow.

The net debt established as a consequence to 41.1 billion euros at the end of 2019. This ends my presentation. I thank you and I hand back over to Jean-Bernard.

**Jean-Bernard Lévy**  
*Chairman and CEO*

Thank you, Xavier. Before we turn to Q&A, I would like to give you our guidance for 2020 and beyond.

## 2020 GUIDANCE AND MEDIUM-TERM OUTLOOK

For the year 2020, we are setting an EBITDA target in the range of 17.5 to 18 million euros. We are aiming to maintain operating expenses stable in constant euros and like always excluding service activities. Total net investment excluding Group acquisitions and disposals will amount to approximately 15.5 billion euros.

We are seeking to realise our 2 to 3 billion euros disposals plan for 2019 and 2020. This mostly consists of closing the disposal of Edison's E&P business, which we signed in July 2019, and of completing the CENG shares put option process that we initiated last November, for which, nevertheless, maybe closing could be postponed to 2021.

For '20 and '21, we have communicated to a target of net financial debt to EBITDA ratio of around 2.6 in 2020 and lower than or equal to 2.7 in 2021. The pay-out ratio of net income will be in the range of

45% to 50%, and I would like to remind you that the pay-out option in shares will be available for all shareholders. The French government has already publicly committed to opt for scrip for the balance of the 2019 dividend to be paid in Q2 this year and for the whole of the dividend due for fiscal year 2020.

And this is the end of our presentation together with Xavier. I am very happy to invite him again to the floor and together, we will try to do our best and respond to your questions.

## QUESTIONS AND ANSWERS

**Emmanuel Turpin (Société Générale):** I'd like to start with three questions please. To continue on the topic of 2020 guidance, which you've just explained to us, the width of the EBITDA range, 17.5 to 18 billion, is almost fully explained by the range in nuclear production that you foresee for 2020, at least on my calculation. So, if we focus on mid-point, I would expect that the mid-point of EBITDA is about the mid-point in your production. Could you share with us some of the other main assumptions that you take into account for 2020?

In particular, in '19, you had a very strong performance in trading and very good gains for renewable DSSA. What do you build into your 2020 guidance? Flat on trading and DSSA or more conservative? And any other parameters you can give us on 2020 would help us greatly.

A subtopic of this question, or rather my second question, would be for generation in France. What is the level of price you've been able to capture through your hedges? A year ago, you were mentioning 43 euros per megawatt hour for '19, what is the equivalent for 2020?

And my last question is stepping back on what is going to be the main driver of the EDF investment case for 2020, which is the re-regulation of nuclear and the new framework for nuclear prices. I think the government has explained that they were ambitious enough to get an agreement with the European authorities by the summer. Could you explain to us, from your perspective, what are going to be the key steps and key milestones that will take us to that agreement and how confident you feel from what you can observe in those exchanges of the summer being a realistic horizon? Thank you.

**Jean-Bernard Lévy (EDF):** Thank you. Maybe, Emmanuel, I will start with question number three and then go back to number one and in the meantime, we may be able to show on the screen slide number 113, if I am not mistaken. I needed to ask him which slide it was. I'm sorry, I didn't know it by heart.

So, going back to your third question, yes indeed, we have seen several signs that the French government has started extensive discussions with the European commission regarding how to reform the ARENH and we know that from several months if not quarters ago the French government, and even the French president, stated that the ARENH is something that should be replaced by a more fair and symmetrical system and he did talk about protecting consumers and at the same time enabling EDF to carry on with the nuclear fleet and the nuclear adventure of 50 years ago, which has demonstrated so great benefits to France, and indeed to all of Western Europe.

So, these conversations are, from what we know, and we are supporting them, we are not holding the conversations, but we are giving data and arguments to the French government and then the French government is in charge of these discussions at an administrative level, but there has also been some publicity about Mrs Borne travelling to meet with Mrs Vestager to discuss that and we believe in good faith and I think the French government had also had opportunities to say in good faith that we all believe that by the summer, we should have an agreed framework. So, that is what I can say at this stage.

