



**EDF**

**Annual results**

**Free translation from French**

**Thursday February 14, 2013**



## **Henri Proglio (Chairman & Chief Executive Officer of EDF)**

Good morning ladies and gentlemen. Thank you for being here. Welcome to this presentation of the EDF Group's 2012 results. These results, as I will explain in a little while, show that the Company has recorded further progress. I would like to congratulate all EDF teams that have achieved this performance. In my opinion, given the current environment, their hard work should be highlighted.

I am going to sum up the key events of 2012, the lessons we can draw from them and I would like to talk about the main challenges EDF will face in 2013 and the prospects the Group can offer. Thomas will discuss the figures in detail, naturally, and we will allow the necessary time for the Q&A session. I suppose that, given all the recent developments, you will have a lot of questions to ask us.

First of all, let us start with the key events of 2012 and the major focus for us in 2013. As you know, for 3 years, we have proven our capacity to solve, one by one, the main issues that were weighing on the future of EDF. Although I will not talk about them for too long, I would like to mention, in no particular order, the United States, Germany, the NOME law, Italy and a few other key issues. Of course I will not draw up an exhaustive list of such issues since you know them already.

2012 was no exception to the rule. As a result, our Company enjoys far greater visibility, even though in this respect, evidently, we still have a lot to do. In a demanding context, we have managed to post a good operational performance. And doing so was not all that easy.

In the nuclear business, several of our plants were closed down for maintenance longer than expected. This development alone explains why, despite the improvement in the quality and the efficiency of our facilities, there was a negative impact on nuclear output, and as you know, this forced us to review slightly downwards our output target. By contrast, investments allocated to upgrading our facilities have undeniably paid off, since the number of unplanned outages, as you will see in the details that we will obviously give you, remained at a 10-year low. We have successfully built a diversified energy mix, which is unique in the world, that enables to post an overall increase in the Group's total output that is close to 643 TWh.

Despite the 3.8% contraction in nuclear output in France for the reasons I've just mentioned, we exceeded our objectives in the United Kingdom, with an excellent performance by the British fleet up 7.5% to 60 TWh. Likewise, hydraulic production rose sharply, up 28.7% to 34.5 TWh. Bear in mind, in this respect, that EDF is the largest European hydraulic producer and this decarbonated energy resource is definitely a crucial component of our energy mix.

Lastly, I would like to underscore our noteworthy growth in renewable energies due to the remarkable performance of EDF Energies Nouvelles and remind you, or draw your attention to the fact that EDF Energies Nouvelles recorded an all-time high in 2012 with the commissioning in wind power and solar energy of an additional 1,550 MW installed capacity.

Furthermore, our investments totaled close to €12 billion, up 12%, including more than €8 billion in France. We allocated more than €3 billion to upgrading or developing our networks, up 13% from 2011. Investments in the maintenance of nuclear plants climbed 32% to €2.7 billion. For instance, we replaced 3 steam generators in 2012 and, to date, 21 steam generators have been renewed in our fleet as part of the program aimed at replacing major components. This proves, if need be, our commitment to press ahead with the development of EDF with high-quality industrial facilities to ensure the future of EDF — one France's greatest, if not the greatest, French industrial companies.

We carried out crucial transactions for the future of EDF during this period. Since we operate in a world facing constraints, in a sector facing strategic challenges, and in an industry in which the time frame is long, I believe that one should not forget to keep on pointing out this fact.

The funds generated by operations are, of course, the indispensable backbone that underpins investments. We need to combine a solid financial structure that will enable EDF to continue to play its industrial role with a financial dimension at the service of the industry. Several structuring transactions for the future of EDF have been successfully completed in early 2013 and to a quite large extent have improved visibility on our long-term prospects.

You all know about the issue of the Contribution to the Public Electricity Service (CSPE) that has been a ground for concern for us for several years. The fact that the French State has approved EDF's receivable due under the CSPE, of circa €5 billion, is an extremely important improvement in the Group's visibility and financial security. The fact that this receivable has been allocated to assets dedicated to dismantling nuclear plants means that maturities can be matched and, in exchange, has enabled us to withdraw €2.4 billion from these dedicated assets. €5 billion has been transferred into the dedicated assets fund, and €2.4 billion in assets have been withdrawn from the fund. This has very markedly improved the Group's financial situation since in combination with other achievements in the period, this transaction has lowered our debt by €2.4 billion very precisely, as a consequence of the agreement struck with the government, in comparison with the end of calendar year 2012, i.e. the financial statements we are presenting to you. Moreover, this enables us to post a 100% coverage rate of our long term nuclear obligations by the dedicated assets as early as 2013. In other words, as you know, well before the deadline of June 30, 2016, set by the law.

To be complete, I would like to emphasize the success met by our hybrid bond issue launched in January 2013, a few weeks ago, as it was oversubscribed four times, an excellent contribution to the funding of the major industrial projects being developed. Bear in mind that EDF is carrying out the two largest industrial worksites in France: the EPR in Flamanville, on the one hand; the methane tanker terminal in Dunkirk on the other hand.

Let us not forget that in 2012 we completed the takeover of Edison, and you know how important it is in our gas strategy. The positive renegotiation of gas contracts by Edison enabled the company to close the year under very good conditions.

Nor would I like to overlook the fact that more than 6,000 new employees were recruited in 2012, including 2,000 new jobs thereby created. Developing and renewing our staff's competencies, as I have always said, must be one of our top priorities. The best evidence to back this viewpoint is provided by the nuclear sector. To integrate the 1,570 people recruited in 2012, we imparted 2.7 million training hours, i.e. 40% more than 3 years ago. This is a major and demanding effort, it is a tough effort, but it is necessary in order to guarantee the future of our human resources and, thus, the Group's ability to maintain its position in its sector in the long term.

I will now sum up our 2012 key figures by skimming over the progress we achieved in 2012, despite a relatively tough environment, as you know.

First of all, sales grew by nearly 6% in organic terms. EBITDA topped €16 billion, up 7.7% including 4.6% at constant scope and exchange rates. Net income excluding non-recurring items rose 17%, while net income Group share climbed 5.3%. While at the same time the net debt/EBITDA ratio improved to 2.4x after taking into account the CSPE transaction that confirmed our financial solidity. Note that in this case also we are living up to our commitments since the objective we had set was to be under 2.5x. 2012 financial objectives were therefore delivered. 2012 has ended positively. We have delivered, as you can see, all our objectives. And, if the stock markets apparently are unable to

measure our Company's real value, in any event that is my interpretation, the proposal to pay a dividend of €1.25 per share, up 9%, in my opinion sends a strong sign of our confidence in the future.

Precisely, let's talk about the future. The challenges awaiting us are substantial, in fact absolutely critical. I will describe them in a moment. They are in line with the ambitious objectives we continue to post for 2013.

With respect to the financial aspect, we are aiming for EBITDA growth, excluding Edison, ranging between 0% and 3%. Edison in 2012 renegotiated its gas contracts in a positive manner. A second wave of price revisions is taking shape and we face higher earnings volatility between 2013 and 2014, simply for accounting reasons. I am certain that our renegotiations will lead to a positive outcome, but the impact on our financial statements will be staggered between 2013 and 2014. We will report back to you on this issue when these negotiations will have been definitively wrapped up. However, this is no problem for us and we remain totally confident about Edison's medium-term performance.

We also have an objective for our financial debt/EBITDA ratio, in other words our reference ratio, which is set at 2-2.5x. And our payout ratio will remain between 55% and 65% of net income excluding non-recurring items as you know, since we had made this commitment. Of course, I will meet up with you in late 2013 for a far more detailed review of the Group's financial performance in the medium term as 2013 promises overall to be tough. To meet our targets, we will have to manage ever more stringently our cost structure and this explains, in particular, the launch of our €1 billion savings plan that we have announced. Of course, Thomas will talk about it more in detail in a little while.

We have set at €12 billion the amount of net investments for the period. They are partly allocated to the maintenance of our plants, in particular nuclear plants, since we have an objective of lifting output up between 410 and 415 TWh while taking into account another busy planned outage program in 2013 with seven 10-year inspections scheduled.

Bear in mind that the fleet of French nuclear plants, on average, is 26 years old. This is relatively young in comparison with other existing nuclear fleets in the world. The quality of our fleet lies above all in the constant integration of technical improvements resulting from EDF's feedback from experience which, as you know, is the most developed in the world.

Nonetheless, we need to improve further our safety performances with an objective of continuing to operate our plants under perfect conditions. To renovate and modernize our industrial facilities, we are maintaining the program launched several years ago that has been accelerated in the last 3 years. This program will generate intense industrial activity in terms of studies, in the plants on our nuclear sites. It will consist in a challenge not only for the EDF Group, but also for the national, regional and local companies included in this action plan. This is a fantastic opportunity for France in terms of industrial activity and in terms of jobs. I may dare point out that the French nuclear sector, the only one to operate in a totally integrated model, is a major component of French industry with 6.1% of French industrial employment and sales of around €46 billion.

In the United Kingdom, our second domestic market, our ambition is to repeat the excellent performance recorded in 2012.

Lastly, in line with 2012, 6,000 employees will be recruited once again in 2013, and EDF will once more be a net generator of employment, with 2,000 new jobs. Whether from the financial aspect or from the competencies aspect, given the challenges that await us, being ready demands a perfect anticipation of our needs and we are determined to do so. Therefore, EDF will fulfill its financial and human resources ambitions and will deliver the performances in 2013, 2014 and 2015 you are entitled to expect from our Company.

In 2013 the first major challenge consists in the redefinition of the parameters of the economic and tariff equation that underlies all the uncertainties and debates under way about changes in the energy landscape, notably in the short term. This is a challenge we have particularly prepared for as we shall discuss later.

The second key challenge in 2013 of course relates to Nuclear New Build in the UK, a major industrial and financial challenge. We will need to make the right decision with regard to this issue.

