

**EDF**  
**Tuesday, 13<sup>th</sup> November 2012**  
**18:15 Hrs UK time**  
Chaired by Thomas Piquemal

**Thomas Piquemal**

Good afternoon, everybody, and thank you for attending this conference call on our Q3 sales and highlights. I am Thomas Piquemal, EDF Group CFO and I'm here with Dominique Minière, the head of the French nuclear operations and together we will walk you through our figures and highlights of the last quarter. I will, for that purpose, use the slide pack that you might have downloaded from our website.

First of all I'll start with our third quarter highlights, particularly in terms of operating performance, in terms of progress achieved on Edison and in terms of current priorities. Let me start with the operating performance. In France nuclear production amounted to 295 TWh, down 6% year on year primarily because of extended outages. French hydro output was strongly up by 32% to 26 TWh as at the end of September 2012. In the UK output rose nearly 4% to 45 TWh.

As far as Edison is concerned we made a lot of progress. First of all, we now own almost 100% of Edison, as announced on September 6<sup>th</sup> 2012 but maybe more importantly, we achieved a positive arbitration on two key gas contracts with a Libyan counterpart and with Qatar, both of them yielding total EBITDA of €700 million for 2012. And as you know, this was one of our key objectives to secure our 2012 performance.

Lastly, as mentioned during the presentation of our first half results at the end of July, our priorities during the past quarter and also before the end of the year are very clear. First, on the CSPE receivable issue, let me say that we have several options which are currently under review. We are actively working with a view to finding a solution before this year end. We are also reviewing our capex and opex trajectory for the coming years in order to adjust our trajectory to the currently prevailing conditions.

Lastly, on the international front, our priority is to prepare the ground for a final investment decision on the UK Nuclear New Build. As you are well aware, significant developments, engineering and supply chain work has already been undertaken to position Hinkley Point C as the UK's most advanced new nuclear project. We are also holding in-depth discussions with the UK Government in respect of the energy market reform and more specifically on the forthcoming Contract for Difference mechanism, which is a critical factor for EDF in respect of the UK EPR.

Let's now move to the sales figures presented on the next slide, slide number four. As you can see, our nine months' sales amounted to €52 billion, up 10.2% from last year. This includes scope and currencies effect for €1.7 billion due to Edison full consolidation since May and to the strengthening of the pound against the euro. Stripping out those two effects, the Group posted a robust 6.6% organic growth, driven mainly by Edison, the French activities and EDF Energies Nouvelles, which is recorded in Other Activities in this chart.

As shown on this next slide, slide number five, France delivered a strong growth of 4.5% organic growth in sales thanks mainly to weather effects for €0.6 billion and a rise in the distribution tariffs for €0.3 billion. This was obviously particularly positive for the regulated activities. The deregulated activities experienced a more subdued sales performance which can be analysed with the upstream/downstream balance presented on the next slide, slide number six.

You can see on the bar chart on the right-hand side that the global increase of 18 TWh in sales has been primarily driven by the surge in power sales to EDF competitors (pursuant to the NOME law) of 30 TWh year on year. Turning to the left-hand side of the chart, you can see that in the context of low power prices, EDF has favoured purchases on the wholesale markets to meet the conjunction of rising power demand and lower nuclear output. EDF Group was a net buyer of 23 TWh in the wholesale markets year to date.

Speaking about nuclear output on the next slide, let me hand over to Dominique, who will now review the performance of the French nuclear fleet.

### **Dominique Minière**

Thank you, Thomas, and good afternoon to all of you. Slide seven shows that French nuclear output amounted to 295.2 TWh at the end of September 2012, down 19.5 TWh on a comparable period. You will certainly remember that we mentioned that at the time of the release of our H1 2012 results, late July, that we were targeting a decline of nuclear output in 2012 versus 2011 because of the greater number of planned outages in H1 2012 and extended outages. As you can see, the decline is steeper than we then thought because of three main factors and could be illustrated on slide eight, which sheds light on Q3 performance and more generally on the nine months of 2012.

