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## Henri PROGLIO

Good morning Ladies and Gentlemen. Thank you for being here. It's a pleasure for me this morning to present our half year 2010 results.

I'm here with Thomas PIQUEMAL. He will explain in detail the trends of our first half year statements and I have the entire EDF senior management staff in front of me, all of whom, of course, are available to take any questions you may have. During the half year, the Group has continued to grow and expand in a complex, difficult context, marked by economic difficulties around the world. From an economic standpoint, growth in Europe, as you know, remained subdued. Over this H1-2010, we're seeing a slight rebound with electricity consumption growing 4.9% in France, to 3.7% in Germany and 1.5% in the UK. And this pick-up in demand stems from colder weather conditions as well as relative recovery of industrial consumption. When I say relative, I mean that we're not seeing a strong increase but a slight recovery following a relatively tough recession period. This is the case as well on the other side of the Atlantic. The energy markets nevertheless remain difficult due to price evolution marked by the economic crisis, of course, as well as lower prices in gas linked to non conventional *shale gases*. From an economic standpoint, still, the degradation of public finance in a context of disturbed financial markets has led governments to adopt budget savings plans, which are sometimes called "rigour plans", plans that have been extended to all countries, and notably in Europe, which involve an introduction of specific tax measures, including nuclear tax. That has been the case in Germany. We'll come back to that. The link between the nuclear tax and the extension of the power plants' lifespan, in particular in Germany, is on the agenda for EnBW, our 50% subsidiary, as well as EnBW's competitors. Regarding regulations more specifically, discussions have been taking place in the U.K. as well. They're looking at a carbon floor. It is a minimum price for CO<sub>2</sub>, envisaged by the new British government who has clearly expressed their desire to develop new nuclear power, and this was recently confirmed by our discussion. As a matter of fact, Vincent de RIVAZ from EDF Energy will be glad to answer and tell you how EDF's situation in the UK has been evolving. In any case we're receiving good support by public authorities in this field. Discussion about the economic conditions on the development of new nuclear power is ongoing. All of this, of course, will have a major impact and significance for the Group, as you can well imagine. In France, the

Nome Law is, of course, at the top of the agenda. I'll also talk to you about that later on. This Nome bill was particularly unfavourable to us initially as it stood, and ultimately after a long drawn out talks and discussions with public authorities, it was amended quite largely, meaning that the bill today is much more acceptable for EDF than it used to be. Discussions obviously are ongoing, until the final adoption of the law that should take place in H2 2010. As you know, the parliamentary discussion should resume on the subjects in September, and notably at the French Senate. Pierre LEDERER, who is with us today, can also give any details you may want. In this disturbed context, the Group has nevertheless continued to expand in France and abroad meaning that our sales are up 7.7% due to a scope effect as well as due to a significant organic growth. The Group has continued to invest in generation facilities and in networks, particularly in France, and in the rest of the world. Operational capex has gone up 8%, up to €6 billion in the first half year 2010. As you know, we've also strengthened our positions outside of France by positions taken in Belgium through SPE. This is a very first consolidation of SPE under the first half year results. Then we also set new developments, in particular in Russia, with an agreement on South Stream, and all the previous agreements entered with Gazprom and ENI, and throughout the area where we operate, that is Europe, including Central European countries, as well as in the US, in China where our position is now well established. Hervé MACHENAUD will tell you about that, he was personally involved in the development in China over more than the past decade. And we've been partners of the Chinese in nuclear development, for 25 years, via co-operation and partnership agreements initially entered with CGNPC, agreements that have been renewed and extended for the next 50 years. This is it for the general context.

The 2010 half year results are in line with our targets. The EBITDA growth, excluding the TaRTAM extension, came out to 3.8% and our net indebtedness over EBITDA ratio remains stable at 2.5. Thanks to all of this and we'll look at that in detail, we are able to confirm our financial targets for the year 2010. We have recorded a provision of €1 billion for our US investment. Thomas PIQUEMAL will tell you all about that later on. Therefore I will not comment that topic of non recurring items which, of course, has an impact on our income for H1-2010. We'll get back to that later on.

