



Third Quarter 2018 Sales and Highlights

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Xavier Girre

Group Senior Executive Vice President - Finance

Good evening everybody. Let me walk you through our nine-month 2018 sales, starting with the main highlights over the period. This will be followed by a status update on the French nuclear output by Dominique Minière, EDF's Group Senior Executive Vice President for Nuclear and Thermal generation. We will then open the Q&A session. This call is expected to end at 18.45.

Group sales by segment

Slide 3 gives the overview of Group sales over the first nine months of 2018. Sales grew by €2.4 billion year-on-year, standing at €49.6 billion. Sales are up in all segments with more significant contribution from French generation and supply activities.

Group sales bridge

On slide 4, as you can see, when excluding FOREX and scope effects, mainly the disposal of Polish assets and inclusion of Framatome, this represents organic growth of 5.3%.

Highlights and deployment of CAP 2030

Before looking at these sales numbers in more detail, let me comment on some of the highlights and the continuation of the deployment of our CAP 2030 strategy since our half year communication.

Slide 5 - Starting with the continued acceleration of our renewables activities. We did so in several ways.

First, the commissioning of five solar PV plants in Israel for a total capacity of 100MW.

In California, EDF Renewables signed two PPAs for a 128MW solar project with 40MW of battery storage. The inclusion of storage makes electricity generated partly dispatchable, allowing to better align supply and demand. This project illustrates how EDF can articulate renewables and storage technologies, which is core to CAP 2030.

EDF Renewables was also awarded several new projects. A wind project in India totalling 300MW, two wind projects in Brazil for a total capacity of 276MW and in France, last week, it was awarded two solar PV projects with a total capacity of over 20MW.

Finally, a few days ago, EDF, IFC and the Republic of Cameroon signed a final and binding agreement to build a Nachtigal hydropower plant in Cameroon. The project entails the design and construction of a 420MW run-of-the-river hydro power plant, expected to cover 30% of the country's electricity demand. EDF will hold a 40% stake in the project company. The closing is expected in a few weeks.

Innovative customer solutions are another area that saw significant developments. One year after the launch of its Electricity Green offer, EDF's French supply business reached 100,000 contracts signed. Just a few weeks ago, we launched Digiwatt, our first fully digital electricity supply contract at a 5% discount to the French regulated sales tariff. In Belgium, Citelum and EDF Luminus are leading a consortium which was named the preferred bidder for the smart

lighting of the motorways and main roads of Wallonia, the so called Plan Lumière 4.0 project. Last but not least, EDF launched on October 10th its Electricity Mobility Plan in order to become the sector's leading energy company in its four biggest European markets, France, UK, Italy and Belgium. After launching the Solar plan in December 2017 and the electricity storage plan in March 2018, this third plan confirms the Group's strong ambitions in support of the energy transition and especially the development of new electricity applications.

Lastly, a quick word on recent transactions that strengthened our financial structure. As announced two weeks ago, we closed the disposal of our stake in the Dunkirk LNG terminal. This transaction contributes to reducing net financial debt by €1.5 billion and means that the Group has now delivered €9.6 billion under its 2015 to 2020 assets disposal plan. We should complete the €10 billion by the end of the month.

In early October, EDF successfully completed a hybrid refinancing transaction. This included the pricing of a new €1.25 billion six-year non-call hybrid note and the partial cash repurchase of 2020 and 2022 hybrid notes for the same amount, leaving just over €300 million of the 2020 notes outstanding.

Lastly, EDF issued US\$3.75 billion of senior bonds in three tranches of 10-, 20- and 30-year maturities. We also issued a 12-year euro senior bond for €1 billion.

Now, moving on to slide 6 with financial and operating highlights of the third quarter of 2018. Nuclear generation in France came to 290TWh over the first nine months of 2018, up 6.6TWh year on year. In the UK, the Hunterston B outage contributed to a 2.8TWh decline in the nuclear fleet output. Group Energy Services activities continued to grow. They were up 14.6% in sales over the period.