First, as mentioned in July, we carried out a number of additional controls and complementary work, in particular in respect of the N4 units. These complementary tasks took us, however, longer than we expected. Second, we experienced a number of technical hazards, especially in August during outages. This led to new outage extensions. Lastly, we faced an industrial action from the employees of one of our suppliers, which slowed down maintenance work and led to extended outages at Cruas power plant. As you can see, we eventually experienced 1,015 days of extended outages during the past nine months 2012 against 601 days, in 2011. To a large extent this increase stems from the factors I just mentioned. We have, of course, set up actions plans to reduce these outage extensions due to technical hazards with some improvement on outages in the Q4 like in Blayais power plant recently. I could come back on this point after, during the Questions and Answers.

Two, on the other hand, however, I would insist on the point that unplanned outages remained fairly stable in the past quarter thanks to our programme of replacement of large components. Lastly, the number of days related to planned outages came down sharply in Q3 2012.

Let's come back now to slide seven, if you don't mind. As you can see, all in all, this is leading us to set a new target for nuclear output of close to 410 TWh in 2012 so about 3% decrease compared to last year. Meanwhile, I should highlight that we're currently in a

better position than one year ago, to enter into the winter period, when power consumption is the highest. We have fewer planned outages during Q4 2012 than one year ago. This translates in close to 200 days less in terms of outages.

As a matter of fact, today we have 49 power plants connected to the grid compared to 45 on average in November 2011. Indeed, our key objective remains the same: to have the greatest number of units in production when demand from our customers is at the highest. Those were my initial remarks on the French nuclear fleet performance.

### **Thomas Piquemal**

Okay, thank you, Dominique. Let me now comment on French hydro output. As shown on the next slide, hydro output rose 32% to 26.4 TWh year to date thanks to better overall hydro conditions, as you can see on slide number ten. Having said that, you can also see on that chart, on slide number ten, that hydro conditions during the third quarter 2012 remained below historical average.

Let's now move on to the UK, where the group posted sales of €7 billion against €6.2 billion last year, as shown on slide number 11. Excluding currency effect of €0.5 billion, EDF Energy achieved an organic growth of 4.1%. This stems primarily from the good development in the gas business thanks to higher B to C consumption due to market share gains and cold weather. This translates into a €227 million increase in sales. On the power business, sales grew by €75 million, underpinned by higher nuclear output, in particular thanks to Dungeness being back on the grid on time.

With six weeks to go before the year end we are now confident in our ability to see our 2012 nuclear output in the UK exceed 2011 levels and to be within a 57 to 60 TWh range. As shown on the next slide, EDF Energy benefited from the good performance of its nuclear and thermal operations. As a result, it became a net seller in 2012 for four TWh after being a net buyer on the wholesale markets for 13 TWh in the first nine months of 2011. This is, of course, a very significant change with, however, limited impact on profitability given the current low power prices.

Moving on to Italy on the next slide, I would like to make a couple of comments on the 48.1% top line growth. This figure reflects a growth of 52,3% at Edison, lifted obviously by the change of method of consolidation of Edison since May 2012. It also reflects the strong organic growth in sales of 26% at Edison. This growth had, unfortunately, no impact on Edison results as in the power business, top-line growth mainly stemmed from pass-through mechanisms and margins remain under pressure in the gas business despite a positive outcome of the arbitrations on the gas contracts.

As I said in my introduction, we've obtained favourable outcomes on arbitrages and Edison is now expected to generate an EBITDA between 1.1 and €1.2 billion in 2012. Looking forward, however, such decisions and such arbitrations have no impact on Edison's future EBITDA; since, in view of the low gas prices, Edison has now entered into a new phase of arbitrage and negotiations in respect of its gas contracts for the following years starting fourth quarter of this year.

Turning to Edison upstream and downstream power balance on the next slide, I'd like to share with you two key remarks. First, on the bar chart on the left-hand side, you can see

the impact of the disposal of Edipower following the recent transaction. Second, as you can see on the right-hand side on the chart, B to B volumes came down sharply owing to the very difficult market environment. B to C remained stable.

Moving to the next reporting segment, Other International on the following slide, you can see that organic growth was 3.4% over the first nine months. In Belgium, EDF Luminus sales were up 3.3%, driven by a favourable pass-through effect due to higher distribution charges but also due to higher gas volumes sold thanks to a colder weather. In other Europe, which primarily consists of Hungary and Austria, the 12.3% increase in sales was due to the development of optimisation activities at Estag in Austria.