Over the coming months, priorities are first and foremost industrial performance at all Group's levels, starting with generation. Hervé MACHENAUD sitting with us today will give us an update on this status. He'll tell you about the performance of our generation facilities, particularly in France, which saw an improvement which is actually a breakthrough versus the gradual deterioration of our availability over the past few years. We're now in a phase of reconquest. He'll also tell you about the new Flamanville power plant and the lessons to be learned as of today. The second big challenge of course, as I said, is linked to the French legislation context, the Nome Law process that will continue until the fall. That is a major phase for us in terms of our financial results and Pierre LEDERER will also give you some details about that later on. And the Group's mid term strategic vision is essential as well and obviously it is partially conditioned by the previous items I mentioned, and fits within a rationale that is defined by the Group in terms of expansion and development outlook. And we'll get back to the subject early in 2011, to give you a more precise update and a more precise vision of our quantified targets for the coming years. This also fits of course in the general context that has been commented on over the past few days regarding the nuclear power industry and we'll make more comments later on. Before giving the floor to Thomas PIQUEMAL for detail let me give you the key figures for the first half year. Group sales amounted to €37.5 billion, up 7.7%. EBITDA rose 4.4%, to €10.4 billion. Organic growth, excluding TaRTAM extension, came out to 3.8%. This is the figure on the right side. This is the EBITDA growth excluding TaRTAM.

Net income Group share: €1.7 billion vs. €3.1 billion, but the figures are a little bit biased by non recurring items for the fiscal year (€1.3 billion), impacted notably by the provision related to the Group's activities in the US.

Excluding non recurring items, the net income from ordinary operations, as I said, grew 1.5% reaching nearly €3 billion. Our net indebtedness remains stable in relative value, 2.5 times EBITDA at €44.1 billion. So these are the key figures and now I'll give the floor to Thomas PIQUEMAL to give you more details in the first half year figures.

## Thomas PIQUEMAL

Good morning Ladies and Gentlemen.

Chairman PROGLIO gave you the key highlights of our financial results, I'll now try to detail and explain these results. I'll also give you some information regarding a number of changes under study for our assets portfolio, the bid that we received regarding the U.K. networks distribution business as well as an analysis we're currently having regarding RTE and dedicated assets within the Group.

Let's first of all start with an accounting update to tell you that for the first time in H1 we've used the IFRIC 18 and IFRIC 12 interpretations of accounting standards, with virtually no impact except for IFRIC 18 that increased our shareholders' equity by €1.9 billion and *pro forma* EBITDA by approximately €100 million. Second item has to do with the presentation of our accounts. This time we decided to isolate on a separate line the impact of what we call volatility due to application of IAS 39, i.e. the net change in fair value on Energy and Commodity Derivatives excluding trading activities. The impact is, you see here, significant: in H1-2009 +€300 million, and +€58 million for the first half 2010. We felt that it was important for the analysis of our operational activities to remove any bias.

Group sales amounted to €37.5 billion, up 7.7% versus the first half year 2009. For the first time, this year we consolidated SPE for €1.3 billion as well as existing nuclear businesses of CENG in the US amounting for approximately €300 million. Aside from currency effect, organic growth is significant: +€700 million in sales, i.e. +2.1% organic growth, a more significant effect in France than internationally. You see in France our sales have grown €600 million versus €150 million worldwide. On the international side, changes reflect variances between Germany and Italy with higher growth and lower sales in the U.K. due to decreases in prices.

EBITDA has grown as well: €10.373 billion, aside from currency effect and scope effects, organic growth was +€100 million. It includes the impact of the TaRTAM extension. As you know the law of 7<sup>th</sup> June, 2010 has extended the transitory TaRTAM mechanism, so based on our estimates, €265 million will be the impact of this extension of the mechanism. This provision is included in the amount of €111 M. Aside from this provision that was made, you see EBITDA reached €10.638 billion, hence a growth of +4.4% and 3.8% including the TaRTAM effect. These 3.8% are well within our 3 to 5% annual targets. The EBITDA has

gone up 4.4% but the EBIT has gone down 22%. Naturally, this decline is primarily due to the line on “other operating income and expenses” which was positive in 2009: +€330 million. This is actually capital gains linked to our holding in Alpiq while in the first half 2010, we recorded a non recurring provision on the US business for €1,060 million which in turn has a negative impact on the EBIT, which otherwise would have been stable and may even have grown versus the first half year 2009.