#### First challenge: redefining the parameters of the economic equation

I am going to spend a few minutes on the changes taking place in the energy landscape, a debate currently under way in France, and an issue that obviously extends well beyond our borders. EDF is the only integrated operator that covers all segments and, by definition, is going to be a key player in said changes. As is the case for any issue affecting us, the industrial aspect and the financial aspect are intimately linked. Moreover, the important questions we will have to answer concern many stakeholders whose interests sometimes converge, but sometimes diverge, needless to say. One thing is certain, everybody agrees on the need to safeguard the environment and maintain France's energy independence. Naturally, nobody can call into question our leading and priority objective of producing safe, decarbonated, available and competitive energy. The debate under way about the energy transition, with the initial conclusions expected to be delivered in June 2013 will inevitably be complex, because its implications will inevitably affect all its equilibria. I would like to remind you that we boast a trump card: our model of an integrated energy player that enables us to have a broad viewpoint on the components of the tariff equation, in other words on the consumer's bill. Bear in mind that the high proportion of nuclear output in France's electricity alone enables prices to remain very competitive for retail consumers as well as for companies. This is a key asset for France's competitiveness even when the full cost of nuclear energy is taken into account. As you know it was estimated by France's audit agency ("*Cour des Comptes*") at €49.50 in January 2012.

At the end of the year the formula of the ARENH ("regulated access to historical nuclear energy") price must be established. It will enable us to converge towards this full cost according to the principle set out by the NOME law by 2015. As you can see, this is good news. In 2013, the NOME law, which had nearly been forgotten, will be talked about again.

Generally speaking, the equilibria of the tariff structure need to be overhauled, while ensuring that consumers' interests, whether retail or industrial consumers, are safeguarded as we have always pointed out.

The cancellation by France's Council of State ("*Conseil d'Etat*"), in November 2012 of distribution tariffs for the period 2009 – 2013, the so-called TURPE 3 (network access tariffs) for those in the know, proved that the calculation method of the notorious TURPE is not really adapted. As a result, we are now facing an inconsistency between the contractual reality that links ERDF with concession grantors and the pricing reality ERDF faces.

Consequently, we face a threefold challenge in 2013 in this respect. First, a pricing pattern needs to be defined with the government that can provide the sector as a whole and its players with visibility. Accordingly, the conditions under which the ARENH price may change in the future will have to be set out and we will have to overhaul ERDF's business model, i.e. in fact review the contractual model as a whole.

#### Second major challenge: the decision affecting nuclear energy in the United Kingdom

I shall give you a quick update on the state of progress of the Hinkley Point project, the first site involved in the decision to build new nuclear plants in Great Britain. I believe it can already be said

that the major progress achieved in 2012 is good news and I am not going to read out to you the entire list of successful development, as you can see it. I would particularly like to emphasize the fact that EDF received certification from the Safety Authority for both the organization of the project presented by EDF to build and operate the site and in December 2012, therefore very recently, certification of the design of the EPR.

We can commit ourselves in a responsible and definitive manner only if all the contractual, economic and profitability of our investment conditions are met. The decisive stage now hinges on the total agreement to be worked out with the British government relating to the “contract for difference”, i.e. the contract currently debated. I am going to sum up in a simpler manner: the contract that guarantees revenues recovered from guaranteed tariffs for the price of produced energy. Negotiations are of course under way, as you know. They are being carried out intensively. They will likely be completed by the end of the first quarter. Once this agreement reached and a guarantee of its acceptability by Brussels is obtained, because the European Union will have its word to say, we will be able to start looking for partners to support us with respect to the financial part as well as the industrial part of the project. And this approach will therefore, at that point in time, be extremely easier. In other words; it is only after that stage that we will be able to take a final decision.

Right now, all I can do is sum up by saying yes, we are interested in the new British nuclear program and we have in fact proven our interest, since we have already invested €490 million in the project. Yes, we would be a legitimate choice, in view of our presence and our position in this country. We are the first electricity and energy company, by far, in Great Britain. Yes, of course, we boast the best expertise in the world to bid for this project. However, no, we won't take such a decision without a formal guarantee of profitability for our investment, naturally out of respect for the major equilibria of EDF and for our shareholders.

As you have just seen, we will face major challenges in 2013. We have already dealt with similar ones with some success, while some had voiced skepticism about our capacity to cope with them.

With respect to the financial solidity of our Company since 2012, I would simply like to point your attention to the fact that we have significantly improved the Group's financial solidity since 2009. The Chart you can see highlights this point. In 3 years, our net income excluding non-recurring items has grown 16.7% and net debt has contracted 7.8% over the same period. I believe we do not have to fear any comparison with all the other players. I accordingly feel like simply telling you “trust us, don't worry”. We are all too highly aware of the responsibility we face to ensure that EDF, one of France's most superb companies, if not the most superb one, enjoys the success it deserves. EDF is a chance for France. We will continue in all confidence with the greatest determination to live up to such a challenge. I will now give the floor to Thomas for a breakdown of figures and results.

## 2012 results

### **Thomas Piquemal (Group Senior Executive Vice President, Finance)**

Good morning ladies and gentlemen. I am therefore going to present in detail our 2012 results. I will also talk to you about our 2013 outlook.

#### Key figures

I will begin with the key figures that Chairman Henri Proglio has just presented to you. I will briefly add a few comments.

- Sales: €72.7 billion, up 11.4%.
- EBITDA: €16.1 billion, up 7.7%.

These figures, at constant scope and exchange rates, came in up 5.8% and 4.6%, respectively.

- 4.6% growth in EBITDA, in the middle of the range we had given last year: EBITDA growth ranging between 4% and 6%.
- Net income, Group share increased 5.3%, restated for non-recurring items, growth came in at 16.9%. For the third straight year, the net income excluding non-recurring items posted two-digit growth. It was 11% in 2010, 13% in 2011 and 16.9% in 2012. Once again, the result exceeded our expectations since our guidance ranged between 5% and 10%.
- Net financial debt totaled €39.2 billion. This figure includes the result of the allocation of the CSPE receivable in the portfolio of dedicated assets and the concomitant withdrawal of €2.4 billion from assets. This €2.4 billion withdrawal has reduced the debt that came in pro forma at December 31, 2012 at €39.2 billion, i.e. a net debt/EBITDA ratio of 2.4x, lower also than the maximum we had set and that we had reached in fact on 30 June of 2.5x. I would also like to add that these figures do not comprise the hybrid bond issue of €6.2 billion. The debt/EBITDA ratio would be close to 2x if we were to include this issuance.

#### EBITDA growth

I am now going to break down these figures, starting with EBITDA growth. As I told you, at constant scope and exchange rates, it amounted to 4.6%. Scope and exchange rate effects had a positive impact of €463 million. Primarily, they consist in the first 100% consolidation as of May 31, 2012 of our Edison subsidiary and also a positive €142 million exchange rate effect on the pound sterling in the United Kingdom in additional EBITDA.

As you can see, the contribution made by France increased by €734 million, while Italy also rose by €137 million. The figure you can see here and the red color on the United Kingdom do not reflect the excellent operational performance of the United Kingdom in 2012. You will remember, as we had already explained earlier, this accounting effect dates from the acquisition of British Energy and the remeasurement of the opening balance sheet of British Energy. As a result, while the accounting effects were initially positive, this year these effects have been inversed and have a negative impact of €166 million on EDF Energy's results. All in all, as you will see later, the performance was very positive in 2012.

The Other segment declined by €159 million, mainly due to negative developments on the Continental European plate, the United States and Brazil, in comparison with 2011.

EBITDA rose 7.7%, increasing 4.6% at constant scope and exchange rates. This 7.7% increase was also reflected by a 7.6% increase in EBIT excluding non-recurring items but it dropped 2.4% when we include the non-recurring items I am going to explain in detail in a little while.

This growth in EBIT excluding non-recurring items was generated despite the increase in our amortisation/depreciation expenses and provisions, which increased €500 million compared with 2011, reflecting the Group's significant efforts in terms investment of investments.

EBIT contracted 2.4% to €8.245 billion, but net income rose 5.3%, mainly thanks to an improvement in the Group's financial result in 2012 in comparison with 2011. As you can see, this financial result dropped 11% to €3,362 million from €3.780 billion. While we had recognized in 2012 the income from the CSPE, i.e. recognized historical cost of carry until late 2012 of the cumulative deficit of the





CSPE receivable totaling €629 million. However, this line also includes the increase in discounting expenses related to the decline in our discount rates during 2012.

EDF's net income, Group share grew 5.3%, but restated for non-recurring items net of tax that totaled €900 million, it increased by 16.9%. So what are these non-recurring items net of tax? Some were already known at June 30, and worsened subsequently. Others are new in the second half of the year. First and foremost, they consist in the impairment of CENG, our asset in the United States. It consists in our minority stake in a fleet of nuclear plants from the "Constellation" joint venture of 2009. The impairment follows the deterioration in electricity prices due notably to the gas context in the United States that you know very well.

Likewise, once more, in 2012, we were forced to recognize an impairment on our line of investments, a depreciation of Alpiq's goodwill. Alpiq is a company listed in Switzerland in which the Group holds a 25% stake. This is a non-controlling stake and, once more, as I have told you, we had to recognize an expense in this line and we unfortunately quite passively take note at this stage of the deterioration in the situation. This amounts to €900 million, therefore, all in all in non-recurring items net of tax that account for the difference between net income excluding non-recurring items and net income, Group share.

#### Performance by country

Now, I am going to give you a detailed account of performance by country, beginning with France that post 8% organic growth.

##### 1) France

Up 8 % despite the decline in nuclear output, down 16 TWh, which therefore reduced profit margin by €635 million. As you can see, this was offset notably by the sharp rise in hydraulic production, up €357 million, mainly tariff effects on the TURPE, at ERDF: up around €300 million, and positive market price effects. Unlike what the + sign in front of 240 and the green color would suggest, this consists in the decline in market prices in 2012. This is because EDF is a net buyer in the market and EDF must also meet purchase obligations: when market prices declined, EDF's margin improved in comparison with 2011, and this enabled us to post an increase in our profit margin of €240 million.