Total Group renewable output was up 12.3TWh to 54.8TWh. This was driven first by hydro generation in France with an increase in output of 9.4TWh, reaching 38TWh over the first nine months of the year thanks to much more favourable hydro conditions in the first half of 2018. The growth of Group renewable output was also fuelled by wind and solar at EDF Renewables as well as by hydro in Italy. Let's now move on to the next slide.

France upstream/downstream balance

Slide 7 - In order to explain the dynamics of the French generation and supply business and before looking at the bridge of the sales numbers, let us have a look at the upstream-downstream electricity balance. The chart shows on the right-hand side that overall sales volumes increased by 19TWh year on year. Volumes supplied under ARENH were up 11TWh, while demand from end customers fell 9TWh, mainly due to the erosion of market shares in B2C. So the overall 19TWh increase in sales volumes is mainly reflected in net market sales.

On the left-hand side of the chart, you can see that these additional wholesale market sales were essential sourced from higher nuclear and hydro output. As I already explained during our Q1 call, this increase in output translated only partially into higher sales revenues. Let me come back to that on the following slide.

France – generation and supply activities

On slide 8, the sales bridge shows a strong 6% organic growth to €18.9 billion. Let me start with the largest block on the right-hand side of the chart, called resale of purchase obligations, which carries no impact on EBITDA. As you know, EDF is mandated to buy output under feed-in tariffs, in particular from renewable assets and we then monetise these volumes on spot markets. These sales grew as a result of both larger volumes and higher prices. The difference between those revenues and the purchasing costs at feed-in tariff levels are compensated by the CSPE. This explains why this is neutral for EBITDA.

Looking now at the other positive drivers for sales. First, weather conditions. 1TWh of additional weather-driven demand, mainly due to the cold conditions met in Q1, triggered and estimated €49 million increase in sales year on year. Second, the impact of the change in regulated sales tariffs was slightly positive for €67 million. Third, the downstream market conditions block includes the impact of B2C market share erosion, going down slightly compared to the same period in 2017 but still standing at over 80,000 customers per month, which was more than offset by positive price effect reflected in our market based contract, both in electricity and gas. Lastly, the ARENH and wholesale market block reflects the increase in output but only to a limited extent, as I just mentioned. This follows on from sales accounting rules whereby revenues in relation to wholesale market activities are accounted for only if the Group is a net seller in euro terms. Over the first nine months of 2017, the Group was a net buyer in euro terms, due to low nuclear output and market purchases required during Q1 cold spells. Over the same period of 2018, nuclear and hydro output were higher and purchased volumes were lower. The net position on wholesale markets turned slightly positive as a result. This is essentially what is reflected in the €99 million block shown on the chart. Of course, the full impacts of the increase in French nuclear and hydro output and of the improvement in price conditions will be reflected in EBITDA.

France nuclear output

Slide 9 - Over the first nine months of 2018, cumulative nuclear output in France was up 6.6TWh to reach 290TWh. I will let Dominique comment on the recent performance of the fleet and the outlook for the remainder of the year.

France hydro output

Slide 10 - Moving to French hydro on the next slide. Output grew to 38TWh, up 9.4TWh versus the first nine months of 2017. As you can see on the right-hand side, generation was supported by significantly improved hydro conditions in H1 compared to 2017, which was very dry.

France – regulated activities

Slide 11 - Sales in French regulated activities grew 2.5% in organic terms to €11.6 billion. Three main positive drivers. First, cold weather that boosted distributed volumes by 1.3TWh. Second factor, the impact of the August 2017 tariff increase. It is actually the driver that carried the most weight. Lastly, a pick-up in the number of new grid connections.