Now why did we make this provision on our US investment? The reasons are the changes in the US market conditions in prices of gas and electricity, which are much less favourable on the short and long term. Even though on the long term there are many scenarios. What is less favourable is the very high volatility of expectations, increased risks, both on our existing businesses but also on our development projects. But we’re confirming our ambitions of developing a new reactor at the Calvert Cliffs site. In view of the risks mentioned earlier, in order to hedge any risk of loss of value on the CENG assets on our investments in UniStar, as well as to cover some of the future project costs and risks, we have recorded a €1,060 million provision that will be recognised at the finalisation of the purchase price allocation for the 2009 transaction. As you know, we have until the end of the year to finalise the purchase price allocation. Excluding this non recurring item, net income from ordinary operations has gone up 1.5% in spite of increased financial expenses, most of which are linked to discount provisions notably in the UK. In France, EBITDA has grown. In spite of the added expense of the TaRTAM extension, France EBITDA recorded a growth of 1.2% in H1 2010. EBIT was down 8.3% due to the “other operating income and expenses” that I just mentioned, that is to say the capital gain on Emosson. Operating cash flow reached €3.7 billion, down from H1-2009, amounting €4.6 billion.

The difference is explained by the income tax item. In the first half 2009, we had cashed in €700 million in tax instalment reimbursements, while we have now a net cash out position in the first half 2010. The capex amount in France has grown, going from €3.4 billion up to €3.7 billion, reflecting an increased investment in the French nuclear fleet as well as RTE’s investment in the SNCF networks. Over this first half year, we’ve also continued to build our dedicated assets by €881 million. EBITDA has grown (+1.2%) in spite of the added expense of the TaRTAM extension. This can be explained by regulated activities (€540 million) due to price increases (+€170 million), the impact of a very favourable climate effect in the winter

in France and a lower impact of storms. In 2009, in France we had suffered a storm that had major impact. This year, the storm had a lower impact on the network activities and business. In the non regulated sector in spite of the growth of EBITDA thanks to higher tariffs, the overall EBITDA has declined due to increased OPEX, as well as lower margin, i.e. €180 million less. The decline in the margin is explained here by this chart particularly on the left side. On the right side, you have the evolution of consumption and losses in the first half year. You can see that this was a +5.4 TWh increase in France during the first half, whereas nuclear output in France is slightly down, it is practically stable: -0.9 TWh as compared with the first half year 2009. Hervé MACHENAUD will give you more details on these changes in our output. In any case, increased consumption and higher losses (+5.4) were not offset by a virtual stability of nuclear output. It means that we were a net purchaser on the market for 9 TWh. And these net purchases made at the worst time possible on the market explained the degradation of our gross margin in France in 2010 – more than offset by the excellent performance of networks over the first half year.

In the UK, EBITDA is virtually stable at €1.6 billion, -2.1% in organic growth. I'll come back to that. EBIT is down 13.9% linked only to the line just below, i.e. the volatility due to IAS 39 which was positive (+115) in 2009 and negative (-23) in H1-2010. EBITDA in the UK, as I said, is virtually stable, €1.6 billion for the H1-2010, in spite of excellent performance linked to climate effect and volume effect as well as good supply margins earned in the UK thanks to price changes. And in spite as well of the positive impact of the Eggborough disposal, including CO2 certificates, which was recorded during the first half year. Stability in spite of this positive element may be explained primarily by the unplanned outage of the Sizewell power plant, accounting for approximately 3 TWh in losses of availability. And I can now confirm that we are expecting the Sizewell plant to resume generation in the third quarter. The outage at Sizewell explains the degradation of 3 TWh of nuclear output in the UK. Another item regarding the power balance in the UK is, as you see at the bottom, a lower output from the fossil fired plants due to unfavourable changes of dark spreads over the first half year. The Group preferred to buy on the market: +11 TWh were purchased on the market. That explains the improvement of our supply margins for the first half year.

In Germany, excellent performance: nearly 30% growth of EBITDA (+€200 million). That includes an indemnity received by EnBW as part of the termination of an energy-swap contract as well as a capital

gain from the sale of GESO. The other contribution was the growth of activity, with volume sold on the wholesale market higher than output capacities and excellent performance of the networks as well over the past half year.

