EDF

2013 Annual results

Thursday February 13, 2014

Henri PROGLIO (Chairman and Chief Executive Officer of EDF)

Good morning, Ladies and Gentlemen. Thank you so much for being here. Welcome to this presentation at which we will provide an update on EDF's year in 2013 and on its outlook.

Our results, which you have been able to look over rapidly, are quite solid. They are all the more satisfactory as they were achieved in an environment in 2013 that was not at all easy in Europe. Even so, EDF remains loyal to its bywords, which you know already: performance, clarification, investment and jobs. EDF continues to make headway and is becoming stronger and stronger from year to year. The markets have noticed, and EDF's share price is up 81% over the past year. In a word, our results are there to see.

I will present the year's highlights and strategic headway. Thomas will go into greater detail on all the Group's financial aspects and performances.

Highlights

It makes sense to start with our operations. Operating performances, which are the very essence of our businesses and our results, are there to see. 2013 was no exception to the rule, with improved performances in power generation, first in renewable energy, with a robust increase in hydropower output to its highest level in more than 10 years, driven, of course, by exceptional hydro conditions in 2013. Hydropower output came to 42.6 TWh in France, a 23% increase vs. 2012, which was already a record level.

Obviously, we are not overlooking the fact that these conditions, while beneficial to hydropower, have been disastrous for many regions in France that have been flooded over the past few weeks, not to mention our UK friends, who are currently suffering from the same phenomena. All this is due to climate disruption, which brings to the forefront the growing effects of the carbon footprint, an issue that few countries are currently concerned about. I trust that this will accelerate greater awareness of the urgency of producing low-carbon electricity, as we do with our nuclear power plants, with hydropower, and with new energies, clean and renewable power, an area in which we are Europe's number one player.

We are closely involved in new energies, with the development of EDF Energies Nouvelles (EDF EN), which we fully control. EDF EN did very well in 2013, with output up 31.3% to more than 11 GWh, vs. 8.5 GWh in 2012. This is due, of course, to the many new capacities brought on line in 2012, particularly in North America, as well as EDF EN's developments in France, where our subsidiary is now the leading player in its field. All these good performances led to an increase of almost 23% in renewable energy output in France, to 44.4 TWh supporting French power generation output, which in continental France came to 463 TWh.

EDF group's total output came to 653.9 TWh in 2013, a 1.8% increase compared to 2012, as higher renewable energy output more than offset flat nuclear output. This demonstrates the value of our diversified mix, as French nuclear output, as you now know, was penalised by a high number of 10-year inspections (seven vs. six in 2012) and by a very busy maintenance schedule. Of course, we will not be satisfied with these explanations, as we are able to enhance performance, particularly through better control of planned outages in 2014. Philippe SASSEIGNE, who is here on the first row and who heads up the nuclear fleet, will go over the plan implemented in 2013 and that will be stepped up in 2014 in order to meet this objective. Even so, performance was still solid. On the basis of production days – remember that 2012 was a leap year – we equalled 2012 output at 403.7 TWh, slightly below our target range.

Meanwhile, the French nuclear sector achieved new significant industrial performances. For the third time since 58 reactors have been in operation, 57 of them were connected to the grid for 13 days in January. Moreover, the findings of security inspections, which are in a document that will be handed out to you, are far better than in 2012, with, in particular, a very sharp decline in the number of level 1 events, meaning small-scale events in the nuclear fleet.

These items show that EDF is up to the task and confirms its mission of supplying safe, available, competitive and low-carbon energy. EDF is now making a great contribution to making France Europe's largest electricity exporter, with this year an almost 7% increase in France's surplus compared to the previous year.

The British nuclear segment carried its strong performance of 2012 into 2013, with output of 60.5 TWh, an eight-year high. We are quite confident that we will once again meet this objective in 2014. The British nuclear fleet and its performances are further proof of the efficiency of our maintenance operations. For example, when including all the operating life extensions planned by EDF Energy, the entire British nuclear fleet that we control is expected to operate at least until 2023. Other extensions are currently planned.

This point quite naturally leads me to two subjects on which I place a high priority: investments – we alluded to it just now – and jobs. For four years, we have constantly kept the industrial dimension at the heart of EDF's strategy, beginning, of course, with net investments, to which we devote €12 billion annually on average, of which more than 70% in France. Stabilising our industrial facilities to make them more reliable and more efficient is a prerequisite to our success. These investments must be made in all segments of the electricity chain, including, of course, the grids. In France, investments rose by 10.2%, to €8.8 billion. Few groups can point to such a high level of industrial investment: €3.6 billion were devoted to nuclear maintenance, and €3 billion to upgrading and extending grids.

True, average power cuts duration rose by 31%, but this is due exclusively to weather-related events. Our ERDF teams, to whom I would like to pay special tribute, spared no effort in the field in dealing with these exceptional weather conditions. No quarter in 2013 was spared, ending with Cyclone Dirk late in the year. So we continue to make progress, but this progress has been masked in part by this series of weather-related events, and 2014 is so far not looking much calmer, as you have seen every day. I would like once again to congratulate and recognise all the teams that deal with all these events. They are the pillar of our industrial strategy.

As some of the long serving EDF colleagues will point out, costs and staff were reduced over several years, and the age pyramid could raise concerns for the group's future. As you may remember, we spoke about this three or four years ago. To address the huge challenges in the electricity sector over the next few years and decades, and to carry out EDF's mission, we have managed to fill these gaps, particularly with the hiring of 12,000 persons in the last two years, including 6,000 in 2013, and with investment in training that is equal to 8% of payroll just for 2013.

Our very great ambition at EDF is directly linked to the quality of our teams. Working in the energy sector requires rare and cutting-edge skills. These skills must be maintained, hence the importance of passing on knowledge from generation to generation, but also of taking on new skills, given the speed at which the technologies we use are evolving. This is one of the challenges addressed by EDF Lab, Europe's largest centre for industrial research and training, the foundation stone of which we laid last October and that is scheduled to host 20,000 persons as early as 2015.

I now come to two events that highlighted 2013 and that provide an even clearer picture of EDF's future, thanks to major strategic advances:

– First, of course, the UK nuclear programme. I'm just going to go back over the main points, as we have been keeping you informed from month to month on the headway we are making in this project, particularly in October, when we signed the agreement with the UK government. This agreement posed two prerequisites for going forth with the project: its duration (35 years) and its strike price (£92.5/MWh). This signing gives us official responsibility over the project, while taking, as you know, only a 45% to 50% equity stake, with the rest split between Areva, our historical Chinese partners and a few other investors who may join us with 15% to 20% stakes. A small number of key hurdles must still be cleared before the final investment decision. Hinkley Point C will mark a turning point in new nuclear.

– Another major step forward in 2013 was the draft agreement with Dalkia, which will give EDF new prospects for developing energy services in France, as well as in the rest of the world. On top of its keen strategic value, this deal addresses our objective of clarifying our industrial partnerships designed to provide, year after year, more visibility for our Group. This clarification of our stakes is based on a simple choice: to have a long-standing presence and fully exercise our industrial responsibility, as we have done with Edison and EDF EN, or to withdraw, as we did in Germany, for it is not our role to be a financial holding company. The integration of Dalkia's French businesses meets this standard, while providing us with a significant new growth lever. We have a legitimate role to play in both our public service mission and our integrated vision of all the segments of the electricity value chain. How could we be absent from such markets when our ambition is to be a major player in the energy future of France, Europe and the world? I'll come back to this point in a few minutes.

