EDF
2014 Annual Results

Presentation
to Investors and Analysts

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Overview of 2014

Jean-Bernard LÉVY
Chairman and CEO, EDF

Thomas Piquemal and I will walk you through our 2014 results in a few moments. This being my first opportunity to speak to the financial community since my appointment as Chairman and CEO of EDF, I would like to say a few words about EDF. Firstly, I am very proud and excited to have been called on to lead EDF. EDF is not just any company; it is the French people's favourite utility. It is a community of 160,000 women and men worldwide servicing all our customers, including the least privileged and those located in all geographical areas, even those which are not accessible. It is one of France's most extraordinary success stories with a unique technological expertise, and for our customers in France it means access to very low-carbon electricity at a price far lower than in any neighbouring countries.

We have a magnificent tradition and my ambition for EDF is to live up to that tradition and to grow the company as a central player in the energy transition. We must have the resources we need to play a key role in the energy transition and in French competitiveness, and to help restore economic growth.

Now we will have the results. Regarding the 2014 key figures, we had an excellent year, with a performance that shows we have met or exceeded our objectives, despite an unfavourable environment on many fronts. Firstly, we had the social and economic backdrop in Europe, and weather conditions including flooding and storms that our teams were called upon to deal with again and again, and I would like to express my appreciation to the teams for the service they delivered to our clients. 2014 was also the warmest year we have experienced in a century, which is one reason why power consumption declined in France and, with this in mind, I would like to draw your attention to our solid operating and financial performance.

Our sales rose by 1.3% but were slightly down in organic terms, for the reasons I gave. EBITDA was up 7.3% - in organic terms, 6.5% - and when we restate this figure for the contribution from Edison and the tariff catch-up here in France, EBITDA also rose by 3.2%, slightly above the 3% organic growth target EDF set last February. This shows the quality of our energy mix and our competitiveness. The group share of net income went up by 5.2%, and when excluding non-recurring items, net income rose by nearly 18%. Despite a slight increase in net debt, the net debt to EBITDA ratio came in at the lower end of our target range at 2.

Therefore, in light of the above, the Board has decided to ask the shareholders at the next General Meeting to approve an all-cash dividend of EUR 1.25 per share, which is unchanged from 2013. Finally, on investments, they were EUR 12 billion, flat compared to 2013 when excluding the scope effect of Dalkia, below the EUR 13 to EUR 13.5 billion range we announced initially in February 2014, and this result from better management of planned nuclear shutdowns, which was also instrumental in the very solid performance of nuclear output in 2014. Therefore, in short, we met our targets, we have a controlled investment trajectory, and all in all a good solid financial performance.

I will make a few comments on my priorities for my first days at EDF, particularly my immediate challenges. It is a big job, a big challenge, and right now it is the start of the energy transition, so I felt the first priority was to rely on a new management team and to be organised in line with these challenges. We now have a new Executive Committee with 12 members, and that reflects our major strategic and operational priorities. We have made a few important decisions in the last two months, the first one being the approval of the Grand Carénage, which I understand is to be called a major nuclear overhaul, and you all know what I am talking about. A few weeks ago the Board of Directors of EDF approved this major programme in principle. It is meant to renovate the French nuclear fleet, to further improve reactor safety and, if conditions are met, to extend the lifespan of the plants, in the first step, from 40 to 50 years.

Overall, the investment could be up to EUR 55 billion for the 58 reactors that are currently in operation. The investment will be approved later after additional studies and after factoring in the multi-year energy plans that will be implemented within the energy transition legislation.

The second decision had to be made quickly. We exited from the South Stream project; like the other partners, we were caught a little by surprise by Russia's decision to walk away from this gas pipeline project, but at the end we were able to sell our 15% stake to Gazprom on very good terms, and we recovered all the money that we had invested in the project so far.

Beyond these quick decisions, it is essential to set a long-term view at EDF. I feel it is really imperative to begin to plan a strategy that will be shared with everyone in line with our long-term 2030 company plan. The shared vision is about pulling together all the energy sources, to exchange the experience, to get the best of our shared know-how, and to build together the next 15 years within the company. We have created Cap 2030 in order to do that - this is our project - and there is a team of about 15 managers, talents from the group's various business lines, who meet regularly and are in charge of building a common destiny and setting a common vision for our future. They will bring together the business lines, the subsidiaries and all our diverse skills in order to set the framework for our future within the company's values, starting with the values of public service. The strategic directions that the Cap 2030 team is preparing together with the Executive Committee will be submitted in the next few months to the Board of Directors.

Controlling costs and investments is obviously about optimising our resources, especially our scarce financial resources, and it requires meeting two objectives. Firstly, we need to generate operating savings, as more and more of our activities face competition, and we know our competitors are ambitious, agile, and thrifty. Secondly, we need to be more selective in our investment. These are the few short-term priorities.

What are our major challenges? I would like to go quickly through what I feel are our five key challenges. Firstly, we must make our new nuclear strategy successful. It is obviously a major priority for EDF that new nuclear is starting more quickly. We need new nuclear and over time it will replace the existing nuclear fleet, enhance safety, and extend the benefits of nuclear energy's effectiveness to the French and British people. It is also an opportunity to preserve the nuclear industry, of which we are part of, and it is a symbol of our technological leadership. Flamanville is obviously a priority, and I will not get into any details, as an update was recently announced. Philippe Varin and I are reviewing this project in detail; we already had a full review, and will have another soon, about meeting the deadlines at Flamanville. Flamanville 3 is an essential objective, as is staying within the budget, so we will both keep a close eye on it, and will ensure that the French nuclear industry works intelligently and with good cooperation.