In Italy, conversely, Edison's EBITDA was down -13.4%, reflecting strong margin contractions in electricity and mostly in gas. Purchasing contracts at Edison are long term purchasing contracts indexed to oil prices while gas prices in the market went down. These led to a squeeze in margins notably in Q2 2010. Edison is currently actively renegotiating its purchasing contracts since naturally this is absolutely not satisfactory to us.

Other international businesses: EBITDA growth was quite satisfactory as well. It's doubled from nearly 300 up to €600 million in the first half year, due to the consolidation of SPE and CENG. At constant scope growth was 19% thanks to the excellent vitality of our businesses in Central Europe, in Belgium as well as the general growth linked to the commissioning of the CCGT in the Netherlands of which we owned 50%.

And if we look at the other business lines, EBITDA is down -11.5%, which is what you can see down on the left, and this decrease is only due to the decline in the trading business, the margin of which has shrunk.

The contribution to the EBITDA has gone down between the first half 2009 and the first half 2010 and we now have reached €331 million vs €569 million. It's mainly during the second quarter that the margin on the trading business went down, due to the fact that the trends changed on the commodities market. This is what we saw during the second quarter and this impacted all the segments on which we operate, except for coal and to a lesser extent, freight. As you can see here down on the left, EBITDA was up for all the other segments, especially for the renewable energies segment in EDF Énergies Nouvelles with a good EBITDA increase during the first half.

Capital expenditure is up 7.7%. These are operational CAPEX, almost €6 billion with three principal reasons explaining this increase: the network activity in France – we continue to invest in our networks – and this figure also includes the fact that RTE bought the SNCF networks. In the non regulated business in France, that is mainly the replacement of some element or units in the nuclear fleet in France. As I said before, EDF Énergies Nouvelles has also pursued its development during the first half.

In light of these changes, that is +4.4% EBITDA, and in the light of the fact that the advance for Exeltium was received, included in the line "WCR variation". Free cash flow was thus up +10.5%, reaching almost 1.9 billion.

So positive free cash flow €1.9 billion and now we have a contribution to dedicated funds of €900 million. We've paid dividends (€1.2 Bn) and therefore the debt should be stable compared with 31<sup>st</sup> December. But since we've had unfavourable exchange rates that have had an impact on the debt, our debt is up €1.4 billion compared with 31<sup>st</sup> December 2009. This is the main reason why we have this increase.

Now on 30<sup>th</sup> June the total amount is €44.1 billion, which means 2.5 times EBITDA. This is a stable ratio, compared with the ratio we had in 2009. Now these are some items as you can see for our debt which is mainly bonds, whose average maturity is 8.2 years. I'd like to say a few words about to highlight two things, first this is a maturity calculated on the gross debt and not on the net debt from which we deduct cash and cash equivalents, and as you can see here between the average maturity in 2009 (that is 7.4 years) and the average maturity on 30<sup>th</sup> June 8.2 years, we have an increase of almost 0.8 points. This is because the Group has decided to increase maturity with a number of transactions that were made during the beginning of the year and also in April, with the issuance of bonds which was €1.5 billion with 20 years of maturity. Due to the increase in maturity and due to the fact that during the first half of 2009 maturity was shorter, the average coupon is up going from 4.4% up to 4.7%. To wrap up a few words concerning our liquidity: our liquidity level is really high, with the net liquidity which is almost €20 billion. All these figures are such that I can confirm all of our objectives for 2010, that is growth in EBITDA on a like-for-like basis except for the extension of TaRTAM and IAS39. It's truly an EBITDA organic growth, which will be in between 3% and 5%. The net debt to EBITDA ratio will be in between 2.5 to 3 which is a wide target. I said a few words about this during the shareholders' meeting. I said I wanted to be closer to the 2.5 than the 3 figure and the third objective is a stable dividend.