Renewable energies

Slide 12 - Moving to EDF Renewables where sales were up 13.1% organically to €1.1 billion. This was mainly driven by the commissioning of additional capacity in 2017. Together with the contribution from the Futuren portfolio, this led to a 27% increase in output compared to the first nine months of 2017. Overall, net installed capacity grew 3.1% since the beginning of 2018, driven in particular by commissioning of solar capacity in growth locations such as Chile, Brazil and Dubai. Gross capacity under construction stood at a strong level of 2.2GW at end of September 2018, the majority of which is solar. Looking at Renewables activities across the Group, nine month sales came to €3.3 billion, up 26% year on year. This was essentially driven by the significant increase in French and Italian hydro outputs and by wind and solar capacity commissioned and acquired in 2017.

Energy services

Slide 13 - Coming to Energy Services, Dalkia sales were up 7.3% organically to €2.8 billion. Sales were supported by the favourable impact of indexed services contracts and higher fuel prices. Over the last few months, Dalkia recorded significant contract renewals and gains across different activities. For instance, the creation of a district heating network in Montbéliard in the Eastern part of France. Overall, sales by Energy Services activities across the Group were up 14.6%. Around half of this growth resulted from recent targeted acquisitions, most notably in the UK with Imtech mid- 2017 and more recently Zephyro in Italy.

Framatome

Slide 14 - Framatome's nine month sales reached €2.3 billion. This reflects robust activity levels in the fuel business unit, whereas the Installed Base BU experiences a slowdown, especially in the US.

Let me point out a couple of highlights of the last few months in international activities. In China, the first batch of fuel cladding tubes for "Hualong 1" reactor was delivered to the Fuqing nuclear power plant. In the US, Framatome signed a contract with Talen Energy to supply its advanced ATRIUM 11 fuel design to the Susquehanna nuclear power plant.

United Kingdom

Slide 15 - Looking now at the UK, where EDF's Energy sales came to €6.5 billion, up 4.9% in organic terms. This reflects several supporting factors. Higher tariffs and contract prices in B2C and B2B, higher electricity volumes sold to B2B customers and higher gas volumes sold to meet strong weather-driven gas demand from B2C customers. Nine months nuclear output was penalised by the outage at Hunterston B. Taking into account the recently announced extended outage at Dungeness B, full-year output should come slightly below 60TWh.

Italy

Slide 16 - In Italy, sales were up 5.7% to €6.1 billion, supported by all activities. Gas supply sales reflected higher B2C volumes, driven by favourable weather conditions. In electricity activities, sales benefited from higher B2C demand and growth in hydropower output. Sales in E&P activities were supported by higher Brent and gas prices and growing production volumes.

Other international

Slide 17 - Sales in the Other international segment came to €1.7 billion, taking into account the disposal of EDF Polska in November 2017. This corresponds to an organic growth of 1%. This trend was mainly driven by Belgium, where the period was marked by the 6.1% growth in wind capacity as well as higher sales prices, offset by lower volumes linked to the ever stronger competitive environment.

Other activities

Looking now at slide 18 with sales from the other activities segment, sales were up more than 20%, reaching close to €2.1 billion. This was mainly driven by EDF Trading whose nine-month sales were more than double those of 2017 over the same period. EDF Trading was able to capture opportunities created by the market and weather conditions experienced in North America and in Europe. LNG activities were also supportive as demand grew in Asia in a context of higher oil prices.

2018 Targets Confirmed

Slide 19. Moving to our financial guidance, we confirm our objectives for 2018. We aim to reach €0.8 billion in OPEX reduction compared to the 2015 level. 2018 EBITDA is expected above the mid-point and may tend towards the higher end of the €14.8 to €15.3 billion range, including with a French nuclear output that may come just below 395TWh, as Dominique will explain in a minute. Indeed, we benefit from a satisfactory execution of our performance plan, strong performance of our Trading Division as well as other positive developments (for instance, in Italy, where Edison recently revised upwards their guidance)

Cash flow, excluding the net impact of Linky, new developments and the asset disposals plan: consistently with our perspective and EBITDA, we should definitely achieve a positive cash flow this year.