Philippe and I also visited Taishan recently during the French Prime Minister's visit to China. Taishan is making good progress, and I believe that the Franco-Chinese relationship is very important. Hinkley Point is undergoing final negotiations, and is one of Europe's largest construction projects. Our objective is to be able to make an investment decision as soon as possible; as negotiations are currently underway, you will understand that I cannot say much more on this matter.

Reinforcing the Areva-EDF partnership, strengthening the relationships, is absolutely a key issue. We need to re-establish how we can create win-win solutions. Let me talk about China for a few moments. Today China is the centre of energy development in the world. The numbers are impressive, and I will just mention one: the power build every year in China is the equivalent of France's entire power generation capacity. Thirty years of Franco-Chinese cooperation have made us a well-regarded, I would even say a privileged, partner in China. Our partnerships in China are in the nuclear area, of course, starting in Daya Bay almost 30 years ago and today with CGN and CNNC. This programme will include Hinkley Point and the UK programme as a future joint venture, along with our work together on future reactors.

Therefore, we intend to play a strong role in the development of nuclear business in China but we are also working on the fossil fuels of the future in China, such as gas and clean coal, on renewable energies and the smart city. Based on recent announcements with which we are all familiar, the Chinese energy transition will be a fantastic opportunity for EDF.

The second challenge is preserving the group's financial balance. Our projects are large and long-term, and the special long-term nature of our industry requires that we have to be especially careful with our financial balance, so it is essential for us that we achieve a tariff trajectory that covers our costs. We have some serious concerns. The current method of calculating the tariffs, known as the stacking methodology, does not cover our costs completely, something that the French regulator recently confirmed. Secondly, we are awaiting a decision from the French State Council in response to various appeals filed by ANODE, including one against the freeze of the 5% tariff hike planned for August 2014.

Thirdly, there is also a matter regarding ARENH, the tariff that was set up for the benefit of our competitors in nuclear power generation. The price at which we sell electricity to our competitors has been set since 1 January 2012 at EUR 42 per megawatt-hour, and this price does not cover all our costs. We have been waiting for more than a year now for the decrease setting the new basis for calculation. The complete cost for current nuclear power generation was estimated at EUR 55, not EUR 42, per megawatt-hour in 2014 by the French Government Central Audit Court, which is the level at which the continued and sustained competitiveness of electricity prices in France can be guaranteed.

Therefore, there are several discrepancies which have led EDF to constantly add to its debt, and I am a little surprised at this. When I am asked about the major surprises at EDF, the negative cash flow situation was at the top of my list when I arrived.

Another structural item in our financial balance is the CSPE, the public service contribution. The costs of developing renewable energies, as we all know, is still quite high, and these costs are funded through CSPE which currently accounts for 15% of household power bills; this figure will rise every year. I would like to say that it comes as a surprise, that we, among the world's major power generation companies, are the one that emits the least carbon dioxide. Is it really fair to bear the burden of financing renewable energies alone? Nevertheless, this is what we do, and EUR 5 billion of the CSPE is on EDF's balance sheet and not on consumers' power bills. This year there is an extra negative change of working capital requirement, at EUR 700 million, linked to CSPE.

Therefore, new thinking is needed in consultation with public authorities regarding the CSPE mechanism so that it is more diversified and so that it is used to rebalance our group's accounts, diversified meaning that we do not pay for the consumer renewable energy investment gaps alone. It is an essential consequence of the energy transition law.

Controlling costs is something that we need to do, and it is as important as the need to rebalance the tariffs. We need to continue our efforts to tighten our operating cost; our Spark programme has helped us, and we will need to continue in this direction. We also need to be very selective in our CAPEX. We know we cannot target each and every opportunity; we need to make choices. We also need to continue better management of our cash, optimising working capital, something that Thomas started quite some time ago and where we have already made good progress. All these guidelines, objectives and efforts are meant to serve a very important ambition for EDF in 2018, which is to restore a positive cash flow after dividends.

The third challenge I would like to share with you concerns clients, our customers. All our services have been in competition for the last eight years, but we know that there is a new phase at the end of 2015. The yellow and green tariffs apply to more than 220,000 corporate and local government customers, but also to 430,000 sites, at about half our revenues for the company and local government markets, and these yellow and green tariffs will end, so we will be facing the challenge of retaining these customers through high-quality and constantly improving services. One of the most effective ways of doing so is to help them control the size of their bills through smarter and lower consumption, and we are working on this, as EDF is already the top producer of energy savings in France. For example, we have estimated that Fromageries Bel's energy savings were 1.3 million of kilowatt-hours, which is equivalent to the annual consumption of 160 homes.

This is in France, but it is also true for our international customers. Our development in Europe is important, and we are already well-established in the UK, where we already have close to four million customers. We are also present in Italy, Poland and Belgium. Given these challenges, retaining our customers and developing our client base in countries where we are more like the challengers, I am happy to say that the full consolidation of Dalkia within EDF makes a lot of sense. It is a fantastic opportunity; Dalkia has a broad presence in France and also has to grow outside France. Dalkia has connected 2,500 new sites in 2014 for the remote monitoring and controlling of our customers' installations for better energy performance. Dalkia is a great asset for the EDF group. We also need to innovate. We will need to use the best technologies, especially in digital, and this is an area in which I intend to demonstrate that we can be technology leaders.