All these objectives do not take into account a series of projects that we're currently working on, that is our portfolio of assets will be reshuffled slightly. I'll come to this in a minute. The first one has to do with the distribution networks in the UK. We've received an offer which I would say is an offer of quality because it comes from the Cheung Kong group, a major investor in infrastructures in the UK. Furthermore,

it's an offer of quality because it's firm, financed, and of high quality in terms of valuation: €6.9 billion, (+£5.8 billion) that's on the regulated part of the business that could be sold, corresponding to a 27% premium – an average multiple 8.1 x estimated 2010 EBITDA. Now these figures reflect the quality of this asset and the remarkable work that was done by the EDF teams in the UK. With Vincent this morning I wanted to underscore this and to congratulate them. So we've accepted exclusivity to this consortium to continue and finalize our discussions. We'll continue discussing with them, we'll talk about the finalisation of the industrial project and also the commercial agreement that we could sign with this consortium, so as to continue co-operation in smart grids, in R&D, and other aspects. Our joint intention is to have as much co-operation as possible in the UK. When we've finished discussing the industrial project and the co-operation project, we will present all of these items plus the offer received, plus the industrial project, plus the commercial project to the bodies that represent the staff so that they can tell us what they think about this project. When we've received this from the personnel representatives, we will send this to the French *Commission des Participations et des Transferts* and then the Board of EDF will make a final decision to see if we're going to sell these networks or not. We have a second project that we wanted to describe for a minute, which is the one we're currently studying, the one we had to talk about ten days ago due to a number of rumours. And the objective is to have a transfer of 50% of RTE equity to dedicated assets. With this project, we'll be able to optimise the dedicated assets portfolio. This will have a positive impact, financially speaking, for EDF Group. This is a project we're studying at present. We will need to modify the 2007 decree, we will need to have an opinion of the nuclear commitments monitoring committee, a committee that stems from the Board of Directors and will need to get the approval from the Board of Directors. However, I think that today it's important to tell you more about the reasons why we've decided to scrutinise the project. The principal reason is the way we manage our dedicated assets. As you can see here in the middle of the circle, today on 30<sup>th</sup> June, the portfolio amounts to €12.3 billion, mainly bonds, shares and a few money market funds. We need to do this to meet the decommissioning cost of our nuclear plants, the management and storage of radioactive waste in the long term. The deadline to build the portfolio was originally set at June 2011 and would be extended to 2016, should the NOME draft bill be adopted. I don't need to say too much about this; we know how volatile the markets

are and this is a risk for us when we invest in shares and bonds. And finally, there's something else concerning this portfolio. The impact on the return of this portfolio is 0.45% for H1 2010. That's the income before taxes impact. That's not the performance of the portfolio, which is higher than this figure, but most of this will impact the shareholder's equity line. So the return, as I said, is 0.45%, if I multiply by two for the estimated full year, this would be 0.9%. So, to manage this usually we have a long term debt with a rate which is above 4.6% as an average. So if we raise debt at 4.6% for a return of 0.9% this is something we could criticise. This is the reason why, if we include a part of RTE equity in dedicated assets, this would be more favourable for us and would have a positive impact on the bottom line. We think this is an asset of choice to improve portfolio efficiency because we know RTE network, because this is an infrastructure and finally because the law says that there is an independent management. And with this, we could justify the fact that part of RTE equity would be in the dedicated funds. As I said, the financial impact would be positive. I'd like to mention 2 impacts: first the reallocation of the 50% in our portfolio. In doing this, we'll avoid raising debt amounting to €2.3 billion. The assumption is the net book value of RTE on 30<sup>th</sup> June. Mechanically, we'll reduce the economic debt in doing this type of transaction. The second positive impact is the one I mentioned before about the return, we would avoid the loss because we keep 100% of RTE. We would therefore have a positive impact, which would be almost 2% on the net income before taxes. Theoretically speaking, this is the annual figure if we take the return I mentioned before. And of course, we would still keep the integrated business model of the Group which as you know is something which is dear to us.

Now that's the end of this section that is our results and the changes in our portfolio. Now we will listen to Pierre. He will tell us more about the French regulation in France and how the reforms are being deployed.