Now regarding your first question, which is you consider that if you take the mid-point of electricity generation in France and if you take the mid-point of our EBITDA range, you believe it's a short range. Well, if you said it was a wide range, we would have a question. If you believe it's a short range, we have the question. Well, we believe all in all we have years with some volatility. We have of course as always, a number of uncertainties but also, and as we will demonstrate on page 113, we have secured

already a lot of what is the main driver for revenues and profits which is the price that we have secured for most of what we generate in France.

Now, because I know you are very experienced, Emmanuel, you know that we cannot forecast with a lot of certainty what will be the revenues in our trading business. We cannot forecast with a lot of certainty what will be the exact production in generation that we will do. We cannot forecast with certainty what will be the climate. We have a very mild winter, but it has happened that we have had very cold spells in November or December. We cannot forecast with a lot of certainty how much hydropower we can generate right now. Our hydro dams are much fuller than they are usually because it's rained or snowed a lot, and there is a significant amount of available snow that will melt during the springtime. So, we have a visibility that maybe we could have a good year in hydro which was not the case last year.

All in all, we believe that when we bake in all this in our model, we believe that what we are giving you as a range is a very fair reflection of where we should end up.

And now, regarding the French generation on page 113, here it is. So, the notional volume is 420 of fixed cost generation output and the average price for our hedging, as you can see, has grown.

And by the way, that's also why we have rebounded in '18 and '19 and that's why our EBITDA is growing in 2020 because, there are many other reasons, but the major driver is going from 38 to 46 in average.

More questions? The croissants are still warm. More questions from the phone or web? No. Emmanuel, again.

**Emmanuel Turpin (Société Générale):** I'm sure there are plenty of questions on the web whenever they come through. You had a very strong performance on renewables in '19 both operationally, when you assets and also your gains. You have clear long-term ambitions. Now, what I feel we're missing is in between right now and the long-term. Could you help us on the pipeline of the next few years? Maybe also in terms of type of contracts. Maybe if you have average years for PPA or any item that could help us map out the performance of this division over the coming years? Thank you.

**Jean-Bernard Lévy (EDF):** Yes, thank you. So, let me say that we are, I think, very candidly flagging that we had an exceptional performance in 2019 due to that very good acquisition and partial sale in a very short period of time of NnG off the coast of Scotland. So, we should not be able, unfortunately, to do that every year. This is not something that is easy to replicate, although we will try our best to find similar opportunities. We cannot really build the business on such amazing transactions.

Now, you have here on page 114 what we are projecting between 2019 and 2023. So, you see our net capacity target, which is almost doubling from 9.6 to 18 gigawatt in installed capacity and a yearly increment that will reach 2.1 gigawatt per year, as you can see. So, it's a lot.

Of course, a lot of that will be now offshore wind. We've been striving to get this to fruition and in the end, we are getting there. We have Saint-Nazaire and NnG in construction, both of them. So, of course, this helps growing from 700 megawatts a year to 2.1 gigawatts a year. We have of course these five units to be built between now and 2026 for France and off the coast of France and one in Scotland and hopefully in the meantime, we'll have gone somewhere quite consistent also with our targets in China and Ireland, of which we talked just a couple of minutes ago, and then the US.

And then, you can see the average residual duration of long-term contracts. So, as you can see, our PPAs, to make it simple, have an average 13 year duration remaining. So, very often, there are 20-year PPAs and that would mean we are one third down the way.

**Emmanuel Turpin (Société Générale):** On the capacity addition that you had showed on the previous slide, the 2023 18 gigawatt is net so you say. So, it's net after all the disposal? Right.

**Xavier Girre (EDF):** net, it is a proportional calculation, so we have also another slide. We have gross capacity. The target is 32 gigawatts in 2023 and then net capacity after disposals and we keep the proportional vision, which is 18, as we've just shown. This is the growth capacity and as you can see it's vastly already developed or under construction or already secured. So, two thirds of growth secured. Then of course, partly still to be developed, but it's based on a very strong pipeline. We could have also the slide on the pipeline for our growth target of 32.