One of our major challenges is also to play a major role in the energy transition. EDF might have been a bit reluctant at the beginning to become an important player in renewables, but I believe we have exciting opportunities through new products and services and new ways to fight fuel poverty, and that renewable energy, the new mix of energies, is key to our future. We need to increase our market share in this area, and we have skills in technical engineering and financing that will help us do so.

EDF Energies Nouvelles set a new record in 2014 with 2.2 gigawatts of new renewable capacity under construction, so this is obviously a growth area for the company. We already devote a third of our gross development investment, our gross CAPEX, to renewable energies, and we have been able to secure innovative financing such as the first green bond, which we launched at the end of 2013. We will have more opportunities to grow in this area with these kinds of financial tools.

Talking about Dalkia's know-how and our strong local presence, with the great coverage which ERDF is able to bring to us, we will have the ability to reinforce our local presence and innovatively assist local governments in district heating and cooling networks and in building energy services. For example, we recently developed a heat pump system in Créteil to supply the local district heating network. Heat output has risen by more than 50% in Créteil through this geothermal plant that we have built, and of course it has lower CO_2 emissions.

Therefore, we will demonstrate that, whether it is more generally in the renewables business, more locally with decentralised production, or the meeting of Dalkia's and EDF's efforts in the sales and marketing area, we will be able to offer our clients a comprehensive range of services and we will be a key player in improving energy efficiency for our clients.

The fifth challenge I would like to share with you is around our international strategy. We have great competitive advantages, we have a lot of skills and experience, and we have a significant footprint in many countries, so we have good foundations for a great international ambition. Some of our assets are obviously being discussed, and our international strategy will probably need some focus, consistency and selectiveness. We now have a new international division, headed by Simone Rossi, and we will make our CAPEX decisions based on strategic and economic sense, of course, but also in accordance with the new strategic and international challenges and targets that will be set.

We have two major competitive edges in doing this: our engineering skills and our service offering. We will have to get back to you with more details about our priorities, especially regarding emerging markets.

Let me now share with you our 2015 guidance. We are setting three guidance indicators for the very short term, for the 2015 objectives. We are targeting an increase of between zero and 3% in our EBITDA for 2015, compared to what we achieved in 2014, adjusted for the non-recurring impact of the tariff catch-up. Regarding financial discipline, we are committing to the same financial discipline we have held to for several years, which is to keep the debt ratio within a range of 2 to 2.5 times. Our dividend policy is also unchanged; we intend to have a pay-out of net recurring income adjusted for the hybrid coupons of between 55% and 65%.

I will now give the floor to Thomas for a presentation of our results with much more data, and after this myself and Thomas will be happy to respond to your questions.

2014 Results

Thomas PIQUEMAL

Group Senior Executive Vice-President, Finance, EDF

Good morning. I will now detail and explain our 2014 results and I will also unveil the key principles of our internal roadmap to a positive cash flow post dividend before Linky in 2018. Let us start with our 2014 results, and you already know the key figures; Chairman Jean-Bernard Lévy has just presented them to you. Those numbers show a strong operating performance, with EBITDA up organically by 6.5% compared to 2013, together with a strong financial performance, explaining why the Net income, excluding non-recurring items, is up by almost 18%, exceeding our internal expectations.

During 2014 we also improved the financial structure of the group, as demonstrated by the leverage ratio, which went down from 2.1 to 2x in terms of debt-to-EBITDA ratio. Net debt increased only by the FOREX effect, and we confirm the strengthening of the balance sheet during the year 2014. Those numbers are consistent with or above our expectations. You might remember that one year ago, of course, we did not know that we would get a tariff catch-up, and we set ourselves the objective of growing the EBITDA, excluding Edison, by at least 3%. We reached 3.2% excluding tariff catch-up, but without the tariff increase that we were expecting, with a negative climate effect, and also with some issues in the nuclear fleet in the UK. We were able to compensate for all of that and to exceed slightly our internal objective.

EBITDA at Edison was also above our expectations, at 800 compared to 600, and net debt-to-EBITDA ratio was at the lower end of the range at 2x. Therefore, the Board will propose to the AGM a stable dividend at EUR 1.25 per share, which is 58% of recurring net income after hybrid coupon, excluding tariff catch-up. 2014

EBITDA grew by 6.5%, as I said, and growth is essentially driven by France, with a growth in EBITDA of EUR 1,357 million, including of course the tariff catch-up at more than half, EUR 731 million, in the French segment. However, the operational performance was good, with nuclear output up by 12 terawatt-hours compared to 2013, but unfortunately at a time when power prices were low. The UK was down by EUR 170 million on lower nuclear output due to the shutdown of the Heysham 1 and Hartlepool reactors, during the second half, for detailed inspections.

Italy was down by EUR 183 million, but it is a tough comparison versus 2013 because we had the benefit of two positive arbitrage and gas contracts in 2013, whereas we only have one in 2014 for a smaller amount. The underlying performance is increasing at Edison in 2014.

Growing the EBITDA also requires continuous and reinforced efforts to control OPEX. If you look at the year-on-year increase of our OPEX since 2011, you can see the impact of the Spark programme that we launched in 2013, and the evolution year-on-year is decreasing, demonstrating that we are delivering in terms of controlling our expenses over the last years despite the important investments in our industrial assets and the important recruiting effort supporting it. We will, of course, continue and step up our efforts to control operating costs.