**Pierre LEDERER**

Good morning. I will tell you more about the current status of the NOME Law in France. Henri PROGLIO has said a few words about this. I think we can recall, as you know, that this draft bill was adopted in first reading in France, and was examined by the French Senate on 7<sup>th</sup> July; the NOME law is expected to be

passed in autumn. The Government target for implementation will be at the beginning of 2011, which means that a certain number of governmental texts will have to be endorsed. These governmental texts are decrees approved during before the French State Council and *arrêtés*, and the main ones are shown here. There's a slight mistake here on the slides. The first bullet point will be an *arrêté* – otherwise, I mentioned from memory, because as you will easily understand, we have a number of Governmental texts. The main ones will have to do with methods for computing ARENH prices and the assessment conditions for notifying the maximum access volumes. This will be determined with time and the allocation conditions to the different alternative suppliers and also another more precise method of the clause which is called the Method to Compute the Supplementary Price. In a nutshell these are the new characteristics of the new electricity market design. ARENH implementation, which has replaced the regulated access to baseload power, consequently to historical nuclear, will enable our competitors to have access to nuclear electricity generated by EDF with a maximum of 100 TWh, plus in 2013 the volumes linked to the losses of the network. We could therefore increase the figure and reach 120 TWh, depending on the precise rules that will be set up in terms of access of the network managers to the losses. If the network operators are treated like any other clients, i.e. access for the main part, the basis of their losses needs, we would reach about the 120 TWh that are mentioned here on the slide. When the law is enforced we will no longer have the TaRTAM, and therefore the 80 TWh, that's for the customers that receive their electricity from the competition or from ourselves and who today benefit from this special TaRTAM tariff. These clients would be the first beneficiaries of the NOME Law implementation. Therefore there will be quite a buoyant activity on this market. Then the green tariffs will be disappearing for the local authorities and companies. The total is 115 TWh that was for 2009 and these will disappear in 2015. Before 2015 there will be progressive convergence towards a system based on a stacking of different tariff components – cost of generation, cost of transmission, commercial costs and so on and so forth. The blue tariffs, that's for clients below 36 kV (residential customers and small businesses), corresponds to 175 TWh and will be maintained as you know. By 2015, the tariffs will converge to ARENH – a convergence to the implicit base load component towards ARENH prices at the latest in 2015. And finally, concerning the peak load issues, which are not always correctly valued by the markets,

arrangements were notably taken from the report delivered by the Members of the French Parliament, Sido and Poignant. This means the introduction, for all the suppliers, of output or interruption capacity mechanism exchangeable across market suppliers. Therefore, this will be to share the security costs of French power systems. The cost is borne at present mainly by EDF. There are still a number of pending issues and there are many things that will have to be clarified in the French decrees, as I said before. These projects are being drafted by the government but first we have to look at the initial value for the price of access to the regulated market in the nuclear business. The law says that there will be consistency between the bills paid by the TaRTAM clients and the price of ARENH and consequently from the EDF point of view this means we would have constant flow of income for EDF on these 80 TWh. That's for the TaRTAM customers and as you know, according to us, this leads to a price which would be €42 per megawatt hour. Then, the evolution of the ARENH price will be clarified by the law, by the decrees and there will be no ambiguity any longer concerning the computation method. And finally, we think that the parliamentary discussions and the implementation decrees will help us reduce the arbitrage opportunities with a supplementary price clause and other measures which will be adopted. I think you're familiar with all this and without further delay I'll hand over to Hervé.

### **Hervé MACHENAUD**

Good morning, Ladies and Gentlemen.

You are familiar with EDF's industrial challenges, but I'll give you a brief reminder. The five key challenges are, of course, first and foremost, to restore the performance of our power generation facilities over the long-term in France and everybody immediately thinks about the Kd. It also means preparing, together with the local nuclear safety authorities, the extension of the lifespan of our nuclear power plants, both in France and in the U.K. It involves of course completing successfully the Flamanville 3 construction and capitalising on the lessons learned for the next EPR units. It also involves – that is based on EDF's history and it makes good sense – initiating studies in order to broaden the range of nuclear reactors for the future. And, last but not least, all of these challenges are backed by EDF's industrial reality, i.e., its ability for industrial mastering: mastering control of its generation capacities and infrastructures, that is,

requiring a renewal and a development of nuclear expertise and know-how. Let me focus on the first and third of these challenges. As we had announced, a number of audits and assessments have been initiated leading to new insights today regarding a diagnosis and an outlook, if you will.