A few words on 2013 figures. As you can see, 2013 was a busy year, another year of progress and clarification that strengthened our Group. Our figures back this up, with healthy growth driven by the operating performance, with a 4.7% increase in our revenues and 2.9% in organic terms, and 5.5% organic growth in EBITDA. The improvement in our operating profitability is immediately clear from these figures. Of course, and Thomas will come back to this in a few minutes, the Spark cost-saving plan announced in early 2013 with an initial savings target of €1 billion, actually ended up cutting €1.3 billion and contributed to these strong performances. This result has exceeded our expectations and demonstrated our true and rapid ability to control our costs. This is another of our industrial responsibilities.

Net income Group share posted a strong 7.4% gain. All the progress we have made has also resulted in a stronger balance sheet, with net debt reduced by almost €4 billion to €35.5 billion, which improved our net debt/EBITDA ratio to 2.1, a big improvement compared to last year at the same period. Thomas will, of course, go into these figures in detail.

So we met our 2013 financial objectives. This is a new source of satisfaction. I would simply point out the EBITDA objective, which we beat by far, while Edison met its objective of €1 billion in contribution, even though the natural gas environment was unfavourable in 2013. These good figures and ongoing new developments point to further progress in 2014.

Regarding these 2014 objectives and the 2014 outlook, as you know, we have sought over the past three years to clarify our positions, in order to redefine and strengthen the Group's industrial profile. Thanks to this, we can look to the future with confidence. The challenges we face are clearly identified, and our trajectory is well under control. For 2014, we are able to set ambitious objectives, along the lines of what we have already announced in previous years. You know you can trust us. We meet the objectives that we set, as we have proven each year. The 2014-2018 vision is a short-term vision for EDF but a medium-term vision for the rest of the world.

I would like to conclude on the broad priorities that will guide EDF's future. First of all, we will, of course, have to carry out our major industrial construction projects in France:

– I will begin with Flamanville, which marked a decisive milestone with the installation of the dome of the reactor building in July and the introduction of the reactor's 425-tonne tank a few weeks ago. These steps mark the end of civil engineering work. Other milestones are scheduled for 2014, such as the assembly of the primary circuit. The first KWh will be produced in 2016.

– The second industrial project that we're involved in is the Dunkirk LNG terminal: 2013 was a pivotal year for the project, as it surpassed the 50% threshold in advancement, with in particular, the installation of three domes on the tanks. The project is on schedule with its initial timetable, with commissioning scheduled for 2015.

Alongside these major projects in France, we continue to expand internationally robustly and with ever greater selectiveness. We operate in a European environment that is in great difficulty, as you know, for two main reasons: a longer-than-expected economic downturn, but also, and especially, inconsistent energy policies at the European Union level. All this has resulted in a drop in wholesale prices, which has created problems for European electricity and gas companies and has raised energy prices for consumers. Many of them have preferred to leave Europe.

As for us, we refuse to give in to a short-term view. We continue to be guided by the long term and reaffirm our strategy: Europe remains the Group's priority development base. We continue to invest there; we have the capacities, the skills and the world's best technology to take part in the future of the European electricity sector, which is suffering from this deindustrialisation. We continue to form relationships with European partners to carry on with our projects and accompany our clients in strategic countries.

One of these is, of course, the United Kingdom. You know how important the UK is for us, as the UK's top operator and because of its energy policy choices. In the area of new nuclear, we must still finalise agreements with our various industrial partners and with the British Treasury for debt financing. We must also receive European Commission clearance regarding state aid. So there are still some hurdles to clear, but we are quite confident. The challenges are even greater as, after Flamanville and the experience feedback from this British project, EDF expects to enhance its competitiveness for the projects ahead of us.

Italy is also a very important base for EDF in Europe through its role as a gas platform for the Group. We already spoke about this. In 2013, Edison was remarkably successful in renegotiating its contracts with Qatar and Algeria. The objective now is to achieve the same success in the second cycle of renegotiating the contract with Libya and Russia. As you know, 2013 was a rough year for natural gas, which caused a sharp decline in activity of gas-fired combined-cycle power plants throughout Europe, due to competition from the resurgence in coal. In an unfavourable environment, Edison was able to improve its operating performances and, in dealing with the temporary difficulties on the gas market, it fortunately had other weapons in its arsenal, particularly in hydrocarbon and gas exploration and production. Be that as it may, Italy remains a strategic priority, as we are familiar with the cyclical nature of global resource markets and energy choices. This is indeed the value of diversified production, as it helps smooth over these fluctuations.

In Central and Eastern Europe, you all took note of the fact that Poland has just, in turn, decided to return to nuclear power. We have a long-standing and extensive presence in Poland, where we have created close ties: EDF is Poland's top foreign investor, particularly through a programme to update coal-fired power plants (coal being Poland's top source of electricity). The country's new energy policy gives the Group new opportunities, particularly but not exclusively in nuclear. We are, of course, ready to bid on upcoming projects.

In Russia, where EDF is well known, has a good reputation, and has formed solid relationships, we are working to develop further the specific partnerships we have with major players.

Outside of Europe, we remain active in major projects likely to interest us, as long as the conditions meet our selection standards, especially as three fourths of new production capacities are located outside the OECD, particularly in Brazil, Turkey, Asia and the Middle East. We therefore remain especially alert.

We are already expanding our international footprint in more concrete terms in renewable energies. Remember that to produce new energies profitably, abundant natural resources of wind and sun are necessary. EDF EN's development will thus require expansion outside of Europe, even though it has achieved some nice successes in Europe in onshore and offshore wind power, and in all our priority countries: France, the United Kingdom, Italy, Poland and Turkey.

Throughout 2013, EDF EN continued installing and commissioning new facilities in new territories. In wind power, following the success achieved in South Africa and Israel, EDF EN rolled out an ambitious construction plan in the Americas, mainly in Mexico, Canada and the United States. In solar, the company has achieved major progress with its arrival in India, a new country for EDF EN, but also with the commissioning of its largest photovoltaic plant, in California.

Investments in new energies are obviously being prioritised in wind and solar power. They allow EDF EN to expand in sustainable segments that complement its main businesses, as seen in the recent commissioning of a biomass plant in the United States. Isn't this just a side business? Not really, as these biomass plants, like everything involving renewable energy, serve as gateways and generate useful synergies in meeting this great ambition for coming years: being a major player in energy services.

Energy services are a tremendous potential market estimated at €1,000 billion worldwide and is expanding by 5 to 10% annually. True, with €1 billion in revenues, we are already present in these businesses, mainly through EDF Fenice, with its locations in four European countries, and with Tiru, in France, Canada and the United Kingdom. But, of course, we have to go much further and we will go much further. With the consolidation of Dalkia, including Citelum and under the conditions as planned, we are making a radical change in scale: EDF will raise its revenues in this area to €5.3 billion and is aiming to expand aggressively in this business in France and, even more so, internationally.