In 2012, Opex was kept under control since it increased by only 3.1% against a backdrop, as I have previously pointed out, of substantial Group investments. We have invested substantially in the field of competencies and in our industrial facilities. We have also benefited from several long-term contracts under which we had to sell at lower prices than market prices, and this enabled us to increase our profit margin by €238 million. I will skip over other effects such as the end of the TaRTAM transition tariff mechanism, which has disappeared. I will simply mention the fact that we recovered in 2012, partially, an amount of €90 million, something I had talked about precisely one year ago, resulting from an adjustment in the TaRTAM process. As this mechanism has ended, I won't talk about it anymore.

I will now say a few words about the upstream/downstream electricity balance. As I have already stated, nuclear output, you can see it in the bottom left-hand side, at 405 TWh dropped by 16 TWh in year-on-year terms. This contraction was offset by a better performance of the hydraulic fleet thanks to a higher percentage of hydraulic energy than in 2011, but also, thanks to the good management of our hydraulic inventories in late 2011, as well as an increase in the thermal fleet and net purchases on the market up by 18 TWh.

On the right-hand side, we can see a few comments about changes. All in all, the volume increased by 13 TWh mostly thanks to the increase in volumes sold under the NOME law. These volumes



totaled 61 TWh, i.e. up by 30 TWh in comparison with the previous year since the mechanism operated for only 6 months in 2011.

Consumption grew by 7 TWh, primarily owing to weather effects that accounted for around 13 TWh. The remainder represents a change weather effects are restated for leap year effects, and other effects, consumption was relatively stable in the year for EDF.

Nuclear output dropped by 16 TWh. In comparison with 2011, there are positive and negative effects. Among the negative effects, I will mention the extensions of outages due to complementary controls, in particular on the most powerful series, i.e. on N4 reactors, the most powerful series of the fleet, as well as extensions of outages related to technical incidents, in particular in maintenance programs. Note that these maintenance programs have been constantly stepped up for several years. Conversely, the program is bearing fruit since once more, in 2012, the shortfall in production due to breakdowns in generics was extremely low in comparison with what the Group used to experience, notably in the early 2000s.

We also benefited from a slightly lower number of planned outages than in 2011 as well as a weather effect that led us in late 2011 to adjust slightly downwards nuclear output. All in all, it contracted by 16 TWh from the previous year.

Improvement areas of this output are well known. They consist in stepping up the control of our planned outages that means in particular by stabilizing the volume of pre-emptive maintenance outages without naturally calling into question the program of major investments and replacement of major components. We clearly saw once more in 2012 that it was absolutely key in terms of ensuring an absolutely remarkable nuclear performance. Nevertheless, we have definitely identified the areas of improvement, and this is why, although we have a busier program of planned outages in 2013 than in 2012, with seven 10-year inspections instead of 6, we have set a higher objective of nuclear output, ranging between 410 and 415 TWh in comparison with 405 in 2012.

So, as I have already stated, in 2012 we benefited from an increase in hydraulic output in all four quarters in comparison with 2011 that was a noticeably dry year. In fact, these curves are quite striking. The blue curve stands for hydraulic energy in 2011. You can see that it was lower than its average, while the red curve, which represents 2012, is definitely in line with historical averages. In this respect, I would like to add that early 2013, in any event the month of January suggests a good first quarter for water conditions.

## 2) The United Kingdom.

I also briefly mentioned in my introduction the performance as reported in our financial statements shows a 1.5% decline at constant scope and exchange rates. This is mainly due, as you can see her, on the 2nd line before the end, to the fair value adjustment of British Energy's initial balance sheet upon acquisition, i.e. the journal entries for the consolidation of British Energy in EDF's financial statements in 2008. Restated for these journal entries, the performance improved 7.5% simply because EDF Energy recorded in 2012 an absolutely increase in nuclear output, up to 60 TWh. This is the highest level of nuclear output in 7 years, and reflects the efforts made to improve production since the acquisition of British Energy in 2008.

The supply/demand electricity balance shows this point well, as you can see on the left-hand side part in light blue: 60 TWh means a 4 TWh increase in comparison with the previous year. However, you will also notice in the bottom left-hand side 6 TWh in fossil thermal power. Obviously, spreads were more favorable and enabled thermal power plants to be more often called upon. However, it was also thanks to a higher availability of our facilities in 2012 in comparison with 2011 that we could benefit from these positive market effects in the United Kingdom.

On the right-hand side, there are changes that do not require any comments apart from the structured sales that dropped by 8 TWh in compliance with the existing contract and the reconciling of a certain number of contracts.

### 3) Italy

In Italy, Edison announced its figures last week. I am not going to discuss them in a detailed manner. I will simply mention the fact that organic growth as reflected in our financial statements since we have recognized 100% of Edison only since May 2012. This 100% consolidation in the second quarter enabled us to recover 100% of the effect from the renegotiation of gas contracts, and this explains the good overall performance as a contribution for the Group: up 23% at constant scope and exchange rates in 2012. I would also like to take this opportunity to mention the fact, which you may have noticed in Edison's press release, that its net debt dropped by €1.3 billion in comparison with 2011 and the situation that prevailed before the agreement we reached with our partners. €1.3 billion is slightly more than the proceeds from the disposal of Edipower, whereas at June 30, I had told you that the reduction in debt was not going to be of this extent, in particular because of a negative change in working capital requirements. We are back to a normal situation, i.e. Edison's debt does reflect the gain on the disposal of Edipower, even though with regard to WCR, several initiatives are under way, notably with respect to settlement delays.

I will skim over Edison's supply/demand electricity balance that reflects to a marginal effect developments witnessed in the Italian electricity market, a market characterized by a decline in demand, an increase in renewable energy and, therefore, a tough year for everything in the middle, i.e. combined cycle gas plants. Fortunately, since the disposal of Edipower, we are less affected by this trend in the Italian market in 2012.

### 4) The Other International segment

With regard to the Other International segment, as I told you in my introduction, the performance declined 19.5% at constant consolidation scope and exchange rates, primarily because of negative trends in Poland: margins deteriorated due to fuel price increases as well as rather negative changes in the regulatory environment. In the United States, the decline in prices persisted and therefore led to a drop in the contribution made by this non-controlling stake that we have in the fleet of plants of the former "Constellation" joint-venture. This occurred despite the restructuring effort we have carried out in the other nuclear-related activities in the United States, notably UniStar.

In Brazil, comparing 2012 with 2011 is difficult and this explains the decline in our Brazilian operations. This is because in 2011 we benefited from absolutely remarkable performances stemming in particular from exports to neighboring countries. We also recorded a planned outage for maintenance, as I had already explained to you during the first half, but this naturally reduced production.

Conversely, in the segment of other activities, the performance improved by 4.7%. This was mainly thanks to EDF Énergies Nouvelles. In 2012, it installed capacity of more than 1,550 MW, a commissioning record. They consisted in gross commissioning before disposal of the fleet. And you can see that the EBITDA of Énergies Nouvelles grew by 20.6% in 2012 in comparison with 2011.

The 20% contraction in trading is in line with our budget. Here too, 2011 was marked by an absolutely remarkable performance, notably in the United States thanks to several weather effects during the year, in particular the summer of 2011.

That's what I had to say in terms of summarizing developments by country.

### Cash flow

EBITDA grew 7.7%, operating cash flow rose by nearly 20% before investment, and this reflects, as you can see on the second line of this table, the fact that EBITDA, in 2012, was reflected by higher cash flow thanks to a decline in non-cash items of EBITDA. This highlights the quality of the Group's EBITDA in 2012.

Net of investments, cash flow was €1.798 billion negative. However, I would like to focus on two points. The first is that this negative figure of €1.798 billion includes the increase in WCR related to the CSPE: €1.4 billion. This is water under the bridge, as you know, we have already discussed this issue. By consequence, if we eliminate this CSPE effect that will not occur again, we have a negative cash flow of €400 million. Moreover, this figure of €400 million includes the impact of the payment to Enel, to compensate its withdrawal from Flamanville 3, which amounted to €600 million because Enel had made us an advance payment that we reimbursed in 2012, i.e. €600 million. Those are the two major figures I insisted on highlighting in this negative cash flow. This shows that in the other aggregates, notably WCR, objectives were met, since cash flow, excluding the CSPE effect, was close to zero.

### Net investments

Net investments surged 12% due to a constant effort, in France, in the production fleet, in networks and also in development, in renewable energy for instance. As you can see in the United Kingdom there are several projects in the renewable sector as well as in development projects in nuclear power. Accordingly, all in all, we have nearly the same proportion of investments in regulated and unregulated activities in France, with also one-third of Group investments allocated to future development.

The negative cash flow of €1.8 billion is due to the reasons I have described and notably investments: CSPE and the withdrawal from Enel, dividends paid and the Edison transaction, this is the first time of the 100% consolidation of Edison's debt since previously the Group recognized only 50% of it. €3.3 billion also includes the cost of the takeover bid, around €900 million, since Edison was a listed company.

Those are the main factors that would explain an increase in our debt. However, conversely, in 2012, by taking into account the transaction we have announced, of allocating the CSPE receivable in 2013 to the dedicated assets and the concomitant withdrawal of €2.4 billion, the pro forma amortization and depreciation charges of this 2013 transaction is negative by €1.7 billion. In other words, we are withdrawing in net terms €1.7 billion from the portfolio of dedicated assets, and this enables us to post a pro forma net debt from this transaction of €39.2 billion at December 31, 2012.

By allocating this receivable as described, we will cover as soon as early 2013 100% of the provisions that, in accordance with regulations, have to be covered by the dedicated assets. As you can see here, the pro forma result from this allocation and the withdrawal for the portfolio of dedicated assets totals €20.1 billion, i.e. exactly the amount of provisions that have to be covered. I will take this opportunity to mention the excellent performance of the portfolio managed by EDF teams with a 12% increase in the value of this portfolio of shares and bonds during 2012, therefore all in all, in the portfolio of dedicated assets.