Turning now to our last reporting segment on the next slide, we can see that sales in the other activities grew a strong 9.2% on an organic basis. This robust performance is explained by the dynamic growth recorded at EDF Energies Nouvelles which grew 37.3% surge in sales on an organic basis. This is due to the strong developments in the generation activities, also an active disposal programme that is continuing during the fourth quarter. On the other hand, EDF trading revenues came down 11% year to date against continued difficult market conditions in the power business in the US.

Finally I would like to confirm our financial targets for 2012. As already mentioned when we reported our first half results this year, we are actively working on the CSPE issue in order to find a solution to the deficit before the year end. Against this background and given the performance year to date, we are in a position to confirm our financial objectives for 2012, that is to say, 4 to 6% increase in EBITDA, 5 to 10% rise in net income, a net debt to EBITDA ratio of less than 2.5 times and a dividend that should be at least stable compared to 2011.

Turning now to the 2015 financial objectives that we announced in July 2011, those objectives were similar to 2012 in terms of medium-term financial objectives for the 2010-2015 period on a compound annual growth basis. But, as I think everybody knows, since July 2011 it is clear that our economic environment has further deteriorated. In view of the prevailing business conditions we are currently working on the assumption that Group EBITDA will be stable in 2013 and that growth will resume in 2014 and thereafter. In any case, such trajectory is consistent with our willingness to propose to our board of directors a dividend that would be at least stable over the period.

Finally and before taking your questions, let me express my confidence that, thanks to our industrial strategy, the refocusing of our group on key markets, the resolution of our partnerships and the deleveraging of the Group over the last couple of years, we believe that we are better positioned than most of our competitors to withstand the difficult market environment that we are currently experiencing.

Thank you very much. This concludes my opening remarks and, with Dominique, we are now ready to take any questions that you may have.

## Questions and Answers

*Michel Debs (Credit Suisse)*

*Can you give us an update where the CSPE deficit could be by the end of 2012, what could be the maximum of this deficit in the year to come, and last, what will be the year where you think deficit can be extinguished.*

**Thomas Piquemal**

We see the deficit at roughly €5 billion by the end of the year, slightly rising in 2013 and if there is a widening of the social tariffs it will be covered by the CSPE and we should get it back globally by 2017. But again, we are, you know, we are working now on finding solutions, given the fact that this deficit is weighing on our financial ratios and also on our profitability given the fact that we bear € 5bn of deficit with no interest. Those are the two issues that we are trying to resolve by the end of the year.

*Per Lekander (UBS)*

*Question is on guidance 2012, on dividend. Is it clear that it will be cash or could it be scrip?*

**Thomas Piquemal**

We're committed on proposing to the board a dividend that is at least stable, and obviously we will confirm all of that following the different boards that we have by the end of the year.

*Damien de St Germain (Crédit Agricole)*

*Are you confident to keep net debt on EBITDA ratio below 2.5 times in 2013 as you were reviewing down 2013 EBITDA guidance? What kind of actions could you take to meet this target?*

**Thomas Piquemal**

As I said, we are working under the assumption that EBITDA will be flat in 2013 compared to 2012. We are having discussions with all people involved, all different stakeholders. It is much too early right now to give you any further information or details on this trajectory.

*Michel Debs (Credit Suisse)*

*Still on that point, could you please update us on the cost-cutting programme?*

**Thomas Piquemal**

Cost-cutting programme is not the right word. As everybody knows, we are investing in our operations, in our nuclear fleet in France. We are investing in preparing for the hiring of new people to replace people retiring and therefore I've never said that we would cut our costs in France. However, I announced back in 2011 a programme which is to leverage on all the different synergies that we can have on a Group basis and we are making good progress, we are right on target in terms of cost efficiencies, all the more since now we can integrate Edison in this platform. And as I said, we now control most of our operations and I will update the markets in February on the numbers achieved but this is yielding good progress and good results.