As you can see, we are determined to act fast while maintaining our discipline. I told you a few minutes ago that we want to play an active and important role in developing the European electricity sector. We have to be present in every part of the value chain with a size that is both necessary and sufficient. We were missing the energy services part. The Dalkia agreement has now given us that. In the new environment placing priority on energy efficiency, EDF, a legitimate player thanks to its integrated model and its performances, is well placed to make this a new and important lever of development, and well placed also to become a major player, efficient, competitive and expert in this sector.

To carry out all these developments that I have just talked about, discipline and cost-control are necessary. Maintaining our financial solidity is a priority, and we can now confidently set an objective to move back into positive cash flow in 2018. Our investments will peak in 2015, in line with the Group's industrial projects. Once the Dunkirk terminal and Flamanville EPR have been commissioned, our investments will be significantly reduced, in 2018 reaching a level comparable to 2013. Positive cash flow for 2018: that's a highly significant commitment that we are stating unequivocally here today before you.

In conclusion and for a bit of fun at this stage of the presentation, four years ago an analyst listed the "12 labours of Hercules" that EDF managers faced. We took on these labours in full transparency. Have all these tasks now been completed? I will limit myself to a few simple observations:

– Our integrated model has spared us from a serious crisis in the European electricity sector.

– Our investments in the Group's industrial facilities and skills have led to a nice improvement in our operating performances.

– These performances, combined with a clarification of our international stakes and conditions of our regulated activities, have helped us enhance our solidity and financial resources.

– Our financial strategy aimed to support our businesses in the most tailored way. Our recent 100-year bonds are, in this regard, evidence of our solidity and credibility.

All these efforts are now showing up in our results. Yes, EDF has a bright future ahead of it as a leader in the new European energy landscape and is still determined to provide evidence of that fact in the near future.

Thank you very much. I now give the floor to Thomas.

Thomas PIQUEMAL (Group Chief Executive Officer)

Good morning, Ladies and Gentlemen. I will now provide some details on our 2013 results and present our vision for 2014 to 2018.

<u>Key figures</u>

You have been able to review the results. The key figures include 5.5% organic growth in EBITDA, to €16.765 billion. This figure is above our objective, which we revised upward several times during 2013.

Recurring net income was stable at €4.117 billion, or 1.4% lower than the previous year. It rose 1.4% at constant scope and exchange rates, on which basis we can say that it is stable compared to 2012, during which we had received the cumulated cost of carry related to the CSPE deficit.

Debt came to €35.5 billion. I would state once again that this figure does not include the hybrid issuances, in accordance with accounting principles. Debt comes to 2.1 times EBITDA, which is in the low end of our target range of 2 to 2.5 times.

2013 was a busy year. It began with the CSPE settlement and the related deficit borne by the Group, and continued with the clarification of the tariff equation during summer, the new nuclear announcement in the United Kingdom and the principles of the agreement and of the partnership structure that would allow us to undertake this investment. We also made progress on the model of the distributor, ERDF, which has been weakened by the doubts over its tariff formula. The government's announcement that it was determined to take the legislative measures to secure this legal framework is very good news indeed. And, lastly, discussions continued on ARENH, with the government setting a very precise calendar and a ministerial decree that will be issued by March 2014.

It was a year during which we also set an ambitious objective. The Spark cost-saving plan targeted €1 billion and also featured two other characteristics: 1) the savings had to have an immediate impact and not over several years; and 2) the impact had to show immediately. I think I can now say that both objectives have been reached or exceeded. They were exceeded as regards to the amount, as we ultimately managed to reach €1.3 billion in savings, compared to a target of €1 billion for 2013. This was achieved thanks to a long list of initiatives by all EDF teams. I would add that their full commitment is what made it possible to exceed this objective. The impact of this plan is also showing up in our accounts, in our OPEX, which at constant scope, exchange rates and methods, rose by 1.1% Group-wide, including 0.9% due to the increase in headcount. As you know, we have been investing in new skills for several years now.

It is mainly through this cost-cutting plan, in both OPEX and CAPEX, that we have hit and even exceeded our objectives, with 5.5% organic growth in EBITDA at the Group level in 2013: €16.765 billion vs. almost €16 billion in 2012. I would just point out the changes in perimeter compared to 2012, which did not include 100% of Edison. In 2013, in accordance with IFRS 5, we recognised Dalkia International as an asset held for sale, effective from the end of October. We have therefore not consolidated Dalkia International's last two months of 2013 in our figures, based on the principles of the agreement we announced with Veolia. Organic growth thus reached 5.5% in a weakened European environment, driven mainly by the performance in France.

This EBITDA growth resulted in 3.1% growth in EBIT, despite the significant increase in our amortisations (+€700 million), half of which for our production fleet in France, with the rest from the commissioning of renewable energy plants or West Burton, for example, in England. This increase in our amortisation charge reflects the Group's very robust investments.

Net income – Group share came to €3.517 billion (+7.4%). When restated for non-recurring items, it was stable at €4.1 billion, like last year. This stability was achieved despite the fact, as I said during my introduction, that 2012 results included the recovery of the cumulative CSPE cost of carry. As you can see in this table, which shows the change in our financing costs between 2012 and 2013, this charge was reduced, whereas in 2012 and compared to 2013, the CSPE cost of carry amounted to €546 million in financing costs, once again in terms of change. This good financial performance was achieved mainly through capital gains on the portfolio of dedicated assets. I remind you that, in accordance with this CSPE agreement, we had a portfolio of dedicated assets whose value was higher than our provisions. We were thus able to withdraw €2.4 billion in assets from our portfolio, assets that were sold with a capital gain in 2013. This is the reason for the decline in our financing costs during the year.

Lower financing costs allowed us, for example, to offset a heavier tax burden. Our effective tax rate rose from 32.6% in 2012 to 36.5% in 2013, due to a high tax rate in Italy and measures under the 2012-2013 budget in France. You will also see that our tax burden naturally rose with our earnings growth. Those are the two effects that, when combined with the increase in the RTE result, explain why our net income excluding non-recurring items was stable from 2012 to 2013.

In 2013, there were a number of asset impairments and exceptional income. As you can see, the net works out to -€600 million (vs. -€900 million in 2012). These are asset impairments on stakes in companies over which we do not have control and in which we cannot exert our industrial role. I'm referring to CENG in the United States, where we once again suffered downward shifts in the price curves, and to Alpiq, where we lowered the value of the stake to the value of our equity stake, producing a €284 million impairment. Like, I believe, a number of other Groups, we also took a hit from the weak economy in Central Europe, although far less so than other groups. This led us to revise the value of a number of our assets for which the margins are currently unfavourable and impairments, mainly in the Benelux, by €286 million. In 2013, we recognised an exceptional gain on pensions reform in France, which, on the whole, limited our non-recurring items to -€600 million, vs. -€900 million the previous year.

Performance by country

I suggest we look now at the operating performance for each major entity, beginning with France.

In France, growth was significant at +9.4%, driven by the tariff impact, as well as tight control over OPEX, as I mentioned in my introduction. I also remind you that, for the Group as a whole, 2013 marked the end of free allocations of CO_2 allowances, which just for France meant a €164 million charge.

In 2013, we also achieved strong growth in the contribution by our regulated activities (ERDF, of course), as well as insular activities that reflect the significant investment plan that we have made for several years now and that will be completed in 2014.