That is what I had to say about our 2012 results. They allow us to begin 2013 with increased financial flexibility. This is due to this allocation of the CSPE receivable, the agreement we also obtained on the recognition of this receivable, interest, the repayment schedule, thanks also to this withdrawal of our €2.4 billion in assets as well as the issuance of hybrid bonds.

## 2013 challenges

2013 is a year of major challenges, as Chairman Henri Proglio explained earlier, for the Group. I am going to review them very rapidly. I have drawn up a list here of four issues. I will explain them to you in detail, or rather I am going to try to explain them to you. I am not going to describe here what are our objectives aimed at meeting these challenges, nor am I about to describe how we have been working on these issues for several years already. What I will seek to do is focus on explaining these challenges well. Let me begin by looking at how the bill is built.

### The tariff equation

What is at stake here and what is the issue we are dealing with? It is how the tariff for electricity is calculated. I have broken down this tariff on the left-hand side here and what I compare it with on the right-hand side, the red curve, is the profile of our investments. The red curve represents maintenance investments in the production fleet in France. Let me say a quick word about the left-hand side in order to explain to you how the bill is broken down. A residential customer pays €143 per MWh. In this tariff of €143 per MWh, once we strip out taxes, CSPE, distribution, transportation, commercial costs, including in particular the cost of the energy efficiency process, once we have stripped out the form factor, i.e. what has to be bought on the market to cover consumption peaks, we are left with baseload output, i.e. 27% of the invoice. This baseload output, currently, is at €38 per MWh when compared with the invoice of €143 per MWh, i.e. less than 30%.

What is the issue we want to tackle, and on which we are working in 2013? The issue lies in this share of the baseload price, in other words 27%, or €38 which enables us to finance investments in the generation fleet in France. And when we compare movements for several years, those are the blue bars, you can see that the energy component of the tariff has been declining. Why? Because at constant data for the increase in the bill, taxes rise, the TURPE increases, the other components increase. What allows us to invest in the production fleet has declined over the period. This is EDF's tariff problem. We call this issue the tariff equation and it is one of the priorities we are working on in 2013.

### Set changes in the selling prices of our energy.

Second priority: increase visibility, notably via the ARENH formula, a formula that must in 2013 determine changes in the prices for selling energy to our competitors in accordance with the NOME law. I am not going to discuss this issue once more at length. I just wanted to mention once more that currently we are selling to our competitors at a price of €42 per MWh. This does not reflect the full cost of our production fleet that has been assessed in particular in the report of France's audit agency ("*Cour des Comptes*") at close to €50 per MWh. This is another priority we are setting, in other words working on the drafting of this decree in 2013.

### Improve visibility and consistency

The third priority consists in the challenges facing the distributor, and it is nothing new. I have already pointed out to you: the lack of consistency. I am referring to consistency with the contractual model of concession grantors, consistency with the pricing formula but also consistency with the accounting presentation. All these inconsistencies were highlighted by the decision handed down by France's Council of State ("*Conseil d'État*") to cancel TURPE 3, a decision that does not have an impact on our 2012 results, but a decision that emphasizes and clearly shows not only its complexity, but also its inconsistencies. Naturally, we have set as a priority, in the framework of the fourth period of regulation, TURPE 4, improving this visibility and this consistency.

### Carrying out a savings plan

The fourth major challenge depends only on us. It consists in implementing a €1 billion savings plan. This plan is not meant to be carried out in 5 years, nor is it a plan that requires a complete overhaul of all sorts of processes, or a complete reorganization. The calling into question of several processes was already begun in 2011, with the Synergy and Transformation plan that aimed in particular at using the Group effect and synergies within the Group thanks to the integration of foreign subsidiaries. No, that's not what I am referring to. I am talking about a plan aimed at reducing costs with an immediate effect as early as 2013 that covers our purchases primarily, but not only them. It will seek to lower by 5% the Group's procurement costs, operational expenses as well as investments, with joint initiatives on prices, specifications and volumes. It is to reduce by €1 billion all our costs, expenses and investments, as early as 2013. Meeting this target will enable us, as I told you earlier, to reach an objective of EBITDA growth ranging between 0% and 3% excluding Edison in 2013.

Precisely let me say a word about Edison. The company confirmed last week a normative profitability of its operations equivalent to its 2012 income, i.e. €1.1 billion in EBITDA. However, the volatility of Edison's income is linked to the schedule set for renegotiating gas contracts. We won our case in 2012, but have had to start another arbitration period on the same contracts. This arbitration period will probably end in 2014 and that is why, in our 2013 projections, we do not take into account the outcome of these arbitration decisions. However, you can see that the outcome of this arbitration process, in any event, the negative margin we post in 2013 at Edison, because of these gas contracts is higher than €600 million. So we have a negative margin of €600 million that will be carried over if we win our case, and we are confident in our capacity to present a convincing case in view of 2012 results. This is definitely a margin that will be carried over to 2014 and that does not change anything in Edison's normative profitability, as we have analyzed it, and in fact is in line with what we were expecting during the Edison transaction last year. By consequence, if I exclude these volatility factors, by returning to our internal forecasts, the 2013 foundation is €500 million for Edison. Our objectives, excluding Edison, excluding this volatility, for the rest of our activities is now EBITDA growth ranging between 0% and +3%. As I told you earlier, we are aiming for 3% notably thanks to the savings plan that we have launched with an immediate effect in 2013.

The net debt/EBITDA ratio will be in a range from 2 to 2.5x. As I told you, in view of the issue of hybrid bonds, we will be far closer to 2x than 2.5x. And, lastly, we have confirmed a payout ratio applied to the net income excluding non-recurring items between 55% and 65%. That is our 2013 guidance. Given the major challenges I have mentioned, you will understand why at this stage, I am not going beyond 2013, but I will meet you again in late 2013 to give you new prospects extended to 2015. These prospects allow us to renew with our ambitions, as I told you in our latest conference call in the fourth quarter of 2012. Once again, I will describe to you in detail these prospects in late 2013.

Thank you for your attention.

## Q&A session

### **Henri Proglio**

Well, ladies and gentlemen in the room, you have the floor.

### **Michel Debs (Crédit Suisse)**

Good morning, ladies and gentlemen, Chairman and Vice President. I would have three questions if you don't mind. The first is on the change in EBITDA in 2011-2012 in France. There are two ERDF impacts, you singled out, on the one hand, the tariff impact and, on the other hand, there is a quarter of billion euros that is called ERDF. Could you just explain how you have divided the impact on ERDF? Second question: could we talk more about Edison, to understand what you expect with regard to the contribution to EBITDA by Edison in 2013? And could you also describe the manner in which you structure the renegotiation of contracts. And I have a third question about the dividend. This year you have decided to offer investors the possibility to opt for a payment in shares. Will that be a recurring component of the dividend in the future? Thank you.

**Thomas Piquemal**

Well, for ERDF, as I told you earlier, we have a positive effect from TURPE of €298 million, as is said in the slide and another effect of €253 million due to several factors. I will mention a few of them, notably the rise in the connection activity, which weighs slightly less than €200 million. Pursuant to the NOME law, ERDF has won the right to be able to invoice part of the connections notably for renewable energies, and this leads to an increase in the contribution of this activity. That's a first effect. The second effect is that the decline in market prices has lowered the cost of purchasing ERDF's network losses. Those are the explanations for this "other" figure. At ERDF, obviously, I don't need to tell you that the performance is also related to the keeping in check of Opex that precisely enables the distributor to post these EBITDA growth rates.

For Edison, conservatively, we have drawn on €500 million in our internal forecasts. As I told you, that is the basis for the 2013 guidance. This €500 million does not reflect the firm's intrinsic performance of €1.1 billion and, as I showed you earlier, does not reflect the fact that, from our viewpoint, it is not normal to sell gas at a loss on the markets. In any event, when we read our contracts, that is not planned. We need to post a normal margin. When your margin is negative, that is not normal. When you lose more than €600 million by selling gas on the market, that is not normal. This is why we consider that €500 million is not a normative performance. By contrast, conservatively, that is the figure we have drawn upon in our forecasts for 2013. Obviously, 2014 will witness a substantial increase in Edison's results if we win our case in the arbitration process.

Lastly, your third question. I would like to, if you don't mind, specify the option that is left to our shareholders for the payment of the dividend in shares. This option covers €0.10 per share. You will have undoubtedly noticed that this entails an increase in our dividend proposed to the Shareholders' Meeting from €1.15 to €1.25. By consequence, the option left to our shareholders to take the payment of the dividend in shares covers €0.10 per share. This means that the €1.15 will, if the shareholders approve the proposal in their General Meeting, be paid in cash. The €0.10 increase will also be in cash, if shareholders chose this option, or in shares, for those who will take it in shares.

**Emmanuel Turpin (Morgan Stanley)**

Good morning. I have three questions. With respect to your "Spark" program you mentioned that there was a cost-saving component and a Capex component, could you give us an approximate estimate of the split between Opex and Capex? Second, could you help us bridge from your EBITDA guidance to your net recurring income guidance for 2013? There was a large CSPE item that is not set to be recurring and, therefore, will disappear. I suppose that we must expect increases in amortization and depreciation. Could you talk to us about changes in financial expenses? Several movements are expected this year. And, third, once you have helped us cross this bridge to net recurring income, could you talk to us again about the dividend? You have a policy that has set a payout ratio of between 55% and 65%. You are at the bottom end of this range in 2012. You do not have a message in terms of absolute value. In all likelihood, a decline in net recurring income can be





expected. Can you pledge that you will keep the dividend at least flat in terms of absolute value? Thank you.

