



EDF

**First Quarter 2021 Sales and
highlights**

12 May 2021

FIRST QUARTER 2021 SALES

Xavier Girre

Vice President. Group Finance.

Good morning, everybody. I am pleased to welcome you to this conference call. I will present you the first quarter 21 sales, starting with the key figures and the main highlights. As usual, I will leave as much time as possible for the Q&A session and this call is expected to end at 9:45 Paris time.

31 MARCH 2021. KEY FIGURES AND HIGHLIGHTS

Sales amounted to 21.9 billion euros at the end of March 21. It represents an organic increase of 6.2% compared to Q1 20.

This was mainly driven by: First, positive price effects in France linked to customers' regulated tariffs increase and regulated activities tariff indexation. Second, favourable weather conditions in Europe. And third, favourable gas market conditions both in midstream and downstream activities, although with limited impact on margin.

Nuclear output in France is slightly above expectation year to date. It decreased by 2 TWh, as expected, mainly due to the impact of the closure of Fessenheim reactors. On this basis, we maintain our production target for France between 330 and 360 TWh. In the United Kingdom, nuclear output decreased by 1.4 TWh.

In a nutshell, Q1 was a good start of the year.

HIGHLIGHTS (1/2)

Let me now update you on the key highlights of the period.

Starting with nuclear. In France, the ASN ruled on the terms for continuing to operate the 900 MW reactors beyond 40 years. The ASN also approved the use of remotely controlled robots for the repair of the eight penetration welds at the Flamanville 3 EPR. The repair works have begun.

In the UK, the reactors at Hinkley Point B and Hunterston B received the approval from the ONR for a restart of operations for a period of six months. Hunterston B will be closed at the end of this cycle. Hinkley Point B will need a new authorization to run for an additional six months before closure.

As for Sizewell B, the reactors were taken offline on 16th of April 21 for planned refuelling and maintenance work. The return to service is currently scheduled for 30th August from an initial date at end of May, due to additional work required on certain components, in particular thermal sleeves identified during the maintenance programme. Dungeness is still off the grid.

In India, EDF submitted in April a binding technical and commercial offer to supply engineering studies and equipment for the construction of 6 EPR reactors on the site of Jaitapur. The Group would be in charge of the design and would supply certain equipment, in particular the nuclear islands. EDF would neither be an investor in the project nor in charge of the construction.

In France, as you have noticed, security of supplies was well ensured this winter. On the contrary, in the USA, Texas suffered from an extreme cold snap. On the latter, there are still a lot of moving parts,

but according to our first estimates, we currently consider that it had no significant net impact at Group level.

EDF pursued its development in all renewable activities. The construction of the Courseulles-sur-mer offshore wind farm was launched. The project has a capacity of 448 MW. In solar, EDF Renewables was awarded a 300 MW project in Saudi Arabia and launched the construction of the farm. Three long-term contracts were also awarded for 303 MW projects in New York State.

In distributed solar and upgrade business, the Group acquired shares of two companies in Kenya.

HIGHLIGHTS (2/2)

I'm happy to confirm two new steps in our commitment to end coal-fired generation in Europe. The power plant of Le Havre closed at the end of March and the Group decided to bring forward the closure of West Burton A to September 22, that is two years ahead of the Government deadline for coal-fired power plants in the UK.

If we turn to innovation and electric mobility. Pod Point in the UK has deployed 110,000 charging points at end March 21, of which more than 13,000 in Q1 21. This strong acceleration is mainly driven by the increasing demand for electric vehicles and their charging infrastructures.

As for ESG achievements, we are very glad to be part of the CAC 40 ESG index, the new stock market index that includes 40 socially responsible companies. The CSR governance of the Group was reinforced, with the appointment of a climate reference Director within the Board.

Finally, the disposal plan is on track. We closed the sales of Edison Norge, which is E&P in Norway, and IDG, which is gas distribution network in Italy. We signed a binding agreement for the sale of West Burton B gas power plant in the UK. And Dalkia entered into exclusive negotiations for the sale of Dalkia Wastenergy.