Nuclear output made a marginal contribution, down by €244 million, but this was stable when excluding the extra day of 2012. Philippe will come back to this later. The only reason that this contribution is negative is that output was at different times of the year compared to 2012. We also benefited from favourable weather and good hydropower output (+€720 million) compared to 2012, when we experienced a cold wave in February. Compared to a normal year, the weather impact is about €400 million in France.

You can see here the impact the weather had on the electricity balance, which I will go over very quickly on the right-hand portion of demand: +3 TWh, including +8 TWh due to this weather impact, with the rest being due to the end of a number of contracts, enriching contracts in particular. As you can see (left-hand section), this increased demand was met thanks to the performance of hydropower, up 8 TWh compared to 2012. Of course, we got a boost from good hydro conditions. On the right-hand side, the red line reflects hydro conditions in 2013 and, as you can see, they were especially favourable from our point of view. Let me just say here that as of the end of 2013 hydro reservoir levels are comparable to a normal year.

I now give the floor to Philippe SASSEIGNE, head of the nuclear production division, to present nuclear output in 2013 and 2014.

Philippe SASSEIGNE (Head of the nuclear production division)

Thank you Thomas. Good morning, Ladies and Gentlemen. Nuclear output was stable in 2013 compared to 2012, at 404 TWh, given that there was one day of production less than in 2012, a leap year. However, and this is important, we had a much busier maintenance planned outage schedule in 2013 than in 2012, with more than 450 additional shutdown days. This explains the -12 TWh in output that you see on this chart. However, in 2012, we had to undertake additional inspections on the primary pumps at the Chooz and Civaux reactors, with an 11 TWh impact, which also appears here, hence of the same order of magnitude as the one I just mentioned for 2013.

Meanwhile, and on the whole during the year, we continued to reduce unplanned outages, thanks to both the quality of daily operations and our ongoing programme to replace large components, such as steam generators, alternators and transformers. Regarding extensions of planned outages, we reduced their duration slightly in 2013 compared to 2012, which is the equivalent, as you can see, to an additional 2 TWh, but they were greater than expected and explain why the year's output was below the objective that we had given to you in the third quarter of 2013. And, lastly, external causes, mainly weather-related, led to a 2 TWh reduction in output compared to 2012.

For 2013, I have just presented details on the differences compared to 2012. Let me now go over control of the durations of our planned outages, which is a priority for us and an important lever in our operating performance. In 2013, some outages were extended significantly – about 10 out of the 50 that we undertake each year. These extensions are mainly linked to major technical hazards, or interventions that we had to redo in whole or in part because they had not been done entirely to standard. Despite a slight improvement and good results in a portion of our shutdowns, the action plan launched in 2013 to reduce the extensions did not produce the expected results. That's why I decided in October 2013 to supplement this action plan, based on the best practices of our plants, as well as international plants and, above all, to involve all plant managers and their teams to make the rollout of this plan a priority equal to the safety of our plants. This mainly entailed designing the programmes for each reactor shutdown at an earlier stage, to freeze these programmes, to better prepare the activities and schedules in tandem with everyone involved, and to step up inspections and checks, particularly for all the most difficult and sensitive activities.

Regarding our 2014 industrial programme, we plan to continue replacing large components at the scheduled pace, particularly steam generators on two 900 MW reactors. Hence, with a volume of planned outages equivalent to that of 2013 – we will have 48 planned reactor outages, including for seven 10-year inspections in 2014 – we have set a target to raise output in 2014 to between 410 and 415 TWh.

Despite a very busy maintenance schedule in 2013, we achieved good results, which were significantly better than in 2012 in safety, radioprotection and operating quality. The safety of our installations, of course, is and will remain an absolute priority, one that all our personnel buy into on a daily basis. During this time of renewing skills, we devote much time to training in rules, safety standards, and related behaviour. The number of automatic reactor shutdowns is an international safety indicator. As you can see, we moved from 40 automatic reactor stoppages in 2010 to 34 in 2013. This performance has, for three years now, placed us at the level of the best global operators.

In radioprotection, in 2013 we achieved our best results in individual dosimetric records. No worker surpassed 16 millisieverts in 2013 and only eight surpassed 14. I point out that the regulatory limit is 20 millisieverts annually.

Regarding unplanned outages, in three years we have halved our unplanned unavailability time, which is an excellent result and in line with our objectives.

And, lastly, as the Chairman mentioned, we confirm our very high level of availability in 2013 during the period when power consumption was highest, the months of December, January and February, and we achieved 93% availability between 1 December 2013 and today. We had 57 reactors in production for 13 days in January. This is a performance that we had achieved just twice in the past, in 2004 and 2009. Hence, an excellent performance as 2014 begins.

Thomas PIQUEMAL

Thank you, Philippe. Let me move on to England, which did well on the operating level in 2013. The figure that shows constant-forex growth before the fair value adjustment of the acquisition of British Energy is +4.1%. This reflects the good operating performance in England. EDF Energy's nuclear output rose slightly compared to 2012 (+ 0.5 TWh), which was already a very high level of output. This performance was achieved thanks to tight control of OPEX, which, in England too in 2013, saw the end of free allocations of CO_2 allowances. The electricity balance calls for no particular comments, except for the stability of portfolio components.

In Italy, Edison achieved results that are quite in line with our expectations. I point out that our expectations are a recurring EBITDA level of about €1 billion. "Recurring" means with the elimination of volatility created by the timing of renegotiation of natural gas contracts. Edison achieved an EBITDA of €1 billion in 2013, a figure that we had announced as early as last July, thanks mainly to the renegotiations. I point out that new negotiation and arbitration procedures are under way at Edison and today we confirm our objective of recurring EBITDA of about €1 billion. This figure was achieved through gas renegotiations, thanks to good control over operating costs and also thanks to a good performance in electricity. In Italy, we got a boost from a high level of hydrology, as well as a good performance by the power generation fleet, thanks mainly to revenues from system ancillary services.

Other international results are, as you can see, more complicated, with the current economic environment, which also hit us, for example in Belgium with lower prices. But we held up well, thanks to significant cost control and cost cutting efforts. In central Europe, the environment was also weak, due mainly to the unfavourable shift in a number of regulations. The 16.2% increase was driven mainly by the fact that in 2012 we had booked costs on the supercritical coal-fired plant project in Poland that we have suspended, as market conditions had become highly unfavourable. This was a decision we made in 2012.

In “other activities” the increase was robust (+30.8%), thanks mainly to an increase in nuclear output at CENG in the United States, a plant of which we own 49%.

In Other activities, I believe it is worth pointing out the strong growth in EDF EN’s results (+23.3% in EBITDA), whereas 2012 was a record year for selling assets, although, naturally, in accordance with our development model, these asset sales continued in 2013. During 2013, commissioning was at a very high level, which demonstrates EDF EN’s robust pace of development. Trading activities were flat from one year to the next. In the “other” segment, the 32% decline is due mainly to a perimeter effect – Dalkia International has not been consolidated since the end of October – and to a number of events that did not recur in 2013.