Total investments, excluding acquisitions and the disposal plan, are expected to come below €15 billion.

Net debt to EBITDA should stand significantly below 2.5 times.

We also confirm that we are on track to completing the €10 billion disposal plan by the end of the year, two years ahead of schedule.

Finally, we are expecting a net income pay-out ratio of 50% for fiscal year 2018, excluding non-recurring items and interest paid on hybrid debt.

Let me now hand over to Dominique for an update on the French nuclear fleet.

French Nuclear

Dominique Minière

Group Senior Executive Vice President, Nuclear and Thermal

Thank you, Xavier. So just to tell you that at the end of October 2018, nuclear output reached 321.6TWh. This level of output was up 10.2TWh compared to the end of October 2017, but the rebound compared to the 2017 fiscal year, which had been heavily penalised, I remind you, by the outages in connection with the Creusot Forge plant manufacturing files and by the "carbon segregation" issue, was less pronounced than in our initial forecasts for two reasons, mainly. One the one hand, the extension of the shutdown of Dampierre Unit 4 by 124 days for the preventive cleaning of the Steam Generators, which was not initially scheduled. This shutdown led to a loss of output of around 2.6TWh. On the other hand, given the drought that occurred in the third quarter and the water deficit on the Meuse, we had to stop the Chooz Unit 1 reactor for 17 days in October from 11th October to 27th October. The shutdown led to a loss of output of around 0.6TWh.

As a result, in light of the balance of risks, it seems more prudent to slightly adjust the 2018 output range, expected to be now around 393TWh to 396TWh, which is in any case, you can see, very close to the original target, which was 395TWh.

Q&A

Ajay Patel (Goldman Sachs): Thank you. Good afternoon. I have three questions, please. Firstly, I wanted to ask about restructuring. In October, we had a number of stories coming out that the Government may be studying possible changes to EDF structure with also a story of them potentially hiring an investment bank to look at a possible split of EDF. I just wanted to see whether there is a new piece in the news flow, if you had any comments, are you involved in the process, in your mind what are they ultimately trying to achieve?

Secondly, and just in regards to PPE, to the extent that there is capacity or nuclear capacity that closes, are you eligible of any compensation of any sort? I am just thinking in the sense of with Fessenheim there was a compensation structure. Is there any similar type of benefit that could happen in the event that this type of closure were to happen?

Then lastly, we have had the UK price caps come out on supply. I just wondered if you had any early indications to what potentially the impact could be for you next year. Thanks.

Xavier Girre: Thank you for your questions. First, as regards your first question, I have clearly no comment to make on this topic and I do not want to comment on rumours concerning plans that the Government would be considering.

Secondly, as regards your question about PPE. First, we all have to wait a few weeks in order to know it. As regards your specific question, if we were to close reactors which would have an authorisation to be run, it would be logical that we get some compensation along the same lines as we got as regards Fessenheim.

Third question, as regards the UK price cap. Of course, it is something significant, as for the whole industry. We do not comment about the figures about that, but it is something really significant for us for the next year.

Olivier Van Doosselaere (Exane): Thank you very much. I also have three questions, please. First one, as you have indicated, you expect to have finalised your disposal plan by the end of this month. I was wondering what comes after that. So how comfortable are you with your balance sheet today and do you expect that we could see some further asset sales going forward?

Second one is coming back to Enedis specifically. So about a year ago when you provided a bit more of a cautious outlook for 2018 at the time, Enedis was one of the divisions where you cautioned but in the first half, EBITDA was up materially in the division. I was wondering if there was any reason to think that the EBITDA of Enedis should be down in the second half of this year?

Then a third one on Hunterston B, I was wondering when you expect the reactor to come back online or if there is a reset, actually, it would not? That is it on my side.

Xavier Girre: Thank you for your questions. First, as regards the disposal programme, I confirm that we will reach our €10 billion disposal goal by the end of this year. We do not intend

to have another disposal programme of the same kind but of course, we will consider some disposals when appropriate, when we can get good value in order always to focus our CAPEX abilities on CAP 2030 strategy.