Just a few words regarding the ARENH reform and the reorganisation of the Group. Let me remind you the main objectives:

Obtain a fair remuneration on exiting nuclear assets by replacing the current ARENH mechanism with a new regulation; secure the Group's hydraulic activities and enable the Group to play a key role in the energy transition.

As reminded by our CEO Jean Bernard Levy last week at the General Shareholder Meeting, a red line for EDF is to remain an integrated group. As of today, nothing has been finalised yet. Discussions are ongoing between the French government and the European Commission. They remain difficult. There is no certainty of the timing and on the outcome of these discussions.

GROUP SALES - SYNTHESIS

Let's now review the main blocks explaining the organic increase of 6.2% of the sales in Q1 21 compared to the same period last year.

Favourable price effects in France represented a positive variation of 0.7 billion euros. This is mainly due to the resale of purchase obligations at higher spot market prices, but with no impact on margin; the capacity reinvoiced at a higher price; the increase in regulated tariffs in February 20 and February 21, and the positive indexation of the TURPE distribution for regulated activities.

France generation was down by 0.1 billion euros, mainly due to lower nuclear output, as expected with Fessenheim closure. The increase in gas prices represented a positive of 0.3 billion euros, with limited impact on the margin. Sales of EDF Trading increased by 0.1 billion euros. Normal weather conditions in 21 compared to mild weather last year had a positive impact on regulated activities of 0.2 billion euros.

Q1 GROUP SALES

Let us now have a look at the Q1 increase in sales by segment.

France: Generation and Supply activities sales increased by 0.3 billion euros, a 3.9% organic growth. As already detailed, it was many linked to favourable price effects, with an increase in regulated tariff, in resale of purchase obligations and in reinvoiced capacity.

Regulated activities: sales increased by 0.5 billion euros, which is 9.4% organically, in relation with the TURPE 5 indexation for 0.3 billion euros, and more favourable weather conditions for 0.2 billion euros.

The sales of EDF Renewables increased by 57 million euros, a 14.4% organic growth. It corresponded mainly to the growth in the distributed solar activity in the USA, with limited margin impact.

Electricity output amounted to 4.2 TWh, a 2.9% decrease mainly linked to less favourable wind conditions in Europe in Q1 21. Net additional capacities commissioned lessen this trend. The extreme cold snap in Texas didn't significantly impact sales, but penalised EDF Renewables through energy purchases at very high prices in order to meet its contractual commitments.

EDF Renewables net installed capacity was up by 0.5 GW compared to end December 20 and stood at 9.2 GW at end March 21. 8.1 GW growth projects were under construction at end March, a new record level for the Group.

Dalkia sales increased by 0.1 billion euros, or 7.9%. This was mainly linked to the sharp rise in gas prices, with limited impact on the margins, and to normal weather conditions in 21 compared to mild weather in 20. Activity is now back to pre-health crisis levels.

The sales of Framatome were down by 49 million euros, mostly linked to a timing effect on fuel assembly sales.

As for the United Kingdom, sales were roughly stable. Lower electricity volumes in B2B were partially offset by higher volumes in B2C, with weather effect and the takeover of customers' portfolio. And nuclear output was down by 1.4 TWh, to 10.5 TWh.

Sales in Italy increased by 0.3 billion euros. It mainly reflected the strong increase in gas market prices, and also the increase electricity prices. Edison acquired the remaining 70% stake in E2i, comprising 38 wind farms for total capacity of 674 MW.

On this basis, Edison also just upgraded its 2021 EBITDA guidance this morning by 30 million euros, the range now being 710 million euros to 770 million euros, mainly driven by the strong performance in renewables, the good optimisation of the thermal assets, and the sustained growth in sales and services to residential customers.

The Other International sales remained stable due to first, the unfavourable timing effect on the indexation of the gas contract in Belgium, and second, the favourable indexation for EDF Norte Fluminense's PPA.