Maybe the slide of the pipeline, which is also very strong and very well balanced, which of course is the basis for these developments.

**Jean-Bernard Lévy (EDF):** And may I add something which you have not asked but I'm really happy to say. You remember CAP 2030 project which was to grow our renewables capacity, including hydro, from 28 to 50 gigawatts. Now, when you look, if you add the hydro system to where we will be in 2023, we now consider that what was a very ambitious target of 50 gigawatt of renewables is something that will probably be able to exceed.

So, we will be revisiting in due course. No numbers today. But we are quite happy that one of the key CAP 2030 objectives for 2030, it really looks like we are going to exceed it and by quite a significant gap.

**Olivier Van Doosselaere:** Good morning. Thank you very much for taking our questions today and congratulations on the results. I just had two questions, if I may? First one was on the regulatory reform. I think we are seeing forward prices maybe having dropped already now below levels that many market participants would have considered to be maybe the floor of what your new nuclear regulation might look like in terms of cap and floor. I'm not asking you to confirm the price level of cap and floor, but I wonder conceptually, would there be any discussions also ongoing? Could one of the conclusions of the consultation process be that it might be better to move to a CfD mechanism rather than this cap and floor system because it's quite unlikely I suppose that wholesale power prices would fluctuate in a sustainable manner between that cap and floor, no matter where those ones are put.

And I also suspect that the six euro per megawatt hour spread between that cap and that floor could still actually maybe represent some material volatility for you when we apply that to a bit less of 400 TWh of generation. That could be more than two billion euros of volatility. I wonder if that's not still something actually quite material that you would want to see reduced?

And then, the second question, that's just on numbers. I wonder what the P&L charge of 3.1 billion euros from - the discounting of provision was a bit lower than I anticipated. I was wondering if you could provide us any guidance on what that number might be for 2020? That's all from my side. Thank you.

**Jean-Bernard Lévy (EDF):** Thank you, Olivier. So, Xavier will do his best on question number two. Question number one, I think you're really discussing what really makes our life difficult. Why should we build, operate, extend lifetimes, maintain a very long-term asset which at the end of the day may depend on gas prices, which as we know, have huge volatility? They are low today, and because of that, market prices have become low, and does anyone really believe that you can build an energy policy where you will supply electricity to hundreds of millions of people in Western Europe based on global commodity prices which have this kind of volatility?

Especially when you think that according to all recently publicly released documents, gas is a transitory energy. It should be dismissed by 2050. So, you build a market which is based on an interim commodity. Does that make any sense?

Regarding your second question, six euros range. Well we are in a market-driven economy and six euros is the range that the French government has selected for consultation in order that for many weeks every year, or many years every decade, the price is a market price. But the government through the consultation also says it can't always be a market price, because if it is only a market price, then nothing will be built, or we will completely miss the carbon neutrality objectives because we will have to rely on gas which is maybe the least damaging fossil fuel. But still, it's a fossil fuel with 300 grams of emissions of carbon per megawatt of electricity where right now, we talk of countries, like France, achieving ten times less, or even better.

So, yes there is a market-driven objective, because we are in a market-driven economy, but you need to build based on long-term, non-carbon emitting solutions.

**Xavier Girre (EDF):** On your question, Olivier, as regards the discount rate. I'm sorry, but we would not give any guidance on the discount rate. In 2019, the discount rate was reduced by 10 bps versus 20 the previous year. So, this improved the financial result by more than 300 million euros. We always apply for the same accounting method as far as this calculation is done and you have noticed that we have considered the long-term inflation rate to be considered to be reduced from 1.5% to 1.4%.

So, we'll see, of course, during the course of the year and we will provide more information during the course of the year for that's for 2020.

**Speaker 1:** Good morning. Thank you very much. If I may ask about the UK nuclear output that you assume in your 2020 guidance. Does that take into account the current expected restart dates? And there's a second part to this, if I may, on Hunterston. Given decommissioning is set for 2023 anyway, is there a potential that that is brought forward in time?