As regards your second question, indeed, the year for Enedis is better than we expected last year and I do not see reasons for having a specifically poor second half of the year for Enedis.

Third question, as regards Hunterston B, according to the information that we have, it may not come back into operation before the end of this year.

Ahmed Farman (Jefferies): Yes, good afternoon everyone. I just first have a question on the EBITDA guidance. So if I look at the first half numbers for EBITDA, you had an 18% growth whereas the second half, if I take the upper end of your guidance, applies a 5% growth. But there is quite a disconnect between this and what I see in the sales numbers. So actually, the organic sales is accelerating. So in the first half of the year, you had an organic sales growth of 4%. In the third quarter, your organic sales growth is about 9%. Could you help us understand this mismatch between what you expect in terms of FY EBITDA versus the progression we are seeing in the sales organic growth?

My second question is on PPE. Could you just tell us, when do you expect the publication of the PPE and what is it that EDF would like to see or is lobbying for in the PPE? Thank you.

Xavier Girre: Thank you. First as regards the PPE. I have nothing to comment, once more. It is a matter of weeks to get it.

Secondly as regards the EBITDA growth, maybe two elements. First, the improvement of the nuclear generation in 2018 in comparison with 2017 is not fully impacting the revenues, as I just explained, but it has, of course, a positive impact on the EBITDA. Secondly, as regards the full year EBITDA, of course there are pluses and minuses in comparison with the initial guidance. So we see it today, as I just explained, in the higher half or towards the higher end of our initial guidance. But of course, there are pluses and minuses about that to reach this goal.

Carolina Dores (Morgan Stanley): Hi, good afternoon everyone. Thank you for taking my questions. I wonder if we could have an update on Fessenheim closure and Flamanville because the Minister of Ecology was interviewed and he said that the Fessenheim closure is not linked to the commissioning of Flamanville anymore. So when do you expect to commission one, if you have an update, and close the other?

Second question is on dividends. You declared dividends of €0.15. How should we think about the percentage between interim and final dividends? Should this be 50-50 roughly or more like last year, which was, I guess, one-third, two-thirds?

And third, sorry to come back on guidance, but could you give a bit more colour of what are the pluses and minuses and specifically the minuses because I think the pluses is probably hydro generation? Thank you very much.

Xavier Girre: To begin with your last question, as you understand, we are very positive as regards our EBITDA guidance for this year. Secondly, as regards the interim dividend, it does

not imply what will be the full dividend as regards 2018. I just remind you that we have given our guidance, which is a 50% pay out for 2018.

For your third question concerning Fessenheim and Flamanville, I hand over to Dominique.

Dominique Minière: Just to be clear on this point, the actual present schedule of Flamanville 3 is to load and to start up Flamanville 3 at the end of November 2019, as mentioned in our publication, for the moment. So the expected date to stop Fessenheim is end of November and beginning of December 2019. So in line with what we have said for the moment. For the moment I have nothing more to say about that. The two dates are completely in line, starting up of Flamanville 3 end of November 2019 and stopping Fessenheim at the same time.

Vincent Gilles (Credit Suisse): Good afternoon everyone. Yet another call today. Hydro production. Very good performance on the first nine months but as you rightly pointed out, the level of rivers are pretty low in Europe these days. What should we expect from the fourth quarter compared to last year? Should we assume there is a bit of a drought and therefore we are not going to see the same momentum as for the first nine months or are you confident? We are mid-November, so you probably have a very good idea of where you are so if you can share with us where you believe you are now, it would be very helpful. Thank you very much.

Xavier Girre: Thank you. As regards the hydro, you pointed very rightly that it is not raining as much during Q3 as it was during the first half of the year but nevertheless, we are quite confident as regards the hydro generation for the end of the year, at least in the average generation for a normal year. So it means that as a whole, in the whole year, the hydro generation will be very high thanks to the beginning of the year.