Last block: the sales of the Other Activities increased by 0.2 billion euros. The Group's gas business sales increased by 49.6% compared to the first quarter of 20 in a context of very favourable gas prices on the wholesale market and better use of the Group's capacities. However, these effects were quite limited in terms of EBITDA.

EDF Trading's sales increased by 0.1 billion euros, in particular thanks to the high volatility in trading activities in Europe and in the USA.

2021 GUIDANCE AND 2022 AMBITIONS CONFIRMED SUBJECT TO ADDITIONAL REINFORCED SANITARY REESTRICTIONS IMPACTS

Let's move to the last slide, corresponding to our 21 guidance and 22 ambitions. We confirm all elements already announced in February.

For 21, we set an EBITDA target higher than 17 billion euros, and a net financial debt to EBITDA ratio of less than three times. Indeed, I am very confident that the Group will meet these targets. The latest analysts' consensus is also in line with this guidance.

For the medium term, we set three targets: reducing operating expenses of 500 million euros in constant euros in 22 compared to 19; disposal plan of approximately 3 billion euros over the period 20 to 22, and a net financial debt to EBITDA ratio of circa three times in 22.

This ends my presentation for Q1 21 sales and highlights, and I now open the floor to your questions.

QUESTIONS AND ANSWERS

Olivier Van Doosselaere (Exane): Yes, good morning. Thank you for taking my question. This is Olivier Van Doosselaere at Exane. I would have just a question on operations and then also on the reforms. Firstly, on operations. Just thinking about external factors; I wonder if we're talking in Q1 about weather normalisation and therefore that's embedded in the guidance or if weather was actually above the standard level, and therefore it could be a positive to guidance. And the same thing also on the trading activity, if this has been a particularly supportive quarter, or you would say that this is more aligned with history?

The second question is on reforms. I'm sure there will be more questions about afterwards, but I guess people are wondering if the calendar is starting to be too tight in terms of being able to deliver the reforms before the next presidential elections. Certainly, if any agreement with the European Commission might slip until after summer; I wonder if you can give us any colour on that? And also, there seems to be two parts of the reforms; one is the regulatory reform on the nuclear regulation, and two is the corporate reform and the idea of potentially having a part of EDF delisted, and then another subdivision being listed.

I wonder if you could help us understand to what extent the corporate reform is actually something that the European Commission actually really wants as well, or this is more something that the government is ambitioning? Therefore, could we in the meantime have just a regulatory reform happen on the nuclear side in this agreement with Brussels, whilst any corporate reform could then be delayed until after the election? Thank you.

Xavier Girre (EDF): Thank you, Olivier, for your question. First, as regards the external factors and the guidance. Two points, and then I will also tell you a few words about the guidance.

As regards the weather, normal weather is embedded in our guidance, and this year, for time being, is normal weather. Last year was mild weather, so less favourable last year than this year. Second point in your question, the trading. The trading had a strong start of the year, benefiting from the volatility on the market. And as a whole as regards the cold snap in Texas. As I said, for the time being, because things are not yet over, we consider that the net impact should be not significant for the Group, with a negative one on EDF Renewables and a positive one on trading.

As regards the guidance, as a whole, we do not change this morning the guidance. I would like just to share with you the different elements that we already shared and give you some colour about that. First, we explained in February that we expect an increase in the French nuclear output in comparison with last year. So, if we take the middle of the range 330 to 360 TWh, this would bring an extra 0.5 billion euros in comparison with last year, as I already explained in February. And as of today, we are slightly ahead of our target as regards the French nuclear output. However, we have a very heavy outages planning. Remember as well that in 2020, we have postponed outages in 21, so this is why for the time being we maintain the current range of 330 to 360 TWh.

The second point is unchanged. It was linked. You have that in mind to a regulated business, and we highlighted in February that additional EBITDA for Enedis would amount to 0.6 billion euros in 21 compared with 20.