*Benita Barreto (Berenberg)*

*Could you re-precise the range of the EBITDA 2012 we should use for as a starting point for the 2013 EBITDA outlook?*

**Thomas Piquemal**

Well, for 2012 I gave a range of 4 to 6% growth on the basis of what we achieved in 2011, so 4 to 6% growth gives a target range— of between 15.8 and 16.1. And taking a number on this target forms the basis for our assumption for, or the assumptions we are working under for 2013. A thing I can say on the numbers for 2012 is that we have a market consensus that is released on our website and I can say that I feel comfortable with this consensus.

*Andrew Mead (Goldman Sachs)*

*Still on guidance, after EBITDA, the net income; could you re-precise the range in terms of billions you hold of the net income? Could you precise also the impact of higher French taxes?*

**Thomas Piquemal**

We made some calculations on the impact for our 2012 net income and our calculations give net impact of €140 million negative for 2012. Nevertheless, we will offset this negative impact. That's why I am in position to confirm our objective, which is a growth of between 5 and 10% of net income level for 2012 and here again for 2012 I feel comfortable with the number which is in the consensus.

*Atallah Estefan (Macquarrie)*

*So you expect a flat EBITDA in 2013 against 2012, could you please give us a guidance for the net income 2013?*

**Thomas Piquemal**

This is, as everything else, currently under study. It depends on the certain number of work that we are currently doing on our accounting and accounting principles and therefore it's too early for me to give any further detail on net income right now.

*Michel Debs (Credit Suisse)*

*Do you expect a 4 to 6% growth EBITDA and a 5 to 10% growth on net income from 2013 to 2014 and from 2014 to 2015?*

**Thomas Piquemal**

As I said, we are working under the assumption that EBITDA will be flat in 2013. Thereafter we would resume growth. Whether we can reach our 2015 target in 2015 or one or two years later remains to be confirmed, but what is more important is to say that we feel comfortable with the fact that our model and our strategy will enable us to extract additional growth after this 2013 year ahead of us.

*Per Lekander (UBS)*

*Can you help us with Edison EBITDA guidance from 2013 onwards considering that there are many moving parts on the year 2012? What would be a good EBITDA base for Edison going into 2013?*

**Thomas Piquemal**

What is, I think, important in making this exercise is that out of the €700 million that we obtained in the arbitration process this year, half relates to previous years. Therefore the impact on a full-year basis of this arbitration is roughly €300 million.

On the other side, since the beginning of this fourth quarter we are still having negative margins on this activity at Edison in Italy. Therefore we are entering into a new arbitrage process on those contracts and depending on the outcome of this arbitrage, whether it would be 2013 or 2014, a significant portion of EBITDA relates to our ability to reach this arbitrage in 2013 or 2014. However, I think that over the last months we demonstrated that we had a strong case in those contracts and we feel very confident in our ability to obtain the same outcome in the forthcoming months.

*Patel Baijul (Nomura)*

*What are EDF's plans regarding refinancing of Edison's short-term debt maturities? Will it be refinanced via Edison or via inter-company agreements between EDF and Edison?*

**Thomas Piquemal**

We are managing our financing on the Group level. Edison is part of the Group and there will not be any difference when it comes to Edison; so Edison benefits from the Group and from the full support of EDF.

*Michel Debs (Credit Suisse)*

*Could you please update us on the options that you are considering for the UK New Nuclear Build and the timeline for the decision-making on the capex?*

**Thomas Piquemal**

As I said earlier, I think we're making a lot of progress and we are having extensive discussions with the UK Government. Our internal timeframe is consistent with a decision by the end of the year but again, I think that what is extremely important is that this decision will be made when all the conditions are met and we are working with all people involved with a view to achieving that.