This 5.5% organic growth in EBITDA resulted in an improvement in operating cash flow after payment of financing costs and taxes in the same proportions (+5.4%). Operating cash flow came to €12.973 billion, higher than our net investments (€12.2 billion). However, it was not enough to finance the increase in working capital requirement, which once again was at a high level (€1.783 billion). This figure was due, first of all, to the increase in our inventories, mainly the price effect, particularly for uranium inventories, and also to the fact that we built up inventories of CO_2 allowances. Obviously, we consider this too high and a special action plan is being set up in 2014 to reduce it.

Investments came to €12.2 billion in 2013. This figure rose and after these investments and this change in WCR, cash flow is -€1 billion. And yet, as you can see, after paying out dividends in a total amount including dividends paid by EDF SA, dividends paid to minorities, and the remuneration of the hybrid for a total amount of €2.565 billion, our cash flow was close to 0 (-€366m) in 2013. This is due mainly to the fact that we sold €2.4 billion in dedicated assets, as I mentioned earlier.

We continued to make investments, mainly in France, with growth of €810 million compared to 2012. The other effects that can be mentioned are mainly the impact of divestments, mainly in renewable energy, as well as the West Burton commissioning, in the United Kingdom. 25% of our investment budget was devoted to Group development, a little less than in the previous year, simply because we have been selective, particularly in renewable energy projects. This figure is lower than in previous years, due to the gradual commissioning of assets that we are building.

Our debt was lower than at end-2012. The €39.2 billion figure, as a reminder, is pro forma for the disposal of €2.4 billion in dedicated assets. Cash flow net of all items is almost zero, and this reduction in debt is due to the hybrid issuance, which, as I told you in the introduction, is not recognised under debt. There are €35.5 billion in debt at end-2013, or 2.1 times EBITDA. We ventured to figure our FFO/adjusted economic debt ratio in accordance with the methodology used by a rating agency in 2013. As you can see (left hand side), in 2013, our ratio improved strongly, from 16.5% in 2012 to 18.9%, a very significant improvement that, I believe, reflects the solid shoring up of our financial structure in 2013. These 2013 figures do not include the January debt issuances. With these issues, particularly the very long-term ones, as you can see in the right-hand part of this page, the average maturity of our debt rose from 7.4 years in 2009 to 12.2 years in January 2014, with, at the same time, a decrease in its average cost from 4.4% to 3.8%. Based on all these figures, I can now say that EDF's balance sheet is very solid, with an enhanced financial structure, naturally at the service of the Group's industrial strategy, which the chairman, Henri PROGLIO pointed out earlier.

This strengthened balance sheet and this solid financial structure allows us to look forward to our investment programme with a great deal of confidence. This is a heavy investment programme. It will expand in the coming years, due to the natural impact of our increased investments in maintenance and grids, but also due to the finalisation of construction of major industrial projects, including Dunkirk, which will come on line in 2015, or Flamanville 3, in 2016. That's why we expect investments to peak in 2015 at €14 billion, which is, incidentally, €1 billion lower than the €15 billion figure I gave you in 2011, for those who remember. This reduction was achieved through our optimisation programmes, which I won't go into again.

This trajectory, the commissioning of our projects, which are well under way, the increase in our maintenance and grid investments suggest that in 2018 we will be back to the same level of investment as in 2013. This investment trajectory is under control and in line with the Group's industrial strategy.

As I said, our balance sheet is solid, our financial structure has been reinforced, and our investment trajectory is visible, with a standing programme consisting of controlling our costs, as we demonstrated in 2013. Naturally, this will continue in future years, with the WCR plan that I announced to you earlier and whose benefits will begin showing up in 2014, the launch of a project to step up our operational cost control processes and to re-engineer this role. In light of all this, we today pledge to be cash flow positive after dividends in 2018, when excluding Linky, which has its own logic, particularly in regulation. This is a firm commitment that we are making and that has been made possible by this enhanced visibility on our business portfolio, our control of cash flow, and this control of our costs, which we demonstrated in 2013.

2018 is a few years from now. For 2014, we are also making some clear commitments, which take on the structure of what I announced to you last year, particularly in separating the performance of Edison, which, as I said earlier, is not at all in doubt on its fundamentals, given that we see recurring EBITDA at about €1 billion. We are merely taking the time needed to renegotiate or to go to arbitration on gas contracts, in order to defend the Group's interests. That's why in 2014 we expect EBITDA of at least €600 million from Edison, while not including any impact of gas contract renegotiations, whereas we have two procedures and negotiations under way.

For the rest of the Group, EBITDA growth will be at least 3%, in line with the commitment that we made last year and that we exceeded this year. And the financing structure will remain under control, with a net debt/EBITDA ratio of between 2 and 2.5 – we will naturally be closer to the lower end of the range than the upper end – and a payout of 55% to 65%, which for the first year, will apply to net income excluding non-recurring items adjusted for the cost of the hybrid. I point out that the cost of the hybrid comes off shareholders' equity and that we decided to apply this payout range to net income excluding non-recurring items, but net of the cost of the hybrid, for the first year, beginning in 2014.

Those are our commitments for 2014 and our vision for 2014-2018. I now give the floor back to our chairman, Henri PROGLIO. Thank you very much.

Henri PROGLIO

Thank you, Thomas. We have given you a rather detailed vision of 2013 results and our outlook. Feel free now to ask any questions you may have.

Questions and answers

Vincent AYRAL (Société Générale)

First, I would like to have your opinion on what would be an appropriate level for ARENH and the potential hikes that would imply for blue, green and yellow tariffs.

I have a second question on Edison. Like last year, you have presented guidance adjusted for Edison and the midstream. You already have two negotiating tracks on these contracts. You might say that this has established a precedent. Potentially, you might even say that the counterparties have agreed to take the risk. What do you think?

Henri PROGLIO

I have a rather simple vision of things. What is ARENH? It is the legally required price at which we sell to our competitors 25% of the output of the existing nuclear fleet. ARENH is meant to support competition, in a declining manner until 2015-2016, when the sale price is supposed to reach the economic cost of producing the energy, which is nothing truly revolutionary. In my view, the normal ARENH price is the economic cost of the existing nuclear fleet, keeping in mind that EDF has agreed – in any case this is the rule that was forced on it – to sell 25% of its production capacity to competitors at a price that, temporarily, is below, in order to then guarantee access to EDF's power generation at a price that should truly be equal to the full economic cost. This economic cost was estimated in 2011 by the *Cour des Comptes* (the government auditing office) at €50. It is constantly updated and could be estimated at this figure of €50 in 2011 value. So I have answered your question: I expect ARENH to gradually reach this economic cost in the coming years. In any case, that is our view of things, a view that, incidentally, is more or less understandable for everyone. I do intend to follow through with this in mind.

Regarding Edison, I'll let Thomas answer.

Thomas PIQUEMAL

I quite agree with your analysis that it is not Edison that is assuming the risk. I daresay that it is not Edison who is taking the margin risk. Edison is assuming the volume risk under take-or-pay contracts. It's just that a little more time is needed to renegotiate all these contracts with well-defined renegotiation cycles. That's why we have confirmed the EBITDA figure of about €1 billion. We believed it was important to flag it clearly, precisely to allow you to keep track of these renegotiations, perhaps during 2014 or 2015. In any case, as I said earlier, there is no hurry. What matters to us is defending the Group's interests.