The third block is back to normal situation, quote unquote, as we said in February, for the activities in the downstream business and services business, regarding the sanitary crisis, especially. And we explained in February that we estimated at circa +0.4 billion euros is the impact in 21 compared with 20. And indeed, the activity is going well at the beginning of this 21 year.

And fourth point is the special tax relief allowed by the French government, that we estimate to bring additional 0.3 billion euros EBITDA. On the downside, we had highlighted the impact of the prices and we were expecting power prices both in France and in the UK to have an unfavourable impact of circa 0.8 billion euros in 21 versus 20, and we have revised it to -0.5 compared to -0.8 as the rise in market prices is favourable in the UK.

On the other hand, the nuclear fleet in the UK is ageing and we face uncertainties in terms of output. Nuclear output might be worse than expected two months ago, in particular linked to extended outages at Sizewell B and Dungeness. So, this is why, as a whole, we maintain our guidance. And nevertheless, as I already highlighted, I am very confident with our guidance concerning the EBITDA higher than 17 billion euros in 21.

As regards the reform, I am really not in a position today to tell more than what I already said, neither as regards the schedule, nor as regards the content and the outcome of the reform. You're right, there are two components in this reform; the regulatory reform, which is of course, key, which is to reform the ARENH in order to give better visibility, particular to the existing nuclear assets' remuneration, and corporate reform in order also to adapt the organisation of the Group. And as I

said, discussions are ongoing, and we definitely highlighted—a red line is the integrated form of the Group.

Olivier Van Doosselaere (Exane): Okay, thank you very much.

Arthur Sitbon (Morgan Stanley): Hello. Thank you for taking my questions. I have two. The first one is, I was wondering if you could give us an indication of where you expect the real discount rate for nuclear provisions in France to be at the end of the year, especially given the recent rise in bond yields.

And my second question is if you could provide an update on the situation for the UK nuclear plants, and especially if we could see, in the next few years, some cash outflows linked to the anticipated decommissioning of some of the reactors. Thank you very much.

Xavier Girre (EDF): Thank you, and good morning. As regards the nuclear provisions discount rate, as you know the methodology has changed as of the 31st of December 2020. I will not repeat this new methodology, but we consider that this new methodology provides the best assessment of the time value of money, mixing short-term and very long-term rate. The real discount rate determined at the 31st of December 2020 was 2.1%, corresponding to a nominal rate of 3.3% and an inflation of 1.2%. Of course, it's not time to make any forecasts about that. The devolution of the rate at end 21 will depend on the evolution of short-term rates, but as well as the inflation. Just to give you some better of colour about that. 10 bps increase in the discount rate has an impact of around +500 million euros on pre-tax earnings, and of -900 million euros on provisions. And a 10 bps decrease would have an impact of around -600 million euros on pre-tax earnings and +1 billion euros on provisions.

As regards your question about the nuclear situation in the UK. Clearly, the nuclear fleet in the UK is ageing. Maybe I could give you some elements on four situations. The first one is Hunterston B. As you know, we have made the decision to end power generation at Hunterston no later than January 22 and move into the defuelling phase. And the two reactors have operated reliably during a first six months and have been stopped as planned in March 21 for further inspection. The ONR gave its approval on April 21 for a final operation of around six months, and Reactor 3 went back online on the 22nd of April, whereas Reactor 4 should be back online on the 30th of May.

As regards Hinkley Point B, the decision was taken last November to move into the defuelling phase no later than July 22, versus an initial closure date of Q1 23, and both sectors are currently online after the green light was given by the ONR mid-March for a first period of around six months, and depending on the result of further inspections, an additional cycle of around six months may be authorised.

As regards Dungeness B, these reactors are stopped since August 2018 to address corrosion and cracks in pipes. Various investments have been performed and several scenarios are being studied. At this stage, the dates for the return to service are set at the beginning of August and the end of July 21, respectively.

And As for Sizewell B, the reactors were brought offline on the 16th of April this year for planned refuelling and maintenance work. The return to service is currently scheduled for the 30th of August from an initial date at end of May, due to additional work required on certain components identified during the shutdown programme and the corresponding output loss should represent circa -2.7 TWh.