While our EBITDA performance has improved, EBIT is down by 4.2% as a result of higher depreciation and amortisation charges and the impact of non-recurring items. D&A rose by EUR 700 million, a trend consistent with what we already had last year, up 9.7%, but in fact it is up 19% in the unregulated French operations. I remind you that duration in terms of nuclear fleet is a maximum of 40 years, and of course the more we approach the 40-year deadline, the shorter the duration of depreciation and therefore the higher the depreciation charge.

We also had to incur higher non-recurring items in 2014 compared to 2013. Overall, the net impact, including depreciation recorded in equity accounting, is minus EUR 1,151 million at the net income level, with two major impairments that we had to record, one in Benelux where, like many other groups, we are suffering from weak margins of our assets in the region, which led us to recognise the lower value of our assets there. It is different for Alpiq, as we have to take our share of the impairments booked by Alpiq, in which we only have a minority stake, and where we cannot exert our industrial role. On the other hand we had the positive effect of the pension reform in 2013 which we did not have in 2014.

EBIT is down by 4.2% but recurring net income is up by 17.9% at EUR 4,852 million, which was achieved thanks to a decrease in financial expense. This improvement in the financial cost was achieved despite the fact that one year ago we launched long-dated debt issuances that enable us to extend the average maturity of our debt, which is now above 13 years, whereas it was slightly above eight years last year, but at the same time it was done by decreasing the average coupon from 3.8% to 3.3% on average in 2014 thanks to fixed to floating-rate operations, reducing our financial expense by EUR 161 million compared to 2013.

We also had very good performance in the dedicated asset fund, where for the third year in a row, in the financial portfolio, we had a 10% increase in the value of our portfolio, and overall during the year we were able to achieve almost EUR 900 million of capital gains with a P&L impact benefiting from the dynamic management of this portfolio, as well as the market's good performance over the year.

Looking at the performance of each major segment, starting with France, despite the unfavourable weather effect that led to a 25 terawatt-hour drop in the consumption of our customers, France displayed a 12.6% organic growth in EBITDA. This growth includes the tariff catch-up from the 2012 tariff movement, of course, and this tariff catch-up will be invoiced starting 2015 and therefore it is increasing the working capital in our receivables at the same time by the end of 2014.

We also had a very good performance by the French nuclear fleet, up 12 terawatt-hours year on year, but only valued at EUR 289 million. We had a rise in the French islands' operating performance in 2014 following the investments made in new generation capacity, with a EUR 233 million growth at EBITDA level, which is now significant. The reduction in CO_2 cost was partly driven by the fact that we had lower thermal generation output due to the climate. Regarding the upstream-downstream electricity balance for 2014, there was a drop in demand from end customers of 27 terawatt-hours of which 25 were due to the climate effect, but this was almost completely offset by market sales, with, on the left side, a 12 terawatt-hours increase in nuclear and minus 5 terawatt-hours in hydro due to an exceptional year in 2013; we had average hydro output in 2014. We also had lower fossil-fired output because of the mild weather..

The French nuclear fleet had very good output in 2014, exceeding our expectations, and for the first time we were able to record an output slightly higher than the high end of the range that we indicated a year ago. Controlling the duration of planned outages is one of our biggest challenges, and we achieved very good results in 2014, where we were able to cut planned outage overruns by more than half, with nine days on average compared to 20 days in 2013. This performance was not achieved at the detriment of safety indicators; in 2014 we were able to improve our results in safety, as demonstrated, for example, by the number of automatic reactor shutdowns compared to 2013, and we had record availability factor during the winter season, as we have, by the way, at the beginning of 2015.

We maintain the same target of 410 to 415 terawatt-hours of output for 2015, because we will have approximately the same number of days of planned outages as in 2014 and with some major challenges, such as a third ten-year visit for the first time on a 1,300 megawatt unit, at Paluel. So we maintain the same target range of 410 to 415 terawatt-hours.

Hydro power was in the average in terms of historical output, with 37.5 terawatt-hours, and 2013 was an exceptional year.

Moving now to the UK, unplanned outages of nuclear reactors have been the main driver of the 8.5% organic drop in EBITDA. The reactors at Heysham 1 and Hartlepool had to be stopped during the summer, starting in August, for detailed inspections The drop in nuclear output was limited to 4.2 terawatt-hours thanks to very good operating performance across the rest of the fleet, and we were able to partially offset the drop in EBITDA due to this loss of nuclear output during 2014. The units returned to service at the end of 2014 and the beginning of 2015 at reduced load, as explained during the last financial communication. We expect an increase in our nuclear output in 2015 compared to 2014, coming back to a higher level of nuclear output in the UK. The B2C segment displayed good performance in 2014, in spite of challenging weather, thanks to heavy IT investments in the past and an increase in the average number of customer accounts.

Regarding Italy, the underlying performance of Edison is good, at above plus 10% in EBITDA excluding non-recurring items due to gas contract renegotiations. This growth was obtained thanks to good performance in the electricity segment, on the back of favourable hydro conditions and good optimisation of the flexibility potential of Edison's thermal plants. The outcome of the last gas contract in Libya is expected during the first half of 2015.