### **Thomas Piquemal**

Well, with regard to the program that effectively affects Opex and Capex, I think it is reasonable to assume a 40%-60% split between Opex and Capex in accordance with the breakdown of purchases in the Group. As I stated, we are aiming at reducing all purchases by 5%, and therefore we are talking about total purchases. Well, next, you are asking me to give you a detailed breakdown of the 2013 result. I will simply tell you that effectively the income from CSPE, €629 million, was a significant gain in 2012 and offset the cost of carry of this deficit built up over several years, but also had a huge impact in 2012. However, it is true that we have booked €400 million net of tax.

We have also negative effects from the decline in the discount rate. I am not going to give you details about my forward-looking 2013 income projection. I will simply tell you that I am comfortable with the consensus net income forecast using the average estimates of the analysts who follow us.

As for dividends, you have noticed that we are in the range for 2012. And if you apply the range to 2013, you will obtain, by applying 65% to net income excluding non-recurring items, a dividend of €1.15 per share. I will not make any additional comment. We have committed ourselves to a range of 55-65% of net income excluding non-recurring items. I believe that 2012 has shown that we are sticking to it. In fact, our payout ratio was 60% for 2011. We have cut it to 55% for 2012. We are in the range. That's what matters.

### **Ann MacLachlan (Platts Nucleonics Week)**

I have three questions. The first is: have you set an availability rate for your nuclear plants, either for next year or another year in the future? Or have you dropped the idea of an availability objective? Could you give us figures? The second question relates to the possible granting of a guarantee of loans by the British government for the Hinkley Point project, as was reported in the British press this week notably in order to attract additional investors for this project, if it is carried out. Do you believe that such a guarantee would be mandatory or desirable? And if you can obtain it, how large would you want this guarantee to be? My third question is a request for a precision about the withdrawal of dedicated assets, i.e. the €2.4 billion you talked about. That is the same amount as RTE's contribution, but, if I've understood you well, RTE's assets remain in dedicated assets. Could you just tell us precisely which assets have been withdrawn? Thank you.

### **Henri Proglie**

With respect to omissions in the field of nuclear output, of course we have a mix of objectives, in any event of parameters we want to keep in mind. There is an objective for the availability factor, of course, as it should improve in 2013 after sagging in 2012 because of slightly delayed outages. However, and is what matters the most for us, we have the winter availability factor that is, let me repeat myself, far more significant for us. We were at 91.6% for the 2011-2012 winter availability factor. I can inform you that in January we are already at 92.5%. By consequence, we have an ambitious objective for our winter availability factor, although we are not going to throw away the thermometer of the average availability factor that remains a reference, but is less significant and in any event less relevant for our own operational staff. Furthermore, we combine these factors with other tools, because a factor is fine, but nuclear output is also something important. You know by how much it declined in 2012 and a rebound is expected. I mentioned earlier the reference. We have



projected an increase in nuclear output in 2013, despite the seven 10-year inspections that are scheduled.

I will let Thomas answer your question about Great Britain as he will be able to give more precise information about the issue of the guarantee. Notwithstanding, as I said earlier, the British issue is absolutely fundamental in terms of the decisions to be taken in 2013. We are holding talks and negotiating with the British government. And the outcome of these talks and the negotiation of the contract obviously will determine our decision and of course, a decision will be taken by EDF in view of the terms and conditions of the contract, expected returns and industrial and financial considerations. I feel perfectly comfortable with the possibility that we might have to find partners. We have already received proposals, but we are waiting to have a far clearer vision of the contractual clauses before meeting these potential partners because in the current period it would be inefficient to hold talks with them without having the required information that is still being negotiated. 3 or 4 years ago, the situation was different. We were starting from scratch and looking at a prospect. Now, we are on the eve of defining decision-determining parameters and therefore it is more reasonable to wait until we know more about these parameters before looking for, or accepting to meet potential partners, some of whom, as I already said, have already voiced their interest.

Thomas, perhaps you may want to give additional information about the financing of the project.

#### **Thomas Piquemal**

Yes I have a few things to say about the financing. In fact, I believe you are referring to the possibility of benefiting from the financing of infrastructure facilities, as proposed by the British government. Admittedly this is an important possibility, for a project such as the Hinkley Point project. However, at this stage, it is absolutely too early for us to make the slightest comment about the financing structure, since the key issue, as Chairman Henri Proglio said, is the contractual environment, the finalization of these negotiations on the contract. Once that is wrapped up, that we will know the price component of this contract, but also its main contractual clauses, we will be able to finalize our financing structure, look for partners and the infrastructure debt and the possible guarantee planned in the British program may be a part of our financing structure, I insist could be a part of it. Once again, we are studying this model, but for the time being it is too early to make any further comment on this issue.

You also asked a question about RTE and the dedicated assets. They nearly total the value of RTE, that is true, the net book value of RTE since RTE's 50% share is recognized in dedicated assets for its net book value shares. Well, in the fund of dedicated assets, as I showed you earlier, we have €20 billion. By consequence, all in all, in the fund we have €2.4 billion of RTE, €4.9 billion of CSPE receivable, and the balance is invested mainly, and without any great secrete or miracle, in shares and bonds. What has been important for us since 2010 has been to create within this portfolio an infrastructure sub-segment, this infrastructure portfolio. We consider that infrastructure assets owing to their lower risk than other asset classes and their greater visibility on profitability, are an asset class that perfectly matches the liabilities we are meant to finance and hedge, as they are very long-term liabilities.

We therefore got the Board of Directors to approve the allocation of 20% of of the dedicated assets fund in infrastructure assets. 20% of €20 billion makes €4 billion. You can accordingly see that RTE shares that weigh €2.4 billion fit in well in this "infrastructure" sub-segment, this infrastructure sub-portfolio that we have therefore set up. In fact, we have been picked by Total, under an exclusivity period, to acquire possibly a stake in TIGF, i.e. the gas transportation and storage network in southern France, with our partners from Singapore fund GIC, and Snam, an Italian company. If we make this investment, it will naturally fit in within this sub-segment, this infrastructure sub-portfolio

of the dedicated assets fund. By consequence, this allocation of CSPE receivable has nothing to do with this sub-portfolio of dedicated assets dedicated to the infrastructure, and has nothing to do with RTE that is in this fund because it is a fantastic infrastructure asset, undoubtedly one of the most superb infrastructure assets in France currently.

**Henri Proglia**

Question 4 and then will we resume the Q&A session.

**Ariane Mahler (Tradewinds Global Investors)**

Well, I have just one question about Capex. You had given guidance in the past for 2013, 2014 and 2015. What can you tell us today about the major components, perhaps not for Hinkley Point, but Énergies Nouvelles, ERDF, etc.? Thank you.

**Henri Proglia**

With respect to Capex, we said €12 billion in investments in 2013. Thomas, what about the breakdown?

**Thomas Piquemal**

The breakdown remains nearly unchanged. Simply let me point out that this figure of €12 billion, is a lower figure than the one I gave in July 2011, i.e. €13 billion in 2013. This figure is also net of disposals. I would simply like to remind you that every year, we have an amount of disposals that we carry out on tangible assets a few real estate assets and financial assets. For instance, in 2012, we sold our Exelon shares.

For the rest, we have more or less the same major investment categories with, in the field of development, still €1 billion in net investments. There we are talking of €2 billion because it is gross Capex before any asset disposals. I would like to highlight the huge efforts achieved by EDF Énergies Nouvelles teams in 2012 that will likely be repeated to a lesser extent in view of the current market. However, in 2012, efforts were made in particular to develop assets and sell them. This enabled us, as you can see there, to invest around €2 billion in gross terms and install around 1,550<sup>1</sup> MW in gross capacity. Notwithstanding, in net terms, the sum is nearly half. In 2012, we had around €1.1 billion in net investments. In 2013, this figure will be approximately €1 billion. Nevertheless, all this will be done without slowing down our pace of development, a sustained pace thanks to the quality of the developments achieved by EDF Énergies Nouvelles. Accordingly, we still have the same priorities, and still the same figure, i.e. €12 billion, notably and once again thanks to the unchanged volume of asset disposals of around €1 billion in 2013.

**Henri Proglia**

To be more specific, the strategy of EDF Énergies Nouvelles in this high-growth business line, i.e. the segment of renewable energies, depends first of all on having competencies and expertise as well as feedback from experience in the development of production fleets and the management of these fleets. And, fundamentally, the rest consists in asset management. We can be at the origin of the development of a project, carry it out successfully and subsequently sell its ownership while keeping the delegated management of its industrial assets. At the end of the day, that is the approach of EDF

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<sup>1</sup> Gross installed capacity: commissioning excluding sale of assets. Installed capacity: corresponding to EDF Énergies Nouvelles' stake.

EN that is to optimize the development of new production capacity in new energies more or less everywhere in the world, where these projects are meaningful from an industrial and economic viewpoint, to develop them and possibly, afterward sell its ownership in terms of financial assets and keep the delegated management and thereby optimizing all the components, whether industrial, technical, financial or services that are the fundamental components of our competency and our expertise and the integration with EDF is perfectly achieved.

**Ariane MAHLER (Tradewinds Global Investors)**

For ERDF and with respect to Capex in the next few years, is it planned to increase? What can you tell us today?

**Thomas Piquemal**

With regard to ERDF, net investments excluding Linky have increased by more than 10% in 2012, with a specific effort aimed at improving the quality of the network. We also forecast an increase in 2013. Now, looking beyond 2013, unfortunately, at this stage, I will not give you new figures about the trend in Capex, I will meet you at the end of the year to do so. As I told you earlier, the distributor's model is under review. Work is under way on the equation and the tariff formula that deals with contractual relations to some extent. You will easily understand that in view of this context, I can hardly give specific figures for 2013. However, the investment effort was very sustained in 2012. And you can see in fact that these constant efforts made by the Company show a significant improvement in net income excluding non-recurring items since 2009, because ERDF was loss -making in 2009. It posted net income excluding non-recurring items of €800 million in 2012 with a constant increase throughout the year and, therefore, yes, we will press ahead with our investment efforts, but performance is in line and will continue, but within the framework of renewed discussions about several crucial parameters of ERDF's economic equation.