So, this is exactly where we are as regards the state of the UK nuclear fleet.

Arthur Sitbon (Morgan Stanley): Thank you.

Emmanuel Turpin (Société Générale): Yes, I don't know if you hear me. I didn't recognize my name. This is Emmanuel Turpin at Société Générale. Three questions, please. First of all, could you help us see through the change in revenues? The increase in revenues in Q1, 1.2 billion increase since last year. You did mention that for a few activities, this would have no impact on EBITDA. Out of this 1.2 billion, how much of these increases in revenue are passed through to the EBITDA with limited or no impact on EBITDA, please?

Secondly, you provided us with an update on disposals. Would you mind reminding us about the expected proceeds? Cash in for the company or reduction of debt for 2021 planned on already acted on also the related loss of EBITDA on EBIT?

And last, a question, of course, on the reform. You must have seen a number of press articles in the French press today talking about a new name for the discussions, Grand EDF, as opposed to Hercules. Now, the papers are talking about the discussions remaining tough. As you said yourself, but also hinting at the fact that the EU could now agree to a structure that would keep EDF as integrated group. Now, the question is, is this changing name just a rebranding, an evolution of the existing plan as we know it or is it a reset with a totally new angle and the abandonment of the three-tier structure that we had been explained, i.e. EDF Bleu, Vert and Azur. So: evolution or reset? Thank you very much.

Xavier Girre (EDF): Thank you, Emmanuel. So, as regards your first question, maybe I could make a focus on the on the link between the revenues and EBITDA for gas activities, because this is the key point on which there is no direct link, I mean a less specific link between revenue and EBITDA. So, the code for that is that we have different activities which are linked with the gas.

So, first, as regards the supplier. The conversion of the side effects on the margin for the price part is not significant, considering that the final contracts are indexed on the sourcing, as you said yourself. For example, Edison contracts are reviewed approximately every 12 months. There is a second business in which we use gas, of course, which is linked with the services. And price effects at Dalkia do not have a significant impact on EBITDA due to their hedging policy.

And third type of business, for the midstream. As regards the midstream of Edison, and putting aside their regulated parts, distribution and storage, the business is mostly hedged. However, there may be an impact on EBITDA as Edison takes full advantage of the flexibility of its supply contracts, especially the Algerian contract. But the effects are not commensurate with the price impact on turnover. And as regards the midstream for EDF SA, all effects are almost without impact on EBITDA, due to the coverage of Dunkirk costs. In contrast, the entity that should benefit the most from gas price effects should be EDF Trading, which plays on the volatility of the markets.

So, as a whole, the positive impact on sales of gas prices was of 312 million euros in Q1, for an impact at EBITDA level for a few tens of millions of euros. So, this is a real focus on gas, and if I take one step back: as a whole, we have an impact of effect prices on the sales, with impact on the EBITDA; weather effect 0.2, which also has an impact positive on EBITDA; France and UK generation, which is -0.1, which also has an impact on EBITDA, and EDF Trading +0.1, so with also an impact on EBITDA.

So, I hope and I think this answers your question about the different blocks and the link between revenues and EBITDA

As regards the disposals. So, we of course, intend to close all the deals that I have referred to in my presentation during this year. As a whole, the impact on the economic debt should be in the range of 1 billion, roughly speaking for 2020 and 21. So, 1 billion is one-third of our goal, which is 3 billion disposal plan, estimated on the basis of the economic debt between 2020 and 2022. I will not give precisely the impact on EBITDA and on EBIT, but it's not very significant, and clearly, it is integrated in our guidance.

And as regards the reform. Once more, key point is the organisation of the Group, maintaining the integrity of the Group. This has been highlighted by many people and I am clearly not in a position to tell anything more today. Discussions are ongoing, as already said.

Emmanuel Turpin (Société Générale): Thank you.