Moving to the Other International segment, the majority of our activities are now located in Central Europe, as this segment no longer includes the consolidation of our US activities at CENG. Following on from the trend experienced during the first half of 2014, there is no miracle there; the performance is down 21.4%. Belgium experienced the most difficult situation, with a 64.5% drop in EBITDA due to the impact of continued lower margins in electricity and lower gas sales. We also suffered from the extended outage of nuclear reactors in Belgium, reactors in which we have an offtake for a share of the output. We faced falling prices and lower consumption in Poland, but this was partly offset by improved margins from green energy and support to CHP. Brazil continues to perform well thanks to favourable market conditions.

The overall performance in this Other International segment is balanced by the change in operating performance in the Other Activities segments, at 15% growth at constant scope and exchange rates. The growth in this segment continues to be driven by EDF Energies Nouvelles, thanks to a busy schedule in the activity of selling assets built by EDF Energies Nouvelles, now representing more than 36% of EDF EN's EBITDA. EDF EN continued to grow in the O&M activity in 2014, with close to 12 gigawatts under management as compared to 9 GW in 2013; this represents a small EBITDA number today, but it is a growing one since EBITDA doubled in 2014 compared to last year. EDF Trading also contributed positively to our results in 2014 thanks to the good performance of the North American activities.

The contribution from Dalkia this year is very small due to the fact that we included Dalkia for the first time for the last five months of 2014, which is not the winter season during which it has high activity, and also a small impact on our 2014 numbers due to PPA accounting that we had to record this year. However, the underlying trend at Dalkia in France is totally consistent with the business case we analysed at the time of the negotiation with Veolia.

This 7.3% in EBITDA growth does not translate into a positive cash flow effect, for two reasons: first of all because this year we had significant non-cash items booked in EBITDA, mainly linked to the unrealised trading margins at EDF Trading, which had strong activity at the end of the year. We believe that the normalised level for this line is approximately EUR 300 million lower than in 2014; 2013 was also not a normative year on this line. We also had to pay incremental income tax due to the fact that profitability was high in 2013, and that explains that our operating cash flow is down 7% compared to last year. Operating cash flow was EUR 11.7 billion, which is similar to the net capex we had in 2014, at close to EUR 12 billion, but we again had to record a negative working capital requirement during 2014 when we could have expected a positive one because of the climate effects, and because of the first positive effects from our rollout of the working capital optimisation plan launched a year ago. We had a negative working capital impact on cash flow this year, because the tariff catch-up was not invoiced in 2014, but also because we suffered from another imbalance in the CSPE mechanism of EUR 700 million.

We stabilised our overall CAPEX programme in 2014 compared to 2013 with an increase in the nuclear maintenance in France and in the network, even though the net effect of the working capital adjustment is close to zero, and with an increase for new nuclear in the UK. But overall, net investments are stable, without adding the Dalkia CAPEX, compared to last year.

Therefore, cash flow after net investment comes to negative EUR 1.4 billion, EUR 4 billion after dividend, but the comparison with 2013 is not very meaningful. You will remember that in 2013 we had cash inflow from the withdrawal of assets from the dedicated asset portfolio following our agreement with the French state on the CSPE, and we also had some asset disposals of EUR 08 billion.

We had minus EUR 4 billion in net cash flow, plus EUR 4 billion in hybrid debt during the year 2014, explaining that our debt is stable compared to last year, except for the FOREX effect. The FOREX effect has been partly mitigated by a reduction in the amounts of US Dollar and Sterling denominated debt we held before the Euro started to drop, but the net effect on the net debt is EUR 1 billion.

This concludes my presentation on the 2014 results, but I would now like to focus on our 2018 ambition. Our ambition, as we confirmed today, is to generate positive cash flow in 2018 post-dividend, excluding-Linky.

Let us first look at today's situation. We had a negative cash flow of EUR 4 billion in 2014, but a EUR 700 million deficit in CSPE which is not meant to be a recurring event; this mechanism has to be rebalanced, so this should not be a recurring decrease in EDF's cash flow for the forthcoming years. We also had non-normative, unrealised trading margins at EDF Trading, so I consider that the starting-point for our cash flow effort is EUR 3 billion; by the way, this is exactly the same number I gave last year, when I said that the starting-point was EUR 3 billion.

Our internal roadmap focuses on three levers beyond the need to tackle the CSPE issue. The first is EBITDA growth, taking into account the new market environment and the evolution of the regulatory environment, with risks on power prices and an upside on capacity markets. We will have to maximise our gross margin in this environment, at a time when green and yellow tariffs will disappear at the end of 2015, and we will also have to pursue our efforts to control our OPEX. We have been delivering cost savings for several years now, and I tried to show that at the beginning of my presentation. Our efforts to embed this imperative into our day-to-day operations are currently bearing fruit but they should be amplified in the coming years.

Regarding the working capital plan, we are building on our first achievements, starting modestly in France, but it is starting to be seen in trading activities and in Italy, and I can quantify the overall objective in terms of working capital effort as being able to deliver EUR 1.8 billion improvement over this period of time on a like-for-like basis. It will be evenly split between France and the international operations, and it will be delivered through strong management action, with new cash flow targets being assigned to each operational unit.