**Henri Proglio**

Looking beyond the economic and financial equation, there is the quality of the service provided that is continuously improving. The outage time rate has plummeted during the last three years and I would like to congratulate all ERDF teams. I believe this performance should even be highlighted. We are the benchmark public service operator and the Group's strategy is to remain loyal to its public service values. And ERDF makes a contribution to this strategy, just like all the Group's other entities, be it in the upstream part of the value chain, in the generation business, or in the downstream part in the supply and trading part, and on the networks. And, secondly, one of the challenges we face also consists in providing France with a flexible and efficient tool, notably via its integration of alternative energies that, as you know, are giving rise to problems more or less everywhere in the world although, in our case, everything seems to be going very, very well. By consequence, basically, all of this inconsistent and integrated within an overall vision. These are extremely important issues in terms of quality of service and efficiency of the system. The figures reflect significant improvements in financial and economic performance, as we saw earlier, while at the same time our industrial and services performance is steadily improving. Therefore, the two go hand in hand and this point must be emphasized. We are going to continue in this direction. Obviously, we will not disclose specific information with respect to the figures as long as we are negotiating the new contractual model. You can easily understand that. We can merely make commitments about a slope in results, but without saying much more at this stage. We will meet again, of course, in all transparency, as soon as the new conditions have been decided.

**Thomas Piquemal**

I will now field a few questions from the Internet, if you don't mind.

## Questions from the Internet

**Thomas Piquemal**

The first question is from **Myriam Cohen from Alpha Value**. Could I specify whether the €1 billion in savings in 2013 will include or not the renegotiation of Edison's gas contracts?

My answer is no. These are €1 billion in savings that have nothing to do with the renegotiation of the gas contracts.

A question about the hybrid bond from **Andrew Mead from Goldman Sachs**. How are we going to use in the short term the €6 billion in hybrid bonds that we have recently issued? Does the payout ratio of 55-65% apply to net income before or after the hybrid?

The issuance of the €6 billion hybrid bond will be dedicated to refinancing EDF's debt. We have what I would say is a conventional issuance program, with respect to 2013 and 2014. It will be slightly more substantial in fact in 2014 than in 2013. In these two years financing requirements will be larger than in 2010 and 2011 because of the significant acquisitions that had been made by the Group in 2008 and 2009, as they were partly refinanced with a 5-year maturity. This is why we need to refinance a slightly higher amount of debt in 2013 – 2014 and this hybrid issuance, the liquidity generated by this hybrid bond, will be part of this refinancing. The question was: are we going to use this money to buy back debt? As I said, it will be used for refinancing purposes.

The payout ratio of 55-65% applies to net income excluding non-recurring items. The hybrid bond is classified under IFRS in equity. The cost of the hybrid bond is therefore recognized in equity, it will not lower the Company's results and, therefore, will not be included in net income excluding non-recurring items. Therefore, I can confirm that the payout ratio of 55-65% applies of course to net recurrent income, under IFRS, and is not restated.

Question from **Andrew Moulder from CreditSights** about Edison. Edison hasH already renegotiated its contracts with ENI and Rasgas. Will these contracts have to be negotiated once more? And are these renegotiations expected to be finished in 2013?

Well, my answer is yes, these contracts have to be renegotiated once more since the favorable arbitration rulings –it was not as such renegotiations- obtained by the Edison group were related to purchases periods ending 2012, notably in September 2012. This is the reason why another arbitration period has to begin for the new period of gas purchases and we will probably know the outcome in 2014 rather than in 2013, except if we manage to reach an agreement in 2013. However, conservatively, as I told you earlier, we are not including this positive outcome in our 2013 EBITDA forecast.

Question from **Sofia Savantidou (Citi)** about the opinion of the regulator and the auditors on the allocation of the CSPE receivable, RTE and other assets in the portfolio of dedicated assets and, in particular, the fact that they are not liquid.

Well RTE is an infrastructure asset, and I am not going to talk again about the reasons that led us to allocate 50% of it and obtain the authorizations that enabled us to allocate 50% in the fund of

dedicated assets. You cannot say that the CSPE is not a liquid asset, on the contrary: we have a 2018 repayment schedule, we have a debtor, we have an interest. It is a liquid asset. And that is precisely the reason why the regulator granted us the authorization to allocate it to the portfolio of dedicated assets.

Question from **Rodolphe Ranouilh from RBS**: do we intend to centralize all the financing of Edison at EDF Group level?

Edison benefits from the total support of the EDF Group, in particular in the field of financing, but not only with respect to financing. Next, naturally we do not intend to break off our relations with our major Italian financial partners. We will respect those two objectives.

**Henri Proglie**

On the contrary, we have even associated them with Group operations.

**Thomas Piquemal**

Thus, it is definitely by respecting these two objectives that we will cover Edison's borrowing requirements and naturally at the lowest cost for the Group. You can easily see that this tends to entail centralization.

In-depth questions about the Group's financing from **Ritesh Batarh from Amber Research India** about our credit lines. Do we feel at ease with our available credit lines?

Well, yes, we feel comfortable with our available credit lines. We have €9 billion in available credit lines, including €4 billion from syndicated loans, and I consider that such visibility is absolutely sufficient for the Group.

Second question: do we intend to tap the hybrid bond market again?

Well not in 2013. Conversely, as I said during the placement of the hybrid, I believe that the hybrid bond is a financing product that is perfectly adapted to the EDF Group. As the Chairman stated earlier, these will pave the way for the Group's future earnings growth, but it needs to be financed during a quite long period without generating EBITDA. By consequence, the hybrid is perfectly adapted to this pace of investments and that is not a one off issue that we carried out to meet whatever objective in 2013. It is a tool in our financial toolbox.

## Questions from the room

**Blanca Riemer (MergerMarkets)**

Yes good morning. You have shown the improvement in the financial situation of EDF since 2009. However, your debt remains high. Are you considering the divestments of industrial assets or other initiatives for the future? Thank you.

**Henri Proglie**

Our debt remains high? We had said that we felt comfortable with a level of debt, where we will not exceed 2.5x EBITDA. This ratio is absolutely suitable and very prudent, in our opinion, for an activity of this type. We have done better than that. We will continue to maintain a financial policy that is prudent while, at the same time, does not bog down the Group, that is what we have repeatedly stated. We have kept the same commitments. By consequence, we do not feel that we are in a situation where we have no choice but to sell assets. Next, there is a normal asset rotation process, i.e. throughout the last three years we have carried out asset disposals, and some were opportunistic. Nobody is complaining about the disposal of the UK networks, and nobody is complaining any more now about the disposal of our German equity holding.

We have shown that as soon as it met a strategic ambition, i.e. the control of operations and the Group's development, we were capable of doing so. However, at the same time, we are not under pressure. Accordingly, and as we reminded you earlier, with respect to strategies in renewable energy, we have this constant need to rotate assets by making divestments as this activity develops. By consequence, we will continue to carry out divestments when relevant, we are not under any constraint, as Thomas was just pointing out, to make divestments to justify claims that we should be deleveraging the Group that would allegedly be under pressure because of a strained financial situation.

That's the answer we can give you. Consequently, we feel quite comfortable when you have the Group's ratios and situation. We have further strengthened the Group's financial situation recently with the hybrid, as we pointed out earlier. There you are, the Group is now in a more solid financial situation than it has ever been, thanks notably to its operational performances, and that is the crucial reason and I said earlier I have to voice my gratitude to all the employees of the Group that have made this possible. I believe that this collective effort has been extremely important in what was not a simple period. And we will continue to improve operational performances at the same time as we will press ahead with both an ambitious strategy and a financial policy that is both prudent and rational. That is what I can say, we do not have any specific constraint in this respect.

### **Benjamin Leyre (Exane)**

I have 3 questions. The first one is about Edison. Could you shed light on the underlying assumptions with regard to EBITDA rising in the medium term to €1.1 billion? Is that to be understood at noticeably stable electricity prices in Italy? Or does this include a possible decline in electricity prices in Italy? My second question is about the costs of so-called "white certificates" (energy saving certificate) in France as there are quite stringent proposals promote further energy efficiency ambitions in France. What is the cost currently for EDF in 2012 and what changes do you expect in these costs of white certificates? My third question is as follows: can you update us about the situation in Egypt and on payment delays in the upstream sector? Thank you.

### **Thomas Piquemal**

Well, you have to realize that Edison is far less affected by electricity prices than before since we have sold Edipower. What is really hurting Edison's profitability is our capacity to post a margin of more than zero in gas activities. Edison also benefits from a renewable energy activity that makes a contribution of around €100 million to EBITDA and also benefits from an exploration & production activity that also contributes to Group EBITDA. I cannot say that in 2012, except for hydro and the ancillary services paid by the network operators, the power segment, made a contribution to our earnings. By consequence, the main factor to take into account with respect to the €1.1 billion is our

capacity to no longer sell gas at a loss in Italy. We have demonstrated in 2012 that we were capable of winning our cases in two major arbitrations for the Group.

**Henri Proglio**

Plus a renegotiation

**Thomas Piquemal**

Precisely. We had renegotiated Gazprom in the previous year. That is what is at stake and is why we feel confident, provided naturally that we win our arbitration cases, with a level of normative profitability of at least €1.1 billion.

As for the energy savings certificates, I will not disclose the cost. I know it because it is quite significant, but I will not disclose the cost of these certificates because EDF produces close to 90% of them. And quite simply the Group is lobbying very proactively to present several proposals to ensure that these substantial financial resources are allocated to increasingly efficient processes above all in the field of energy efficiency. And the Group is presenting these proposals in the current debates to make sure that this significant cost for the Group be dedicated to a more efficient system. This important cost, which is included in the commercial costs I was talking about earlier, is in fact increasing, while the commercial costs that can be covered by the selling price are stable, and these costs are contributing to the shortfall, in any event the difference between needs resulting from our investment policy and resources because of this tariff component that, in turn has remained stable. Therefore, we are very proactive in these debates and are making proposals aimed at improving energy efficiency, but with more efficient processes as well, notably in terms of costs.