Sam Arie (UBS): Hi. Good morning, everybody. Thank you for the presentation and, Xavier, very good results it looks like today. Given your comment just now, I don't know if my question is going to work, but I was going to try one more angle on the reform process, and I do understand it is very hard for you to comment on this at the moment.

But last year, Mr. Levy did tell us one very interesting thing about the sort of expectations on the EU position. And he said on one of these calls, he thought that EU approval for the proposed nuclear pricing reforms was ultimately not dependant on the capital structure of the EDF Group. So, the implication of that comment last year was that approval from the EU might not require a delisting of Group minorities or a squeeze out, and so on. And of course, we've had lots of press reports now recently suggesting sort of the opposite. So, I just wondered if that's an area where you might be able to say anything new, and particularly, whether that comment from last year about the independence of capital structure is still valid. That that's my question, would I have any success with that with that angle?

Xavier Girre (EDF): I am really sorry, but once more, discussions are going on. What I can remind you, it's that there are three key points: the price, of course, which is key to the reform of the ARENH; secondly, the legal basis, because it's key, of course, that the reform be based on very solid, resilient legal basis. And third Point, the organisation of the Group, the integrity of the Group, because the goal of all this reform is to put EDF in a good position in order to invest in the existing nuclear assets, which are key for massive decarbonised electricity generation, on the one hand, and also put EDF in a good position to invest in the other businesses. And in particular in the renewables and all the services and solutions that are necessary for the energy transition and fully consistent with our *raison d'être*.

And for the rest, I'm deeply sorry, but today it's not time for giving specific pieces of information or details about the current state of discussions to which once more, the company is not directly part of.

Sam Arie (UBS): Okay, well listen, thank you very much for the for the recap, anyway, it's helpful. And I'm sorry, but I'm sure we'll keep asking these kinds of questions in future. And thanks for your tolerance of that.

Olivier Van Doosselaere (Exane): Yes, good morning and thank you for allowing me to follow-up just with one more question. No one has talked about the power prices, but clearly, we've seen power

prices go up quite massively in the last few months, and I wonder if you can give us a bit of colour in terms of how you think about hedging?

Obviously, 2021 should be one hedge, but for the years ahead, I wonder what do you think about hedging, particularly in the context of your French nuclear division, potentially under the new regulation, selling at a fixed output price? But that is not sure yet. So, I wonder how you organise your hedging in that context, and if you can help us also again understand a bit, assuming that the reforms do not happen, what your exposure is for the years ahead in terms of output in your different entities to market prices. Thank you.

Xavier Girre (EDF): Yeah, thank you for this question. As you know, our hedging policy is based on hedging, which is organized, roughly speaking, two years ahead of an operating year. So, meaning, for example, that for 22 we started, roughly speaking, to hedge 22 sales early 20, and we are hedging 22 during the years 2020 and 2021.

So, this means that, of course, for 22 we are embedding in our hedging policy the positive impact of the forward prices currently. And so this will, of course, support our trajectory, everything being core for the rest as for next year is concerned. Same thing for 23, but we are not yet massively hedged, of course, for 23.

As far as 21 is concerned, we are, of course, almost fully hedged. As regards France, we are fully hedged, because in the mechanism that I just described, we start each year being almost fully hedged, so 21 for France is almost fully hedged. As far as UK is concerned, we are not fully hedged. We are very massively hedged, but not fully hedged as far as UK is concerned, which means that, and this is what I explained when I described the guidance, that the positive current trend on the prices may have a positive impact on our financials in UK this year. As I described concerning the UK, we have a positive, which is the current trends in the prices, I am speaking about 21 EBITDA, and we have a negative, which is the downward trend of our nuclear generation in the UK.

So as a whole, to sum up. So for 21, no specific impact in France, and a positive in the UK, and for 22 and 23, a positive impact.

Olivier Van Doosselaere (Exane): Okay, that's very clear. Thank you very much.

Xavier Girre (EDF): So, thank you very much. I really thank you very much for your time and for all your questions, and for your interest for our company. I was very happy to be with you this morning and I wish you a very nice day.