*Emmanuel Turpin (Morgan Stanley)*

*First part of my question is about your 2013 outlook and I would like to know what nuclear output in France you've budgeted to reach your new guidance and essentially whether the excess of, I would say, planned outage of this year and the reasons behind that have been identified, fixed on that or whether we're on track with your previous guidance on the nuclear output.*

*And the second part of the question, still on the guidance is, if we take the bottom of your previous guidance range plus 4 to 6%, that would have pointed to an increase in EBITDA by about €600 million. You mentioned as a generic explanation the toughening operating environment. I would like to understand whether this €600 million shortfall is a top line effect, tougher pricing condition for your non-regulated tariffs or is it costs, whether you see it mostly in France or in the overseas business, whether it is on the regulated or more on the emergent business, if you see what I mean. I'm looking for a bit of a description of the overall impact here. Thank you.*

**Thomas Piquemal**

Unfortunately, at this stage I will not give more detail on our views for 2013. Maybe Dominique can explain what we are doing to improve our ability to manage the planned outages because this is our key objective and this explains why we were a bit down compared to our expectations for 2012. But at this stage, no further detail on 2013 and for the reasons, whether it is top line cost, France, overseas, merchant, regulated; again, here I will not comment into additional detail. It's a bundle of reasons. I think that everything is involved but more importantly, the economic outlook, demand, prices, that obviously have an impact on our operations. But maybe, Dominique, you can comment on what we do to manage our planned outages.

## **Dominique Minière**

In a few words, just as I said before, we have noted this year some outage extensions, not on all the outages but on some outages and we are setting up plans to fix this situation today. We have noticed, in fact, that most of outage extensions are occurring during outages with a lot of maintenance activities and on sites with a lot of new hired personnel. So action plans are quite simple, they are mainly focused on how to manage, maintain, stabilise and even reduce the normal preventive maintenance, not the replacement of large components when we do it but normal preventive maintenance in order to stabilise the activities during the outages.

And in the same times, to be able to concentrate our attention to the new hired personnel because we have a lot of new hired personnel. Just to give you a figure, we have today in the French fleet more than 25% of personnel who have less five years of experience so you, everyone can understand that in our business, experience is a critical point. Even if you train well your people, even if you pay attention to the global training, you have also to pay attention to the work during outages and if we want to do that, we have to be very careful on the way we are managing outages, mainly on the works we are performing during outages.

So we'll not reduce the hiring of people because we have a lot of retirements today of personnel who have created and started our fleet and we need to replace these people. We need to train the new hired personnel but in the same time, we need time to help them in order to better handle the outages and to do that we'll stabilise the normal preventive maintenance during outages, extend some duration of outages in order to let time to further expand people to be more with the new hired people and to improve and to be sure that the quality of the works will be as expected.

## ***Martin Young (Nomura)***

*First question continues on this issue of your nuclear output in France. What would you say your long-term target is in terms of TWh output from the existing nuclear fleet in France, I guess, even the new unit at Flamanville and how quickly do you think you can get there?*

*Second question relates to new nuclear in the UK. Hear what you're saying about the timing of that decision of whether to press the button and then invest or not. Some speculation as to whether Centrica still has interest in New Nuclear Build in the UK. If, for example, they decided not to go ahead with it, would you be happy to proceed on a 100% basis or would you be out there looking for potential partners in that business?*

*And then the third question relates to the wonderful topic of energy politics in France. I just wondered if you could shed any light on your latest discussions with the authorities in France vis a vis developments of tariffs going forward and the Arenh price of the nuclear output. Thank you.*

## **Thomas Piquemal**

On the mid to long-term output vision, I think that we are not going to comment today on that. You know that we are working with the safety authority with the work that we have

to do following Fukushima and so we will be in a position to give more light on that probably in February next year.

As far as the UK timing is concerned, as I said, we are working internally with target until year end to make that decision but more importantly we will make the decision when the conditions are met. Therefore what is extremely important for us is to make sure that all the pieces fit together and obviously, I would not speculate on what Centrica does or will not do and what if, if and when; this is speculation and I'm not here to speculate on any form of scenario.

Lastly, on the tariffs and Arenh you know that we don't like to comment on the tariffs and Arenh. We are obviously doing a lot of work with different authorities to explain our industrial strategy, the investments that we have to make in our fleet, the investments that we have to make in or people, our views in terms of need to replace big components when a nuclear plant reaches 30 years. And all of that obviously relates to the tariffs equation and Arenh but as you know, we don't like to many any comment on that.