The last lever of our roadmap is controlling our net investments. There is nothing new there, except for the fact that in 2018 it will be a maximum of EUR 11 billion, which is slightly lower than the number I gave earlier. There is nothing new about the fact that we will reach our maximum CAPEX in 2015, and nothing new in the fact that we will finance our new development through asset sales, because today we have significant capital employed in non-strategic assets. We will, of course, be selective as regards new developments, as Mr Lévy said, and we will demonstrate our ability to maintain our CAPEX programme in this maximum amount. We will also have to leverage new ways of financing our growth, and the EDF-Amundi fund that we announced last year is a good example of what we can do in order to still deliver growth without increasing our CAPEX programme.

Finally, for those of you who remember, three and a half years ago I announced a medium term CAPEX trajectory. We were supposed to do EUR 14 billion in 2014, and we did EUR 2 billion less in 2014, at EUR 12 billion; contrary to what some people believed at that time, we demonstrated that we were able to optimise our CAPEX programme by cost reduction efforts but also by better optimisation of our work without, of course, damaging our growth prospects and also without damaging our industrial strategy in our activities, in terms of maintenance of the generation fleet and of the network.

This concludes my presentation.

Questions and Answers

From the floor, Mr Louis Boujard, Oddo

I have two questions, the first regarding ARENH. Could you comment on what you expect from 2015 regarding the ARENH price? The *Commission de Régulation de l'Energie* [the French Energy Regulator] mentioned that the price could be set at EUR 44 per megawatt-hour this year. What is your position on this matter, and do you think we could have further increases going forward? Is this increase included in your full-year 2015 guidance regarding EBITDA?

My second question concerns Areva, and it might be a bit tougher to answer, but it may be interesting to know your position regarding Areva in terms of your financing relationship with this company. Could we expect some new development in this field, and what is your target in terms of activities, if there are targets for you?

Jean-Bernard LÉVY

Regarding ARENH, we have requested that the ARENH calculation and formula should be revisited, and indeed a new decree has been prepared. The Regulator has established what should be our full nuclear cost, as the legislation requires them to do, and from this number they have set a scale of increases that should start from EUR 42 per MWh to EUR 44, then another EUR 2, and so on over time, in order to reach the requested ARENH target. This project is under review by the European Union at this stage, and we are expecting their feedback as soon as possible. Whether or not this is included in our EBITDA bracket is something for you to think about, as there are many potential ups and downs at the start of any year. We have our own views on what could happen this year, and when we put everything into our models, our guidance is zero to 3% increase in EBITDA this year, everything being equal.

Regarding Areva, today there is a strong willingness to improve cooperation which was shared by Philippe Varin [Areva's Chairman] and myself when we were appointed, and this has led to EDF and Areva creating three working groups to look at potential improvements in our efficiency in terms of how we work together in our three key areas of cooperation. One is on the fuel, the nuclear cycle. Another one is how we manage our current projects, such as Flamanville 3: how we can improve the EPR of Flamanville which is a prototype, this leads to a de-optimised solution over time, as lots of things change during the life of such a prototype build. The third one concerns the new products and how we can enhance them. These are the only matters that are under discussion between EDF and Areva today.

Therefore, there is no reality in the rumours about financial matters; the only thing we are looking at is improving our industrial efficiency, where there is a lot of room for improvement.

Mr Cosma Panzacchi, Sanford Bernstein

I have only two questions. The first one is regarding your international footprint. You have talked about being more selective and consistent in your international approach, and at the same time you have mentioned the possibility of monetising your existing assets. I wonder whether we will see a rationalisation of the current footprint of EDF in the international space, or whether we should expect a simplification of your current presence around the globe.

The second point is on CAPEX optimisation. You have also decreased the 2015 guidance for CAPEX compared to what you showed us last year, if I am not mistaken, and at the same time, looking at the different elements of CAPEX going forward, including the fact that you want to increase your market share in renewables and are launching Grand Carénage, I wonder how you will actually implement this CAPEX optimisation, given that a significant portion of this is also stuck in maintenance. Could you give us a little more colour on how you will optimise your CAPEX going forward?

Jean-Bernard LÉVY

I will answer your first question and Thomas will answer the second. Regarding the international footprint, we have rather dispersed assets, and I believe this is the result of EDF's history over the last 15 or 20 years. EDF, from being a purely French company, has developed outside and acquired assets in various areas, whether generation, distribution and services, has looked at various parts of the world and has also sold quite a lot of assets. A new Chairman and CEO lands on the EDF planet at the end of the day and asks what it looks like, and to me it does not look like a set of consistent assets in line with a clear strategy. Therefore, as part of Cap 2030, we will revisit what we want to do in the international area. We cannot invest in any investment just because it looks nice and we have to be selective according to a set of priorities, which have to be financial but also in line with certain strategies regarding our energy mix, our geographical priorities and a number of other things.

Therefore, this is being done right now; we are thinking how we can better use our asset base, and over time you will see that there will be disposals and acquisitions, and it will take several years to build a portfolio of assets which will be more aligned with the strategy. This is the major target which has been set to Simone [Rossi] and his team.

Thomas PIQUEMAL

Regarding CAPEX, the number we are indicating for 2015 is lower than the one we gave before, and this demonstrates that we are continuing our efforts to optimise our CAPEX programme. The way we will achieve this is by pursuing those efforts, but also, as I said before, because during this period of time we will complete significant CAPEX programmes, such as those we had in the French islands, where we invested more than EUR 2 billion, in Dunkirk, where the terminal will be completed in 2015, and some other examples. Therefore, as I said before, we anticipate that the peak of our CAPEX programme will be in 2015, after which it will be reduced, and new developments will be financed on a selective basis by asset sales, for which, of course, we have no urgency, but we will monetise at the best price and the best opportunity during this period of time.