Benjamin LEYRE (Exane)

Three questions please, first on the dividend. Can you explain to us the thinking behind setting a dividend in the lower end of the 55-65% range that you have set? Why is the new dividend policy a little more restrictive, or a little less advantageous, given the treatment of the hybrid?

Second question: can you help us forecast net income excluding non-recurring items for 2014 based on a minimum organic growth in EBITDA and just €600 million from Edison? What would be the minimum net income excluding non-recurring items that we can expect in 2014?

Third point: Would you like to see, or would you defend, a capacity mechanism between Germany and France?

Henri PROGLIO

Perhaps I'll take the last question. Germany is in a disastrous situation with regard to energy and electricity in particular. Solidarity between peoples is an eternal theme, but, seriously, from a company's point of view, I see no reason to argue for solidarity with a country that has made totally opposite choices. With that in mind, I am not personally in favour of a system that would consist in asking EDF to clean up the situation of any of its international competitors. As far as my shareholders are concerned, this would look like an original proposal but a little strange.

Thomas PIQUEMAL

Regarding the dividend, as I said earlier, our net income is stable. The chairman has asked the Board to propose to the Annual General Meeting a stable dividend, and I believe I can say that this is the logic behind our results. The difference compared to the previous year is that it will be paid fully in cash, assuming the shareholders approve it. As you remember, last year the dividend was €0.10 per share with an option of payment in shares.

Why have we changed our dividend policy? No change has been made to the 55-65% range. However, in our financing strategy, we consider that the hybrid debt matches our investment cycle perfectly, an investment cycle that, in the case of some assets, is long. We therefore felt that these hybrid issues perfectly match the use that we can make of all the financing tools available to us. There are €6 billion in hybrids in 2013, and €4 billion in January 2014, so €10 billion in all. I feel that this is a large enough amount to be taken into account in our results. The cost of the hybrid is not reflected in our accounting. In net income it is subtracted from shareholders' equity. We therefore felt it made sense to subtract it from net income excluding non-recurring items on an accounting and reporting basis.

Your second question is about the minimum guidance for net income in 2014. We aren't going to provide guidance on net income, but I understand that you are asking me the question for your models. I will therefore look at the market's vision of our 2014 net income and hence the consensus figures, which include a net income range. Different analysts operate under different assumptions, particularly as regards amortisation times, a subject that I will not discuss. Depending on whether one assumes a 40-year amortisation time for the French fleet, as we currently do in our accounts, or 50 years, the range will obviously vary. Based on our analyses, we believe that this range is between €3.8 and €4.1 billion, depending on the assumptions that you make in terms of amortisation time. In any case, I am quite comfortable with this range.

Emmanuel TURPIN (Morgan Stanley)

Three questions, please.

First, to go back to nuclear output in France, we heard your commitments for 2014. In the past, you have agreed to provide a medium-term vision on the fleet availability rate. Could you give us your vision today?

Second, Thomas PIQUEMAL, you spoke of the good Spark results in 2013. You have told us about new measures that pay off quickly. Could you help us quantify them? Perhaps WCR? You mentioned that the Spark impact was already factored into the CAPEX budgets. Is that indeed so, or do you intend to find new sources of leverage?

Third, on your firm commitment to cover dividends through cash flow in 2018, could you clarify whether this is before or after any divestment proceeds?

Thomas PIQUEMAL

Yes, before any divestment proceeds in 2018.

Regarding the quantification, I believe we demonstrated in 2013 that we were able to announce figures and then exceed them. Here, it's something else. Obviously, the impacts of these programmes are included. In 2011, we announced a plan called "Synergie et Transformation". Why? Because we believed that taking control of all the Group's vehicles of development and subsidiaries or selling off those that we did not control would allow us, precisely, to unlock synergies within the Group. This plan is almost complete. It was followed by the Spark plan. We don't think it is necessary to continue providing figures, but simply to commit ourselves to this objective, which includes everything that I just said, positive cash flow in 2018. Obviously, this cash flow will be positive in 2018 with no need to make divestments. We have a number of non-strategic assets that could be sold off in coming years. We are under no pressure to do so. This would merely be an additional source of funding for expansion, but this is not included in our 2018 cash flow target.

For the rest, just one comment. What we use is the winter Kd and it is at a very high level. Our second challenge is to control our outages, as Philippe explained very clearly earlier today. There is no use in talking about medium-term targets. What we will demonstrate to you is this is improving in 2014 and that's what counts for us.

Philippe OURPATIAN (Natixis)

I have three questions. The first is on operating life extension. You yourself mentioned that there are several assumptions being used by analysts. What about your discussions, if any, with the nuclear regulatory authority and your shareholder on a possible accounting extension of operating life?

Could you provide a few more details on the WCR measures that you want to take in 2014 and perhaps explain to us the source of the drift in 2013, despite the improvement compared to 2012?

And one last point, could you give us an update on your discussions with your shareholder and the French authorities on a possible extension of the CSPE?

Henri PROGLIO

Regarding the amortisation time of the nuclear fleet, I will not comment, because everything has already been said. As you know, we have a significant fleet renewal, renovation and modernisation programme, which, obviously, can be executed only in terms of an operating life that is long enough to amortise the investments entailed. I therefore reiterate my confidence in the sharing of a common-sense vision, and we'll see. There aren't so many discussions going on because this is an accounting decision that is up to EDF's Board of Directors. Obviously, this involves all stakeholders and a convergence should be possible within the confines of a consistent understanding of the link between investments and operating life.

Regarding the broadening of the CSPE, indeed, if the decision was made to extend the CSPE to other energies, we would not object. But this is not an absolute prerequisite for EDF to be able to carry out its mission on the one hand and to achieve its performances and meet its commitments on the other hand. This can only be in the right direction.

On the working capital requirement, Thomas?

Thomas PIQUEMAL

WCR is €1.7 billion, less than the previous year. I would just point out that 2012 showed a CSPE deficit of more than €1 billion, a deficit that we did not experience in 2013. That's why the change in WCR and the WCR as a whole is a major objective that we have set. I will not go into detail on how we will proceed. As you can imagine, the action plans will be decided entity by entity. This has already begun and the benefits will begin to show up in 2014.

Perhaps we can take a question asked via Internet….

Internet question no. 1 (read by Thomas PIQUEMAL)

How do you define payout: is it 100% or 50% of the hybrid?

Thomas PIQUEMAL

The payout is between 55% and 65% of net income excluding non-recurring items, minus the cost of the hybrid, which comes off Group equity. You have the figure under Group shareholders' equity. This figure is -100 in 2013 and will be -400 in 2014, given the full-year impact of the 2013 hybrid and the effect of the payment of the hybrid coupon in early 2014[1]. On a full-year basis, and given the €10 billion in hybrids issued, it will be €500 million less in equity to be very precise.

Internet question no. 2 (read by Thomas PIQUEMAL)

Please comment on the consensus EBITDA forecast of €17.3 billion.