And then lastly, if I may look to the future, I think it's fair to say we're all very excited about EDF Green that will hopefully emerge from the other side of this re-organisation. It seems exactly what the market would want but can I ask when should we start to hear more about that? Thank you.

**Jean-Bernard Lévy (EDF):** So, maybe Xavier will answer the two questions and I will take it back on Green.

**Xavier Girre (EDF):** On generation, we have taken in our guidance, as you see, some range. I think this is a reasonable range and of course, we have taken some hypotheses as regards the generation. The generation in UK could be improved quite significantly, depending on the reconnection date of Hunterston and Dungeness in particular.

So, this is why we have, of course, also these ranges to take into consideration different hypothesis because they may be reconnected. Today, we consider that they should be reconnected during Q2, but we all know that there are some discussions with the ONR and so there are some uncertainties about that.

And secondly, even if Hunterston has to be decommissioned in '23, of course it's important to reconnect this reactor and Dungeness also of course.

**Jean-Bernard Lévy (EDF):** OK. On the question regarding evolution of our assets, the way we may re-organise after a new regulation framework has been agreed and we know that we have to get prepared according to a request that was made to us by French President Macron and by the government. In the meantime, we are getting prepared in order to re-organise our assets within EDF Group, of course: EDF is EDF. And we have to be ready to do so but regarding timeline, as I said a bit earlier, we hope that by the summertime, the frame is agreed, and we can get into more details regarding Hercule project for re-organisation and the way we would implement a new asset organisation within EDF Group, and I guess this is all I can say at this stage.

We are working hard. We are consulting with the unions. We have a significant amount of discussions with the French government so that if and when this becomes possible, we think we will be ready in order to implement that in an expeditious manner. It is quite likely that new legislation will drive the scheduling of what will have to be done.

**Vincent Ayrat:** Good morning, everyone and as today is a special day, Happy Valentine to you all. So, we had a number of questions for you regarding regulation and the reorganisation plan. So, obviously it's difficult to give specifics. We expect maybe to get some sort of approval from EU in H1. So, I'll ask a couple of questions on specifics which we can communicate on, hopefully.

Elisabeth Borne is supposed to meet the European Commission again in Q1. Do we know what is the date for this meeting? And second thing, we have a consultation paper, white paper on the regulation. How long is it supposed to last? When will we hear the conclusions of that if we have to go through this?

The second thing is when we look at the overall process here, we have a white paper. We're waiting for potentially having an agreement with the European Commission. Then we would get probably an energy bill to go through parliament before we got application decrees. Could you give us an idea of the overall process there and importantly the process for European Commission approval, just facts here. How does it work? What could you give us that would help us get some clarity on this topic? Thank you.

**Jean-Bernard Lévy (EDF):** This is not something we can get into many details because the range of possibilities is probably unlimited. I would just like to say that we believe that right now we are in time, although of course time is constrained, but we are in time that the reform could be fully implemented by 01/01/2022. This is a target. This is not a commitment, but we believe we are in time for the reform to be implemented by 01/01/2022.

**Vincent Ayrat:** Thank you very much on that. That's very helpful actually. And the second follow-up question would be, we're talking about re-regulation, we're talking about a fair return. So, you say you give the French government data and arguments. I guess you've got a view of what is a fair return and that would be subject to intense debate and scrutiny I guess when we've got application decrees.

Can you give us your top-off level? What are you saying is the full economic cost of existing nuclear? Thank you.

**Jean-Bernard Lévy (EDF):** The economics are going to be worked on by the government based on some advice they are requesting from the French independent regulator, the CRE. From what we hear, they are still working on this and I cannot make any further comments.

**Vincent Ayrat:** Thank you. I'll try my luck a third time on the –

**Jean-Bernard Lévy (EDF):** I can just say the corridor will cover the costs plus a fair return, but we all know that. The numbers are in the hands of the independent regulator and I guess these are discussions that are being privately held between the independent regulator and the government and I'm sorry I can't say more.