Jean-Bernard LÉVY

I will just add something on Grand Carénage, which was part of your question. The head of the Nuclear Safety Authority has said, very rightly, that now is the time to study the programme, to have the generic changes made in order for the safety enhancements and the lifetime extension to be implemented, and this will take two or three years. It is only after these two or three years that we will have the ability to request, for each unit, the renovation programme that is part of Grand Carénage. Therefore, it is only at this time, after we have the generic decisions, and the decisions, one by one for each unit, that we will really implement the bulk of the Grand Carénage expenses. Right now, for the next two or three years, the Grand Carénage expenses will only be a very minimal part of our total CAPEX, as it will mainly consist of studies.

Mr Emmanuel Turpin, Morgan Stanley

The first question is to clarify the guidance for full-year 2015. The range of increase is not 2% or 3%, and I want to be sure I apply the right numbers. I get between 16.7 billion and 17.2 billion on the range. Is that correct? I believe that consensus expectations for ordinary net earnings, with that in mind, are about EUR 4.25 billion. Do you feel comfortable with that level of expectation?

Secondly, on D&A, the run rate that you produced in 2014 was in line with expectations. There are also expectations that there could be changes to the depreciation policy of the existing nuclear fleet, and we have not seen any news on that. Is that something which is still on the table, and how do you feel about the positive impact that would have on the earnings profile versus its negative effect on cash flow?

Thirdly, I am looking for more precision on CAPEX. Your guidance on CAPEX is very clear; the figures you gave us are for net CAPEX. Is this a good proxy for gross CAPEX, and have you already included some disposals in that number?

Finally, I could not help but notice that there has been a change to the discount rate for nuclear provisions, a slight decrease, and this is an ongoing question. I think you are in discussion with the authorities on how to set the correct formula for this current bond yield. First of all, what was the impact on the provisions? Is this debate now settled and do we have stability, or this still a discussion?

Thomas PIQUEMAL

Regarding the guidance, your maths are right; if you take the 2014 EBITDA number that we released, it is EUR 17.3 billion. You deduct the tariff catch-up of EUR 744 million and the full-year effect of Dalkia at approximately EUR 100 million compared to what we had in 2014, so we end up with EUR 16.7 billion, to which you apply a zero to 3% range, which leaves EUR 16.7 billion to EUR 17.2 billion, and you see that the high end of the range, which is 3%, is consistent with the market consensus.

You said that the depreciation change was consistent with the market consensus, and here I slightly disagree, because in the net income number that we announced in 2014, we are significantly above market consensus on a recurring basis, and in the market consensus some analysts were expecting that we would change the depreciation policy. Therefore, we are generating a much higher recurring net income than expected in 2014, without changing the depreciation policy for 2014. Jean-Bernard, I think there was a question on the evolution of the depreciation policy due to Grand Carénage.

Jean-Bernard LÉVY

We will look at the accounting impacts of Grand Carénage in 2015, as we have stated and written, and the Board will make the decisions in that respect. A decision has been made on Grand Carénage in principle, as you obviously noted, but there has been no translation on our balance sheet at this stage.

Thomas PIQUEMAL

Regarding the guidance on net CAPEX, it is net CAPEX, and this is mostly because of the renewable activity, where, as you know, we build a lot of assets, but we also sell some assets to monitor the net CAPEX effect year over year. This enables us to grow our renewable business and to use the significant platform that we have globally, but at the same time by not weighing too much on our net CAPEX profile. Therefore, gross CAPEX is mostly linked to our renewable activity, but with some minor disposals expected, though nothing strategic in this guidance. You might have seen that in our cash flow statement we have a separate line for strategic operations, and therefore the net CAPEX guidance we gave for 2015 does not include the strategic disposals.

Regarding the nuclear discount rate, we lowered the nuclear discount rate from 4.8% to 4.6% to reflect lower inflation expectations, so it has no impact on our nuclear liabilities. The good news on the nuclear discount rate is that we finalised our discussions with the French state on this discount mechanism. You know that we would have had to apply a ceiling on the discount rate that would have been much lower than what accounting principles enable us to do, and after several months of discussions with the French Government, we were able to obtain a change in this mechanism in order to lift this ceiling. I think that the decree will be released soon, so I can say that this is no longer an issue, as there will still be a ceiling, but the formula will enable us to use a long-term historical reference, whereas we were exposed to a short-term reference. I think this is much more consistent with what we see today on the markets.

Mrs Julie Arav, Kepler Cheuvreux

I have one question. What makes you so confident that the CSPE receivable will no longer impact your working capital variation? Can we have more colour on the state of your discussions with the Government? You seem to say that you want to share the financing of the renewable expansion, and unless I am wrong we have been hearing that since 2013. Can we have more colour on that?

Thomas PIQUEMAL

Regarding CSPE, we made a lot of progress in 2013 by having the French state recognise the receivable that we had on this mechanism, and also granting us indemnity for the cost of carrying this deficit. But the imbalance that we face this year is due to the fact that power prices are low. We buy renewable energy at one price but we sell it on the market at a lower price than anticipated. Due to the climate effect, also, volume sold is low, so CSPE collected is also low, so we need to resolve those imbalances. The gradual increase of EUR 3 per megawatt-hour will help achieve that, but there are other ideas in the evolution of this mechanism on CSPE and on which I cannot comment at this stage.