Thomas PIQUEMAL

This may be a good opportunity to discuss the 2014 EBITDA guidance for a minute. Just one minute or perhaps two, because 2014 will be marked by the end of the proportional accounting method (IFRS 10 and 11 changes), and I would like to take out a little time to explain the impact that this will have on our accounts. This impact was expected, and it is positive. It is positive because, while we lose a little of EBITDA (€700 million), in parallel, as you can see, we reduce our debt by €2.1 billion. In addition to these accounting impacts, the renegotiations of partnerships over the past four years now, and the anticipation of certain developments, for example, the put on Exelon for CENG or the Dalkia renegotiation, have allowed us to anticipate all this and all the consequences with the industrial impacts that the Chairman pointed out earlier. So this is a marginal positive impact on our ratios, but with -€700 million of EBITDA in 2014, based on figures that are preliminary, compared to our 2013 results. I mention this figure because the consensus does not currently include it. This

[1] Excluding the annual coupon of the Euro tranche issued in January 2014

EBITDA impact, of course, has no impact on net income, as it results from a mere change in our consolidation methods.

The other item is that our guidance is for EBITDA growth when excluding Edison. In the Edison consensus, which is about €1.1 billion, if I remember correctly, you see this 1.1 figure is higher than the 600 figure, as the market is pricing in a number of renegotiations. The guidance that we provide is before any renegotiation. The rest of EBITDA growth is +3% on EDF's 2013 EBITDA growth, restated for the change in accounting method and for Edison. On this perimeter without Edison, 3% growth in €15.1 billion leads to €15.6 billion, which is quite in line with the consensus as published on our website, after making the two adjustments that I mentioned (the adjustment in accounting method and the separate forecast for Edison). To answer this question, the consensus is therefore fully in line with our vision of things and calls for no adjustment on my part.

Geert DE CLERCQ (Reuters)

I have three questions for you. Could you first elaborate on your focus on Europe? Iberdrola and GDF invest heavily in emerging markets. Why does EDF grow mainly in Europe?

Second question: the European Commission has been extremely critical of all the arguments that the British government has made regarding Hinkley Point. Do you see any risk that the project will be rejected? What is your strategy for possibly modifying the contract? Would the contract still be viable if a few changes were made to it?

Third question, once you have completed your current term, will you be in the running for another term?

Henri PROGLIO

I naturally have no comment to make on the strategy or vision of any of our European competitors. Rather, I'll come back to EDF's strategy. EDF is a public services operator. I would like everyone to be aware at all times that our strategic vision is a public service vision whose breadth depends on the particular country where we operate. We are keenly aware of this public service mission. This has some implications in the depth and duration of our involvement, as well as, at the same time, an overall, i.e., an integrated vision and a vision of efficiency and continuity and taking into account all the characteristics of what we are able to conceive of as basic public service. This characteristic, which is fully compatible with the market and with performance – something that we have proven – has guided us for several years in our strategic choices, options and orientations.

We are a European multinational group. Our domestic market is Europe. We are the largest operator in France, the largest in Great Britain, the second-largest in Italy, the second-largest in Belgium, and the third-largest in Poland. Our role is to remain deeply anchored in our countries and to continue to expand our footprint and growth in the European landscape as an integrated player with a clearly ambitious vision in electricity services. We are the top European power generator. Our ambition is to remain so and to become the world's top power generator. Of course, this does not rule out expansion outside of Europe, in Asia for example, where our presence in China is rather unique, as we are the only non-Chinese player in the Chinese energy landscape; in Laos, where we have developed Nam Theun; in Vietnam, etc.; and we have other ambitions in Asia, Eastern Europe, and outside the European Union, as I said earlier, in the Middle East; in North America, where, through both EDF EN and EDF Trading, we have very solid positions, particularly in new energies and optimisation of electrical systems; and in Latin America, where we intend to expand beyond our existing positions.

So we have geographical ambition and are truly ready to seize opportunities when they are in one of our segments. We are the world's largest nuclear operator. As such, we have a mission to carry out and a position to build up in this area. We are Europe's top hydropower supplier, and our ambition is therefore to be the world's top hydropower supplier. We are the largest grid manager in Europe and are moving forward in smart grids. We are the top developer and manager of new energies in Europe, and we intend to build up these positions, as we told you earlier, particularly in regions offering a convergence between the development of new energies and competitiveness, for example, in North America, where wind corridors make it perfectly possible to be profitable. This is the case in many areas where EDF EN has developed, for example in South America in solar, and in many other regions of the world where the development of these energies is compatible with our technology and know-how.

So we are a European player determined to build up our multi-local European base. Just because we will be a major player in Italy, a major British player in Great Britain, a major French player in France, a major Polish player in Poland and, at the same time, a global player, that doesn't mean that we don't have the ambition of expanding outside Europe in selected regions and in well-identified businesses. That's what we can say.

During my term, I intend to give our clients, our employees and all our stakeholders a company whose performance is envied worldwide, and I intend to make sure this performance improves. The rest is of no great importance.

Regarding Hinkley Point, the European Commission, by definition, from the time that it takes on an issue, is tasked – and this is rather natural – with first issuing a critical opinion before rendering its final ruling. So there is nothing surprising there. Does this undermine our confidence in a positive outcome? Absolutely not! As I said earlier, are we inclined to amend the contract? Absolutely not. We have negotiated, and a deal is a deal. A contract is a contract. We are not now going to transform or skew the contract so that it will stand up to the European Commission's scrutiny. This is a comprehensive contract that, after long negotiations, binds us to the UK government and, together, we are standing up for the consistency and relevance of this contract with the European authorities. It is Great Britain, first of all, which is naturally pushing for the green light from Brussels, but we, of course, are led to give an opinion and to stand up for the position. We have joined forces with the British government in this process, which we fully expect to have a positive outcome. Will it be in the summer or the autumn? Know that we are fully confident in the positive outcome of the process.

Vincent AYRAL (Société Générale)

I have a question on your 2018 CAPEX guidance. Does this potentially include life extensions or the "*Grand Carénage*"?

Question number 2 on nuclear power generation: what is the theoretical upper limit that you could generate in 2014 when allowing for planned outages and how does that compare to 2013 in terms of planned outages?

And one more question on nuclear power: do you have an update on potential life extensions of AGR in England?

Thomas PIQUEMAL

Regarding 2018 investments, I told you earlier that, in our trajectory, in 2018 we plan to return to the level of investments of 2013, meaning about €12 billion. Why? For many reasons, of which I will mention two. The first is that in 2013 we spent about €1.8 billion on projects that will be completed during this period. We mentioned Dunkirk and Flamanville, but we could also mention the plan to invest in the insular production fleet. That works out to a total of €1.8 billion.

The second reason is that our investments in maintenance and networks will continue to move forward. That's why, with each offsetting the other, we will return to the level of 2012. But it is not up to me to provide you with details on investments in the fleet, and each investment will be analysed on its own merits, particularly, in addition to industrial issues, on the basis of profitability criteria.

Philippe SASSEIGNE

Regarding nuclear output in 2014, if I understood your question correctly, we have presented a clear objective of between 410 and 415 TWh. This objective assumes better control over reactor shutdowns, as I explained earlier. The upward difference that we may have may be due to weather conditions, but our objective is indeed the one we mentioned earlier: between 410 and 415 TWh.

Henri PROGLIO

Vincent de RIVAZ may be able to give you an update on the extension of the operating life of British nuclear power plants.