Lastly, with respect to Egypt, you are right to ask the question because effectively payment delays, at least in the case of the receivable we hold on our Egyptian customer, is significant at Edison. We have obtained an agreement in 2012, under which they have planned a payment schedule. That is obviously very good news and is the reason why we are more optimistic on that aspect than we were one year ago. That's what I can say at this stage about payment delays in the upstream sector in Egypt.

**Elisabeth Salles (Enerpress)**

You have said that one of the challenges in 2013 would be the economic equation of energy transition, and that you were going to get involved in the matter. Could you tell us more about that? On the other hand, you have given up the project to build gas storage facilities in southwestern France. If you take over TIGF would that not nevertheless have been useful? And I have a last question: are you trying to get shale gas permits in the world?

**Henri Proglio**

Well, when I talk about energy transition, I am covering two issues. Obviously, the first concerns our participation in the debate and it is evident that we are extremely present, as is easily understandable. We have things to say, in any events we have proposals. And our involvement will be significant both at a national level and at a regional level. We are strongly anchored locally and therefore our participation will obviously be very significant via all our employees on these themes. Perhaps, in fact, by the way we might have a few original ideas that we can propose. Furthermore, there is the secondary issue, if I dare say so in this room, although it is of course not totally secondary, of the economic equations in the French perimeter and tariff equations and, therefore, discussions about the general economy, in other words the tariff equation, and you have seen that as soon as you start talking about tariffs, everything becomes slightly complex since it consists in, for



the people concerned, i.e. our customers whom we are not forgetting after all, of an integrated tariff that combines with prices and energy costs, the cost of networks, of distribution and transportation and, furthermore, several taxes including the well-known CSPE that is an income-sharing tax that is a service received on behalf of third parties, as well as a few other taxes. By consequence, this issue is quite complex. Once more, our vision is very, very pragmatic and closely associated with our public service mission. How can we safeguard France's competitiveness and accessibility for everyone to this crucial service? In other words, we are talking about purchasing power and France's competitiveness as well as changes and the improvement in the services we provide that require huge necessary investments to guarantee and upgrade these services. It is an undeniably complex equation.

Appointments are scheduled with the government. In France, tariffs, and in particular, those for retail customers are regulated. They are accordingly under the control and subject to decisions taken by the government. To help analyze these issues, we have quite a few proposals that, I hope or I believe, have some chances of success. We will talk about this as soon as this discussion is over. By consequence, yes, we are going to be very involved in 2013, as we have always been. However, in 2013 we will be highly involved in the debates about these issues and I dare say that we will have the opportunity to talk about this again and we will likely be satisfied with the outcome. Fundamentally, what matters is giving you, is giving us visibility. We need it for industrial reasons and obviously economic ones. In your case, this is due to your need to value companies and establish parameters, etc. We are going to try this year to give you a little more visibility on changes in economic conditions in the French business since that is what this boils down to. And, obviously, we have the same concern everywhere abroad, in Great Britain and elsewhere. We have talked about the British contract, well that is a 40-year contract. I really believe that in 2013 we will have quite a few answers to give to these questions and, therefore, a path will be easier to trace or define a posteriori. Even though, currently, we already have quite a lot of information to give to your answers and we have solid convictions. However, it is difficult to give you specific quantified information before these negotiations are completed. You can understand why. We are not entrenching ourselves, but we are deliberately quite cautious before announcing things. Acting in this way is logical. That's what I have to say.

As for TIGF, yes. Salins des Landes is a project that we did indeed study. We came to the conclusion that it was hardly compatible with our IRR criteria, therefore, we decided not to go ahead. That proves after all that in this company, when we launch an initiative and then realize that it is unlikely to create value for our shareholders, finally, we prefer to give up or announce that we will not carry it out and we do so on our own initiative and because of our convictions.

Conversely, TIGF is an existing infrastructure facility, it is a financial investment for EDF, clearly, but is also a way of reinforcing a long-standing partnership with the Singaporean fund, and therefore our Singaporean partners, and with a leading player in Italy in the distribution sector. I believe that these considerations are more strategic than merely financial, but in fact combine the advantages of a strategic vision of a long-term business and financial partnership with a pertinent investment with returns that should satisfy the most demanding of us in the short term.

Shale gas is a real issue. It is not a major investment for us insofar as we are not very involved in gas production, but we have taken initiatives in this field in order to build up slightly our operations upstream in the cycle, i.e. in exploration & production. We have extremely competent teams at Edison in exploration & production. We have an initiative under way and we will tell you a little more about it. It consists in putting these competencies and this expertise capacity at the disposal of a dedicated fund-like financing model. This fund is being set up and in it the Group would find both the financial lever provided by the fund that would enable us to move more rapidly and go further in exploration & production, and this is a very important strategic lever for the Group (useless to say

much more about this) while safeguarding our Capex and our financial flexibility. We are not particularly attracted by shale gas apart from the fields of research, development, technical expertise, etc. because it is part of our landscape and we need to be very upstream in the phase in all technologies to be able to forecast the future with pertinence. If a project should be presented to us, some are currently being studied, but not in Europe, we would consider it from the viewpoint of all needs for necessary technical expertise and potential feedback from experience. By consequence, no decision has been taken. We are monitoring developments, we are considering them and we are observing what is going on.

#### **Tara Patel (Bloomberg)**

Can you give us some information about your talks with the French State, which is one of your shareholders, about the dividend issue? Are you quite confident that you will be able to increase tariffs in France as well as the ARENH? And my second question is: are talks going on in the United Kingdom, are you still spending money on the project or have you cut off your expenditure and orders while waiting for a decision?

#### **Henri Proglio**

I don't know how I should understand your question about the confidence we have in the State as a shareholder. I believe it is key to understand that the State has several roles; it is a shareholder and the regulator. The State as a shareholder behaves like a normal shareholder. Having met shareholders from time to time, I believe it is logical that they should be concerned about their dividends, their improvement as well as their return on investment. Therefore the French State, like any other shareholder — and who could criticize it? — is concerned about its economic equation and its return on investment.

I see it as a normal and demanding shareholder. In this respect, we hold talks with the State as with the other shareholders represented on the Board of Directors by independent directors, about the evolution in the dividend distribution. These talks are both fascinating and heated and have led to the proposal you were presented earlier that will be submitted to the Shareholders' General Meeting. I have the feeling that the State as a shareholder will approve the proposal for 2012 we have described to you. Moreover, it will pay attention to changes in its remuneration beyond 2012. That is what can be said about the State as a shareholder.

The State as a regulator is something else. There is no link between the talks about the dividends for the past period and the negotiations about tariffs with respect to electricity services, and tomorrow's electricity prices. As I have said, there is no link between the two. I would simply like to voice my confidence in the capacity we will have to give you better visibility, see what I said earlier about future tariff equations.

#### **Thomas Piquemal**

As for our expenditure in the United Kingdom, I would like to say that most of our spending in the United Kingdom, obviously, would be linked to the decision to invest that might lead us to sign several contracts and obviously incur quite significant expenses. Until that decision is taken, our costs are under control albeit they are significant. The Chairman stated in his introduction that we have spent more than €400 million, and this figure was given to you earlier, to develop this project in 2012. You can see that these amounts are definitely large, nevertheless these expenses remain under control and the largest part would be committed after the final decision to invest. And our effort is continuing, in line with the one made by the British government and all the authorities as has been the case for several years already. Our effort is constant and in line with that made by our partners and the authorities.

**Thomas Piquemal**

We now have a question about Edison. Should recurring EBITDA be deemed close to €900 million or not? What is the figure drawn upon in our guidance for 2013?

Obviously, I was not very clear earlier and, therefore, I am going to try to you give a few additional figures. Well, first of all, Edison's recurring EBITDA is €1.1 billion. For 2013, in our internal forecasts, we project €500 million. Now if I now exclude Edison, if I strip it out also in 2012, to have a comparison basis to which the 0% to 3% I gave you is applied. I start from 2012: €16.1 billion, I take out Edison's contribution of around €900 million in 2012 because of first 100% consolidation and other effects. I now as a result have €15.2 billion for EDF's EBITDA in 2012 excluding Edison. You apply 0% to 3%, you add €500 million for Edison and this leads you to a range of Group EBITDA lying between €15.7 and €16.2 billion. This range is definitely consistent with the consensus as it is computed on our website since I believe that it is in the vicinity of €15.9 billion for 2013 EBITDA. There you are, I hope I have been clearer than previously, at least in answering this question. I will now go back to questions from the Internet very rapidly.

## Questions from the Internet

Question from **Louis Boujard (BPI)**. In the slide on page 21, how do you think trends in technical hazards and unplanned outages will affect your likelihood of meeting the objective of 410-415 TWh in 2013?

Effectively, we are mainly focusing our efforts on technical incidents and that will lead to our significant improvement in production because it is sensitive to this issue. We are increasing admittedly from 405 to 410-415, but in a year during which we have one additional 10-year inspection and that will naturally drive production down, all other things being equal.

With respect to debt, if we had not had the allocation of the CSPE in dedicated assets and the €2.4 billion withdrawal, the debt I put at €39.2 billion earlier, would have been €2.4 billion higher. It would have reached €41.6 billion, and that was a question from **Andrew Moulder from CreditSights**.

Question from **Andrew Moulder (CreditSights)** who says that in the past EDF had mooted a disposal of non-strategic assets.

The Chairman answered earlier about disposals. We have demonstrated during the last three years that we were solving the major situations in which the Group held non-controlling stakes. We have shown that that was not the Group's vocation, although we still have a few. I mentioned several equity interests earlier that we talk to you about, repeatedly, when we have to recognize impairment losses. By consequence, we have not dropped the idea of pressing ahead, precisely, with talks to review these non-controlling interests the Group holds in a few companies.