Jean-Bernard LÉVY

Regarding your question regarding the discussions on having basis for renewable energy funding, it is an important one which lies with the Government, and I have no doubt it will be dealt with as a consequence of the energy transition, because the framework for the development of renewable energies will then be very clearly set by this law. We expect that our voice will be heard and that some new mechanisms will be implemented to achieve what I described regarding who pays for renewable energy investment gaps.

Mr Vincent Ayral, Société Générale

I have a few questions. Firstly, I would like to follow up on expectations you would have for the earnings in 2015. It was not clear to me whether we could get any colour there versus the consensus. Another one concerns the impact on the world of USD 50 oil. We see the impacts for oil markets in the UK and in Italy, and I see that we had impairments in Belgium and Central Europe, for example. I was wondering if your expectations on these two specific divisions were kept unchanged.

I have another question which is potentially a bit trickier, on the regulation. The impact of these lower power prices could mean that fighting for tariffs is not enough in order to protect EDF's free cash flow in France. Do you expect a regulatory change in the coming years?

The last question concerns EDF's balance sheet. Fighting for tariffs is one thing, but regarding the other debt, you say that you will basically have control of the CAPEX but will fight for the life extension for Grand Carénage. Could we have some colour on this CAPEX programme in order to assess, on our side, the safety of EDF's dividend over the medium term? I think it is something which is key to market perception today.

Jean-Bernard LÉVY

I will answer on the change in regulation, and let Thomas answer a number of your other questions. Regarding the change in regulation, your question is very broad. Will the change in oil prices change the regulations in Europe, or France, or in one of our other key countries, in the long run? This is a good crystal ball question, and I am sorry to say that it is quite amazing that a lot of these regulations lead to paradoxes such as the shutting down of a lot of very new generation units, that wholesale prices are below cost for quite a long period of time, and other things like this. What will the Regulator do around this? We all have our inroads into Brussels' thinking, and it is difficult to guess whether there will be a change in things that usually take years and years before they are implemented. I am not aware that the new Commission, at this stage, is thinking of a total overhaul of its current regulation due to the current market conditions.

There are obviously areas where we know very well that things should be changed, such as the management of CO_2 certificates, for instance, which we believe should be enhanced. Will something happen or not? That is something we will all have to pray about and act on; pray and act, there is always a bit of both.

Thomas PIQUEMAL

Regarding earnings, because I forgot to answer the earlier question on the guidance, we do not give guidance on net income, as you know, but your question relates to my views on the market consensus. The market consensus today is at EUR 4.2 billion for 2015, but, for most of the analysts in the financial community, it includes a change in the depreciation policy from 40 to 50 years with a corresponding impact on the net income which is assumed by the market to be EUR 450 million of net income impact. Therefore, I will not make any further comments on whether there will be a change in the depreciation methodology, but if you consider that there is no change, then you have to deduct EUR 450 million from the market consensus, giving you the lower end of the range, which is 3.8 billion. Therefore, the range of the market consensus, as I analyse it, is between 3.8 billion, without changing depreciation policy, and 4.2 billion with a change in depreciation policy, and I can say today that I am comfortable with that range.

There was a question on Brent and the impact of lower oil prices. The impact is, of course, within the E&P activities of Edison, and the impact for us is to launch a detailed review of all our projects and all our costs in order to implement cost-cutting measures during the year 2015, and there is no impact on our accounts as of the end of 2014.

Mr Benjamin LEYRE, Exane

I have a couple of questions, the first one being related to your dividend in 2014. I wonder why you decided to be in the low end of your pay-out policy, given that you actually have a good debt level and a good trajectory in terms of bringing the dividend cover back in 2018. Why not actually increase your cash dividend?

The second question is on your 2018 guidance, or rather on your ambition. Can you please share with us more details on the trajectory regarding ARENH which you take into account, and the French wholesale price environment that you discount, as well as your gross CAPEX expectations, not just net CAPEX?

Jean-Bernard LÉVY

Regarding the dividend, in the current environment, and having taken everything into account, the company has decided, the Board has approved, and the AGM will very likely approve, for the dividend to remain flat. There have been a number of questions around what is going on in the market, and staying within the range of 55% to 65% is a guidance we want to keep. I think it is a pretty good performance if that leads to a flat dividend and a 58% pay-out ratio, and I think that this is what the company will implement.

Regarding the trajectory, maybe Thomas will want to say a few more words, but there are lots of inputs to these trajectories, and I am sure Thomas will do his best to answer you.

Thomas PIQUEMAL

Or not to answer, because, as you said, there are many numbers in your financial model, for reasons we can understand. However, I think I will answer by looking backwards, and by telling you that over the past years we have always delivered EBITDA growth, that we always delivered on our commitments. One can assume, looking forward, that we will also grow EBITDA through all the levers I explained briefly during my presentation. Therefore, we can assume that EBITDA will grow modestly, but it will grow, and assuming that we control our working capital and our CAPEX programme, we will deliver positive free cash flow in 2018 post-dividend.

I will not go beyond how we see the market and how we see the prices in France, for obvious reasons, how we see ARENH versus prices, what upside we take into account for the capacity market, etc. I will let you make your own assumptions on all of this, but our ambition, of course, is to continue to grow EBITDA regularly during the coming years in an environment that is, of course, moving.

This is the end of the analyst's presentation. Thank you very much for attending.

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