Vincent de RIVAZ (Chief Executive, EDF Energy)

A few simple figures on the AGR plants. They were designed for a 25-year operating life. Today they are, on average, 31 years old. When EDF acquired British Energy, the management back then assumed a total operating life of 35 years. We are now at 43 years. These additional eight years are due mainly to the decision that we intend to make this year on Dungeness B with a 10-year extension. So much for the AGR fleet.

We can sum up by saying that, five or six years ago, the general assumption was that the AGR plants would probably last until 2023. The reality today is that the AGR plants will all be in service at least until 2023, and of course, in many cases, beyond that. The Pressurised Water Reactor (PWR) reactors like Sizewell could work for 60 years, so until 2055.

Élisabeth SALLES (Enerpress)

Regarding the Dalkia deal, when do you expect it to be up and running, and do you have a target in revenue terms compared to your current 1 billion euros?

Second question: what do you expect from the investigating committee on nuclear costs?

Henri PROGLIO

On the second question, I don't expect much. We believe, in all modesty, that we are familiar with nuclear costs. So an investigating committee is not going to tell us much. However, given that one MP or another wanted this "analysis" to be done, all the figures are, of course, available to our correspondents. That's all I can say. We will reply to our MPs and will try to talk things over with them. I actually think that everything is going very well. We have provided all the informational items. But, once again, I don't have anything new to tell you, as we long ago provided you with the economic cost of nuclear power. We have provided you with our vision of our ambitions and our outlook in this area. We have provided you with a vision of the consistency in our approach to power generation, nuclear in particular. We are accordingly at your service to explain any subject, if necessary.

As for the services component and the timing, we have reached a role-sharing agreement with Veolia, meaning the takeover of Dalkia France by EDF, with Dalkia International joining Veolia. Negotiations have been completed. We are at the stage of consulting with employees representative bodies. EDF's employees representative bodies were consulted and, as universally expected, gave their unanimous approval in late January. Dalkia's employees representative bodies are being consulted, and they are expected to render their decision in February, and I have no doubt that they will approve. But we have to clear one other hurdle, consultation with Veolia's employees. This will take a little longer, as the response is less forthcoming regarding employees who will not be joining EDF and who accordingly are looking at things from the other side of the fence. I hope that this consultation will lead to a response as soon as possible.

As soon as the employees representative bodies have rendered their decision, we will have to go through the process of obtaining clearance from competition authorities. Whether this will be European or French authorities, discussions appear to be under way, and we will submit the subject to the authorities that will be designated to us.

I don't think that creates any serious problems as this change creates competition, given that we are coming from the same company and that there is no non-competition clause between us. Incidentally, this is why I told you that Dalkia is destined, within EDF, to immediately expand its activities internationally. I am very eager to obtain official clearance so that we can get up and running. The faster, the better. We have many projects and ambitions in this area, and we are trying to manage the timing as best as we can. We will now have to manage the intermediate phase, which is a little more difficult, given that people are waiting for guidelines, instructions and steering. The people that will be joining us hope to receive some guidance very soon. Let's not forget either that there are clients on the other side, clients who expect from us some responsiveness and a capacity to propose ideas and answer their questions. So, the faster, the better.

We are trying to find to find the right condition to ensure that this interim transition period will not be wasted time or wasted effort.. That is what concerns me. Regarding the finalisation I have no doubt. As for the timing, I can tell you "as soon as possible", and regarding the intermediate procedures, we are making proposals to Veolia so that we can already take the destiny of our future businesses in our own hands.

Emmanuel TURPIN (Morgan Stanley)

One question, please. To go back to your dividend policy, you have modified the payout basis by including the hybrid coupons. Unless I misunderstood, that reduces the payout basis by €500 million on a full-year basis in 2015. Based on your budget and, your net income guidance, do we have the same pace of increase in dividend for the period? Perhaps you could comment on the consensus forecasts, which are about €1.30 or €1.32 per share for the 2015 dividend?

Thomas PIQUEMAL

Personally, I don't consider that we have made any change to the basis on which we calculate the dividend, because we believe it makes sense to include financing costs in the basis on which we calculate the dividend. Obviously, we hadn't been including hybrids cost, as it used to be only debt. It therefore makes sense that it be done in its entirety as soon as we have issued hybrids. There is no impact in 2013, as it comes to €100 million. That's why there has been no change to the definition of the payout that was announced to you for 2013. However, thereafter I believe it is right that financing costs be reflected in the basis on which we calculate the dividend. This is not a change but merely the inclusion of all financing tools.

I will not comment on future dividends. I have reviewed with you my vision of the consensus on net income. Our commitment is clear on the payout range (55-65%), and I simply believe that we have demonstrated in recent years not only that we meet our commitments but that we also assign some importance to dividends. Beyond that, I will let you make your own calculations and models.

Véronique LE BILLON (*Les Échos*)

Based on your discussions with the nuclear safety authority on extending the operating life of reactors, from what point of investment necessary for enhancing the safety of current reactors would you consider it useful or necessary to rather consider building new reactors?

Henri PROGLIO

We are not in discussions with the regulatory authority on operating life. We obviously undergo constant official inspections by the safety authority, whose mission is to ensure that we meet the most stringent safety standards. There is no complacency or aggressiveness from either side. Once again, it is up to the company to determine its ambitions in operating lives and it is up to the regulator to ensure that those operating lives are compatible with safety standards.

As for when we will decide that it is necessary and desirable, the answer is clear. Our goal is to extend the operating life. We think in terms of a nuclear fleet and not just one installation. There will therefore be an optimisation of the fleet as soon as the time needed to build new reactors makes it possible to extend the cost-effectiveness of the nuclear output that EDF is responsible for. This is to say that we are rather comfortable with the idea that we can extend the fleet's operating life and ultimately consider developing new plants. This will be thought out on an overall basis, but also on a case-by-case basis, plant by plant.

Martine POWELS (AFP)

To follow up on that last question, could you tell us a little more on the scenario that is reportedly under consideration by the French presidency to close ageing plants and replace them with new EPR in France?

Henri PROGLIO

Let's be clear: I have nothing to say on the scenarios that may be batted around here and there, but I can say that it makes sense for EDF to have a consistent vision. I don't like to talk about ageing plants, as this is a completely inappropriate term. Is a fully renovated 19th-century building an ageing building? This is a question that I ask myself from time to time, given that our plants are constantly and fully maintained and modernised, and that they meet the most stringent safety standards. The answer is no. Of course, any industrial facility has an optimum operating life. We are likely to have an opinion on the optimum service life of each of our reactors, and, hence, our existing fleet. Of course, we discuss this matter in broad terms with the public authorities, but, ultimately, it is up to the public authorities to set the country's energy policy, and it is up to EDF to manage its assets and its industrial facilities. And this is done in a natural and concerted manner.

Internet question no. 3 (read by Thomas PIQUEMAL)

When it is said that you are comfortable with a 3.8-4.1 range, is that before or after the 400 millions in hybrid payments?

Thomas PIQUEMAL

I will comment on the forming of the consensus. I'm not the one who makes the consensus. That is the market's vision, and I believe that this does not include the cost of the hybrid: €3.8 to €4.1 billion is thus before the cost of the hybrid.

Henri PROGLIO

Thank you for being here today. We will, of course, get back to you with updates on these developments as they occur. I reiterate my full confidence in EDF's outlook and, once again, I thank you for being here today.