Vincent Ayral (JP Morgan): Hi. Good evening. My question has been asked so I will just ask for a quick clarification. Regarding the EBITDA for this year with the hydro being exceptional through the year and Q3 remaining extremely good and with the nuclear output potentially being slightly softer, but it could be very marginal, I know that the nine months show only the sales numbers but my first assessment of this would be this is a net positive. So Q3 is indeed tracking potentially above your initial planning and budgeting for the year. Could you please confirm if this is the case, indeed, just to get a view on your trajectory to year end? Thank you.

Xavier Girre: Well, what I can confirm is that we are very confident as regards our full year performance and our EBITDA guidance for this year. We highlighted in July that we were waiting for the maintenance programme in the French nuclear reactors because it is a high season of maintenance programme during summer time and now we have given our updated view because now the different reactors have come back after this maintenance season. So you are right. This gives us strong confidence about the execution of the full year.

Aymeric Parodi (UBS): Hi. Good evening everyone. One question from me. What do you think about the suggested reform of the ARENH mechanism? The French energy regulator approved them with conditions a few weeks ago, at least gave the green light. I am just curious to have your feedback. Thank you.

Xavier Girre: Thank you. Yes, you are right. The Government has prepared a technical reform of the ARENH, that consists essentially in spreading the ARENH demand over three auctions. That would take place during year -1. The consultation process has taken place, you are right also, both with industry and the regulator and the draft decree is now ready. We believe that this draft would go in the right direction because it would reduce the arbitrage opportunities for our competitors and it would also make ARENH demand more predictable for our hedging policy, and of course therefore reducing an important risk factor for us. However, the timetable for implementation of this reform is not yet fully clarified and it will depend on the consultation with competition authorities.

José López (Millennium): Hello. Good afternoon. Thanks for taking my question. I just was wondering if you could give us any update on the timeline for the sale of the stake in British Energy. And in that context, also I wanted a follow-up question on that. Considering that there are some players in the market that are very optimistic about the role of fossil fuel generation in the future, will you consider selling your coal and gas assets in the UK and then you would be completely decarbonised on the side of your UK business? Any thoughts about that?

Xavier Girre: I am sorry, I did not get your second question.

José López: My second question was there seems to be quite some optimism – I do not know if it is founded or not – around the role of fossil fuel, coal and gas generation in the UK. In that context of this enthusiasm and optimism, would you be willing to consider selling your thermal assets in the UK? We have seen some players exit the thermal side of the business in the UK. Would you consider that also? It would lower your carbon footprint, of course. Yes, that is just a follow up from the first question. Thank you.

Xavier Girre: Okay, thank you. Well I will disappoint you because we will not comment, as you know, about this matter. What we already said is that Centrica announced its intention to sell its 20% stake in our joint company and we also said that this gives us, obviously, some options. We also said that we do not intend to increase our share in our company and we did not say anything more. And I do not have anything more to say tonight.

Olivier Van Doosselaere: Yes, thank you very much. I just had one quick follow-up question, actually, that I did not ask before. It is coming back to your power price exposure. You had indicated previously that taking into account the ARENH volumes and the regulated prices that indeed the total overall sensitivity might be around 100TWh for France. Although, you also clearly indicated this was not a linear element. I was wondering if that sensitivity is still the message that you are passing right now and if you actually expect it at some point, you could give us a bit more granularity on how we think we should think about that kind of sensitivity for EDF.

Xavier Girre: Thank you for your question. In fact, there has been no change about that. As we explained, our volumes which are exposed to the market beyond the hedging period are more or less 100TWh in France due to the ARENH, both the direct impact of the ARENH and then the indirect impact of the ARENH on our offers.

Second thing, as you know, we hedge our volumes more or less on a linear basis over the two years before the operating year.

I thank each of you. Thank you for your attendance and thank you for your questions. Have a nice evening.

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