Firstly, regarding the generation and output on the one hand, and on the Flamanville project on the other hand. Nuclear output for 2010, as Thomas said earlier, should be growing versus 2009 approximately 15 to 25 TWh in addition. As you see on this graph on page 40, what's important to look at is the trend over the year. In the continuum of a bad second half in 2009, naturally we have to cope with the consequences of a number of outages, meaning that we had approximately 6.3% output lost as compared with January 1<sup>st</sup>. The trend has improved over the first half year. We've reached -0.4% in the first half and in end of July, we've reached -0.2% with a target of +4 to +6% in the output for the end of the year – a gradual recovery of our output availability. That's what Thomas had mentioned just before. Naturally, the output is directly linked to the Kd factor – the availability factor – itself in turn, directly linked to the number of outage days in our nuclear output.

What explains the lower output between 2009 and 2010 is that we had more days of outages in the first half 2010 than we did in 2009 over the same period. Taking a closer look, we're seeing encouraging signs of improvements and better control. First of all, the number of days of planned outages, that is in dark blue, is higher in 2010 because we have more planned outages in the first half 2010 than we had in 2009, meaning that we'll have less days of outages in the second half 2010. The extension of outages is another element to assess our industrial control and performance. As you see, it is significantly lower in the first half 2010 than it was over the same period in 2009. And virtually half of these outages are linked to two key elements, i.e., the impossibility to restart the Bugey 3 power plant because the French Nuclear Safety authorities have requested that we do not restart the Bugey 3 reactor until we have changed the steam generators, so this is also relevant to generic anomalies. Hence, the three anomalies that we had at Paluel linked to a turbine, and the first 30-year inspection at Fessenheim, and the non-startup of Bugey account together for approximately 50% in the extension of this downtime. So the trend is for a significant improvement of mastery of these outages. The remaining risk today, naturally, is linked with generic anomalies and I'll come back to that later on.

Aside from days of planned outages we, of course, have direct consequences on the Kd factor. You see here on this slide, page 41, we had more days of outages in this half year. An extension of outages, if we remove those linked to Fessenheim and Bugey are, virtually, of the same order of magnitude as in the first half of 2009. Obviously, the problem is linked to unplanned outages and generic anomalies. This is linked to incidents we had on alternators and transformers as well. And I'll show you later on that we're expecting to reach better control of these incidents in the very short term.

The lessons to be learned from that and the take-home message is that today, in the first half year, we're still suffering the inertia from generic anomalies, but our position is that we have improved and we are continuing to improve the control of units outages and consequently the duration of these outages. Regarding the output, we are seeing the direct consequences of what I just said. Output is directly impacted by those consequences. The availability factor, Kd factor, is down 4.2 points compared with H1-2009, i.e. -10 TWh of which 8.5 due to exceptional generic anomalies and 2.5 TWh are due to the increase of planned outages during this period. Reversely, the utilisation factor, the Ku, has noticeably increased by 4.3 points, i.e. 9.5 TWh, essentially linked to the better social climate and thus to the absence of industrial actions. So the net between 10.6 minus 9.5, is 0.9 TWh that we mentioned earlier.

Our targets for our annual output in 2010 range between 405 and 415 TWh, somewhere around 410 with an availability factor ranging between 78.5 and 79.5 – linked to any residual risk, of course, of generic anomalies on the transformers, alternators, and steam generators.

Let me close on an optimistic note. It seems to me that the trends are much better secured now. Indeed, on the major residual risk, i.e., generic anomalies, we know that today out of the 25 alternator stators that were regarded as "at risk", by the end of December 2010, we would only have four left over to be completed in 2011. And out of these four remaining stators to be replaced or repaired, three have been inspected and we have good assurance that no incidents should take place on these three.

Out of the 28 steam generators regarded as "at-risk" – that is, all of them – twenty out of the twenty-eight steam generators will have been replaced by the end of 2010. So we will only have eight remaining to be replaced between 2011 and 2015.

Analysis is currently underway, an exhaustive analysis on all major components of the power plants to check which ones would justify an early treatment, if you will, to anticipate any future and unexpected generic anomalies. These analyses have already started and by the end of the next quarter, the final conclusion should be available.

On this next slide here, you see another element of securing: that is the number of units to be coupled to the network by the end of the year compared to previous year. At the end of July 2010, 26 outages of units will need to be restarted before the end of the year, including three that will be restarted in early August. By September, we will have nine less, 12 compared with 21, meaning that we will have more security in terms of the risk linked to extended outages.