## Questions from the room

**Ashar KHAN, Visium Asset Management**

I have two questions. The first one is: could you give us what your return on capital employed was in the different business segments for the year 2012? And my second question is more a strategic question on new nuclear build in the UK. In the US, there is new nuclear being built by two

companies which are getting a guaranteed return by the regulator of 11%, with cash recovery, as you go on and build every year. So, the way I look at it, for you to have to go in, not in your local market, but in the international market, and in unregulated market, that return should be at least in the high single digit range], for the project to be acceptable to EDF shareholders. So, I just want to understand, what kind of return characteristics are you working on, as you go through this process in the next 12 months. In terms of your decision if you go ahead: what kind of return characteristics are you looking at?

#### **Henri PROGLIO**

Maybe I start with the second question and I'll leave the floor for the first question. The second question is a particular question. If the question is related to the UK, it's more of a regulated market in this regard, through the contract for 40 years that we are negotiating with the government. So it is more or less a kind of regulated contract. Now, when it comes to the returns, maybe we can give you a more precise answer afterwards. We are in the process of finalizing the negotiation. I wouldn't answer the question today, as far as we are discussing with the British government. But, you have in the press more precise indication about this. That is for the UK.

For the rest of the world, nuclear is not limited to the UK. We are global architects and operators in the nuclear field, and we are not that much interested in being promoters of nuclear IPPs in the world. Then, we can go through the strategic issue which is: what kind of nuclear developments are expected in the world? What is the role of EDF in this respect? And we are more or less trusted thanks to our return of experience as operators, rather than investors in nuclear. In the UK, it is different as we are the biggest generator like in France as a matter of fact. Part of your question is linked to a future strategy in the UK where we have to take a decision. It is not a tender.

#### **Thomas Piquemal**

On the return on capital employed, we do not communicate on different returns on capital employed for our existing business. The only comment I would like to make is that two years ago, we set new investments criteria for the group, calculated using the group WACC plus three hundred bps, plus country risk, plus or minus business risk. Of course, when it is regulated, risk is lower than when it is not regulated. Those investment criteria are consistently applied within the Group. For that reason, we had, Mr. Proglío mentioned it earlier, to stop a project in the South of France in Salins des Landes. We are also reviewing some other projects, such as one clean coal project in Poland, and we stick to those investment criteria, which are quite strict, with strict value creation objectives for each of our projects.

#### **Alexandre Leroy (BPI)**

Good morning gentlemen. I would have two questions. The first is quite precise on Capex. The second falls at the right time since you have just talked about prospects in nuclear power. With respect to Capex, you rightly mentioned your revamping plan during your presentation by saying that it would avoid unplanned outages. Out of the €3.3 billion in maintenance Capex you had last year, could you give us precise figures that cover the replacement of steam generators? Is that possible? And if I'm not mistaken, you have a revamping plan for the 1100-1300 MW, could you remind us of the schedule of this revamping plan. That is my first quite precise question. Second, with respect to EDF's possible strategy and nuclear power, I would like to know whether — it would seem that international statements about nuclear power are a little bit more loose, notably in China — we have witnessed contracts that have started to be redistributed and, therefore, business seems to be picking up somewhat. At the same time, I don't think that Japanese engineers are now welcome, let's



say as much as previously in China. Could there be prospects for EDF from this viewpoint, in terms of EPC contracts notably, and construction contracts?

**Henri Proglio**

We have the perfect insider expert with us. Perhaps can Dominique answer about steam generators? Point by point, site by site, generator by generator barring suppliers' prices.

**Dominique Minière (Director – Nuclear Production Division)**

We replaced two generators in 2012. We aim to replace 3 of them in 2013. And for the main alternators and transformers, you have the figures there in the Table showing on the screen.

**Henri Proglio**

Obviously, if we were to give you all the other details about the revamping of each plant, individually, etc., and information about nuclear power in general and about China in particular, you just stated “business has taken off”. It was never interrupted, and as far as I know the British program was never interrupted. It was decided by the Labour government and the project was taken over then continued by the Liberal-Conservative coalition government. Why? Because nuclear power meets a need, it satisfies a long-lasting need for energy that combines national independence for the countries concerned with competitiveness and, obviously, these are the reasons why some countries have decided to continue or launch a nuclear development program. So which countries have done so? The list runs from Russia to China of course and includes the United States, and as was pointed out earlier, these are countries where the nuclear industry already existed. Well now you tell us that China has resumed its program. A very little slowdown occurred. To a slight extent, there was a post-Fukushima impact, and above all the pre-determination of the new government team that is being set up and by consequence there was a short period of adjustment before the new team took over at the helm.

Second, China is building reactors at a swift pace, currently, in fact even right now as we are talking with one another, 25 nuclear reactors are being built in China. The slowdown was a relative one. And China is building nearly 9 reactors per year. It is not impossible that this figure might climb to 12 and that is what is being debated. At the same time it is building the world's largest first fleet of renewable energy, whether wind or photovoltaic power. At the same time they have built a dam you might have heard about that is called “The Three Gorges” and happens to be the world's largest dam. Therefore China is a country with gigantic energy needs. Note that at the same time they are building two coal-fired plants every week. That is what China is and the size of the Chinese market. There are other countries. By the way, they include Turkey, Saudi Arabia, the Emirates, South Africa, Brazil, Vietnam, and all the Central European countries that have decided to step up their nuclear option. By consequence, nuclear power has a long and important future ahead of it in the world.

What is France's place in this context? And what is EDF's place? I have had the opportunity to say in the past that finally EDF, because of its experience, its feedback from experience and its reputation was the leading company in this industry, the largest nuclear operator. There are 4 major operators in the world currently. The largest one, by very far, is EDF, Rosatom in Russia ranks second, China's CGNPC third and the fourth far behind is South Korea's Kepco. The Japanese operators are obviously somewhat more controversial now because of the accidents that have occurred in that country.

Nuclear power, along with the nuclear risk and the decision to choose the nuclear option, is a decision that has been taken by the government of the relevant countries and therefore by politicians and by the operator. If need be, Japan has illustrated this point. The choice of the operator is therefore decisive in the nuclear industry. EDF is the world's largest operator and boasts the best

reputation. I'll let you draw the conclusions. EDF's place in the global nuclear power sector does not need to be demonstrated. EDF is a partner of the industrial sector and wants to be a good partner of the European, and therefore primarily French, industrial sector, but not exclusively as some of our British, German or other, e.g. Italian, business partners prove. Obviously, we talk and we cooperate with one another and I am in fact delighted about our now entirely satisfactory cooperation with AREVA, as I would like to emphasize. By definition EDF will always be a good partner. Now, what is going to be at stake with nuclear power? With the nuclear industry? The challenge presented by nuclear power for EDF is that it is everywhere in the world and it is set to last for a long time. The challenge for the industrial sector is far more stressful because it implies being able to swing into action and sign contracts quite rapidly. For our part, we have time, since we are operators. EDF is likely to remain the world's largest operator for a long time. And therefore, export market shares have to be won for the industrial sector, and EDF will obviously be the standard bearer of this sector as much as it can. I simply deplore the controversies that break out from time to time and are useless.

Is China a strategic market for the nuclear industry? I tend to think so. EDF had the fortunate intuition of moving into China and contributing its nuclear expertise already 30 years ago. We will celebrate the 30th anniversary of this cooperation during the first State visit to China of the new French President in the Spring. We are the only foreign player to operate in China, the only foreign partner of the Chinese energy industry. We can celebrate this achievement; we have real credibility and a real presence. I do not believe that I betrayed France's interests or the French industry's interests in this respect. I haven't, nor have its employees that have enabled EDF to carry out this brilliant performance I simply wanted to make these points. Accordingly, those are the challenges faced by the nuclear industry and this is EDF's ambition in this field. Our ambition is obviously far-ranging, but at the same time we enjoy peace of mind because we do not entertain major uncertainties about EDF's role. Our ambition is obviously very demanding because very competitive for the entire sector and industry and we will provide our contribution to industry.

#### **Vincent De Blic (JP Morgan)**

In your introduction, you mentioned the issue of the ARENH and the NOME law. How are factors leading to changes in wholesale prices on the European power markets included in your talks with the French government? Is this on your initiative or the government's? Thank you very much.

#### **Thomas Piquemal**

In fact, you are referring to the decline in prices in particular in Germany, the Continental power markets and the link with ARENH, and the ARENH price. In our opinion, there is not really any such link. On the one hand, a law, the NOME law, must be applied that defines the price of electricity as the full economic cost of nuclear power, and we want to discuss the calculation formula and, at last the "*Cour des comptes*" has ruled in favor of a method that enables the initially invested capital to be repaid. This lifts the price to at least €50 and, therefore, that is what is at stake. This re-regulation, a new form of regulation that enables the full cost of nuclear power to be recovered. This has nothing to do with volatility from our viewpoint, with market trends that are due to the economic environment, are due to the effect of wind in the North Sea, and are not due to an industrial reality, or the industrial tools of the nuclear industry in France that EDF owns and manages.

#### **Henri Proglio**

You can add with respect to prices that one should not extrapolate from specific situations and current prices on the European power markets are prices affected by the crisis that take into account industrial and economic fundamentals. Accordingly, they will not persist at that level for a long time.



That is my conviction. Now, the fact that they are taken into account in discussions, not in France particularly, as Thomas just said, but in the countries of the European Union is something else. Once more, we must not mistakenly make confusion between the current situation and a medium- or long-term vision. Furthermore, obviously, the issue of the price of CO<sub>2</sub> and the CO<sub>2</sub> market as well as energy prices will have to be revisited. I believe that right now we are buffeted by a slightly worsened cyclical situation. We are not in the best context to seek to ascertain what level these prices should be at. However, our responsibility is to anticipate medium- and long-term trends, and we will not be able to dodge the fundamental questions. That is the issue we deal with, virtually on a daily basis. We will discuss this again with you.

Thank you for attending this presentation, we remain at your disposal to answer your most precise questions if need be. We will report back to you to inform you about the talks, negotiations and events that have been discussed. Thank you and looking forward to seeing you soon.