***Benjamin Leyre (Exane)***

*Two questions, please, the first one perhaps on the semantic. You indicate that you work under the assumption that EBITDA will be stable in 2013. I wonder what the difference is in your mind between an assumption and actually a formal target.*

*And second point on CSPE, I wonder if you could please share with us what still needs to be done for the resolution to occur, what is the current blocking point in the discussions and are there actually some alternatives that you have in mind to go back to 2.5 times by the end of 2012 in case the CSPE resolution does not occur? Thank you.*

**Thomas Piquemal**

I understand your question on the semantics and you have to appreciate the fact that we are, you know, in early November, that we are right in the middle of the process of completing our budgeting, as I said, for next year, our mid-term plan exercise. We believe that it was quite important to update the market on our internal views as soon as possible, also to convey our confidence that after the potential stability in our EBITDA, we could contemplate resuming growth in our earnings and EBITDA level for the future.

But this has to remain an assumption as long as it was not confirmed by our Board of Directors, so this is the difference between an assumption and a guidance or target. And again, our goal has been to update the market as quickly as possible both on our views on the forthcoming years but also on our confidence for the sustainability of our business model.

On CSPE, unfortunately I will not comment any further beyond saying that we make a lot of progress in understanding the mechanism, the difficulties that it creates to everybody and also putting on the table different ideas. Hopefully we can resolve it by the end of the year. As I said, there are two issues: the deficit that weighs on our financial ratios and the lack of compensation for the cost of carry, which is quite significant, which is highly dilutive on our earnings. Those are our two objectives for resolving the past; but

unfortunately, you can appreciate the fact that I would like to keep those conversations and the details related to CSPE for the different stakeholders.

***Ingo Becker (Kepler Capital Markets)***

***Just wondering, you're citing deteriorating business conditions for the reason behind your basically, a cut in the 13 outlook and it looks like you're confident that growth will resume thereafter. Apparently your performance is driven by many factors, some of which you control, some of which you might not control. What makes you confident that growth will come back from 2014? If I take you citing deteriorating business conditions, is that because you believe that business conditions in general will be better or...? Just maybe to get a bit of colour on what drives you to believe that there's another turnaround in 2014.***

**Thomas Piquemal**

Well, because again, we don't believe that the conditions that we will have in 2013 will repeat in 2014, because our asset base is solid, because our strategy is clear and we know what the drivers are to resume growth in 2014. Now, as I said, we are having a lot of discussions with all the different stakeholders to explain what I've just mentioned: our investments, our cost evolution, the necessity to invest also in our cost. And what we explained in July 2011 when we gave this mid-term outlook was that we were setting ourselves objectives. Setting objectives is key when you believe that you have a chance to achieve them.

In 2013 we believe that we have the right assumptions for stability and growth. That's what we wanted to share with you as soon as possible, but the objective that we are setting to ourselves for beyond 2013 is to deliver growth as we have delivered in 2010, 2011 and as we will deliver in 2012.

***Ingo Becker (Kepler Capital Markets)***

***If I may follow up, so that implies that you believe that those factors you can control – which apparently is not the tariff – but those factors you can control will be sufficient to drive growth again from then.***

Well, when you set yourselves objectives, you do not control everything to achieve those objectives otherwise it's not an objective, it's a certainty. So looking ahead in setting objectives, there are things that we control and things where we have to convince, or things that will depend on market conditions. On market conditions, you can have your own views, on our ability to convince as well, and on what we control we will deliver our synergy programme. We have a slide, by the way, on our website showing the savings that we did during the first half, which is above €20 million and I will update these savings for the full year results.

That's why, you know, we set ourselves those objective, to go back to what we will achieve in 2012 and we delivered over the last three years.

*Emmanuel Turpin (Morgan Stanley)*

*Just a follow-up question; I believe, if I heard well, that you qualified the potential impact from the austerity measures from 2012 at €140 million. Could you give us an indication for full year 2013 as I believe new measures could kick in and there will be a full year impact on some others?*

**Thomas Piquemal**

In 2013 it should be around €200 million.

**Thierry Deleuze**

So this was the last question. Thank you very much for your attention.

### **Closing Comments**

**Thomas Piquemal**

Well, again, thank you for attending this call, thank you for your questions and with the team we are obviously here to answer your further questions. Thank you.