The only thing I would like to say is that obviously, for the company to succeed in changing the ARENH, there is a range which at one point in time we will not feel palatable. We have to achieve something that will be more friendly to the company and to you the shareholders than what we have today. I'm just trying to make this obvious comment. So, it's got to be palatable.

**Aymeric Parodi:** Good morning, everyone. Thank you for the presentation. Elisabeth Borne mentioned the French government is discussing with the European Commission to create a *Régie Publique* to manage a French hydro concession. I'm just curious, what would it change for you if any restructuring? Does this mean you would have to split out the hydro from the Blue co or would you keep it? Any clarification would be great. Thank you.

**Jean-Bernard Lévy (EDF):** Yeah, this a legal question. So, I'm looking to the General Counsel who is as usual enigmatic and smiling. So, I was just trying to think what could we say about this. There is a system by which you can have a sort of direct control from the government into an economy activity, a business, if there are significant ways for the government to have direct control over it and yes indeed, we are looking into the legal framework that would mean that it could happen, that maybe Blue will have a separate entity - and don't ask me what entity means - a separate entity to manage the hydropower system that we own and manage today through these very specific rules. But these are legal matters which will become questionable and complex. Why? Because they are very recent directives creating this possibility and I will leave it there at this stage. Thank you.

**Sam Arie** Hi. Good morning. Thank you. I just wanted to add a quick follow-up on the earlier question about EDF Green and I do understand your general answer about preparing and waiting for the regulatory landscape, but can I just test if there's anything else you can say, even at a high level, in terms of when EDF Vert might come to market and how it might happen? Just directionally, I think expectations are that there might be a squeeze-out at some point and then an IPO perhaps next year, but I don't know if that sounds right to you or if there's any more general guidance you can give us on that?

And if time allows, another question that I would love to hear your thoughts on, is just more generally about the energy landscape in France. Obviously, the restructuring of EDF is a big change, but when we saw similar restructuring in Germany a few years ago, it was then followed by other deals and more restructuring later on. So, I just wondered if you had a perspective on EDF, Engie, Total, and how you think the French energy landscape might evolve in the 2020s? I'm sure it's difficult to speak for

other companies, but from your perspective, I'm interested if you think the creation of EDF Vert is the last step or the first step in a series of restructurings in the sector? Thank you.

**Jean-Bernard Lévy (EDF):** OK. Just I would like to say because the line was not very good or maybe I heard things which were not exactly the same during the beginning and the end of your question. First, we do not have at this stage any plans to list any of our current subsidiaries. And of course, investment bankers have, as always, unlimited imagination but we have no plans to list any of our current subsidiaries.

Secondly, indeed if all this goes through, there is a new organisation which puts together in what we call Green a number of our activities and we have described what that would encompass: renewables, sales, services, Enedis, a few other things. And indeed, the plan is that Green will be able to be market-listed to draw money from the stock market. And this is absolutely key in our strategy in order to accelerate in our energy transition efforts. And as you all know, right now, the effect of ARENH is that we are very constrained in our ability to accelerate in energy transition.

We are missing opportunities to go faster towards a carbon-neutral economy. So, this is our plan through Green, not through any fancy or complicated sub-listing of sub-assets or whatever.

Now then you are asking a question regarding the landscape in France and of course, your question is fully valid, but whether it's France, Europe or the world, we are not looking at any transforming acquisitions. We are looking at how we can grow our business in order to fulfil our carbon-neutrality requirements and commitments. And in order to fulfil these commitments, we believe that the key, and what we will fully really focus on for the next couple of years, hopefully by 01/01/2022 which is still doable, getting towards this new EDF organisation where EDF remains EDF, but organised differently in order that we can on the one side extend our nuclear fleet and build more nuclear reactors which we absolutely need if France is going to meet its carbon-neutrality commitments, and on the other hand build through Green a much better financed company which we accelerate in the energy transition, not only in France, in order to be really ahead in the carbon-neutrality curves. Thank you.

And I guess, this is the end of this conference. So, I want to thank you very much for attending and for your excellent questions. Thank you very much.