As I'm speaking, we have 42 nuclear units in normal operation; eight in planned outages. Hence, we have eight units which are either under extended outage or unplanned outage. And, by the end of this week-end, only two should be left over. Meaning, that by the end of the week-end, except for one unit in Tricastin and one in Cruas, all of the units planned for operations will, indeed, be operational.

In conclusion, we could say that we have significantly less risk of contingencies, even anomalies. Less risk of extended outage and, overall, we enjoy a much better control of the output from our nuclear generation facilities.

Let me say a few words about the Flamanville EPR project. We had announced that a number of analysis and assessments and audits had been initiated regarding the construction, the supervision, and the control command system at the Flamanville EPR. The result and findings from these audits lead us to announce that the first marketable output is targeted in 2014 with a construction cost re-estimated at around five billion Euros.

It is important to take into account the fact that Flamanville is not only a first-of-a-kind EPR reactor, but also, and this is a new point in EDF's history, this takes place following a 20-year interruption in the nuclear construction, which, of course, has weakened our industrial fabric as well as the industrial control that we're trying to restore. The assessment that I spoke about was done exhaustively, seriously, with a number of significant and positive elements that have come out of it. And obstacles have been overcome, probably those that included the most risks. We had major problems in the rejection gallery which is now

completed. We had major problems and difficulties on the iron framework and the welding of the liner. These problems have been solved. Now we've reached the stage of starting up the electro-mechanic assemblies on the nuclear island, and the engine room is progressing well. Audits on control command system give us much optimism regarding the feasibility under proper deadlines and proper conditions for the final completion of the EPR project. It was, as you know, a concern.

Another important element is linked to reorganizing the entire system to improve the supervision, and steering, and control over the project. This reorganization was initiated back in the first quarter 2010 and this organization is now fully finalised and established. We believe that consequences for the continuation of the construction program are that, thanks to this reorganisation of the project with the commitment, with the lessons to be learned and capitalised on, with EDF's industrial model, a great many of the difficulties of the past will not reoccur, and the example of Taishan has yet demonstrated that. These main components involve civil engineering works, improvement of the liner fixing and welding process, naturally, re-use of many technical specifications for concrete and materials, and improvement of all techniques, specifically those used for concrete and civil works.

We believe that following these assessments and versus the Flamanville reactor, in any future projects the construction deadline could be cut down by approximately 14 months. The feedback from the Flamanville 3 experience is already directly capitalised on a continuous basis in Taishan, in China. These gains have been achieved thanks to new technical specs in civil works, line of welds and so on. Of course, this is due not just to feedback from experience, it's also due to an industrial capacity and this is a major element that will be leveraged for future projects. Similarly, we could say that for the U.K. nuclear projects and possibly in Italy as well, all of the gains and experience learned and gained in Flamanville can be directly reproduced with a beneficial impact, both in terms of construction deadlines and construction costs. In fact, this is the perception of our industrial mastery, if you will, that is being restored; this is the key message that I would like you to take home.

Excuse me, I forgot something and I missed one important slide on page 47. This graph illustrates the first-of-a-kind effect that I mentioned earlier. You see, throughout the history of EDF's nuclear program, every time we've moved up to a new step, we've also analysed the following step. And so, once we've

completed the first-of-a-kind of the next step, there's always a learning phase – a situation where we need to acquire control and mastery, with costs that are significantly higher for the first-of-a-kind than for the rest of the series. So for the first-of-a-kind units for each of the steps, you have the cost of the first two units as compared with the average cost of the next units. And you see there's a difference that ranges from 11% for the 900 MW to 17% for the 1,300 MW, and -23% for the N4. Thank you.

**Henri PROGLIO**

Thank you, Hervé. Before replying to your questions let me, in a nutshell, summarize what's been happening over the last eight months since I arrived at the head of this Group. A lot of topics arose which had to be settled with care.

The first big topic, of course, was to nominate a new senior management team, this is now finalised – you've heard today here Pierre LEDERER, Thomas PIQUEMAL, and Hervé MACHENAUD, who are top members of my executive committee. Jean-Louis MATHIAS, of course, is also in the executive Committee, Daniel CAMUS and Vincent de RIVAZ are. It's a pleasure to see him in front of me, as he belongs now to the Executive Committee and, of course, he's leading the U.K. businesses that Thomas described earlier.

The new Executive Committee is now fully operational with a new ambitious and renovated frame of mind. Over the past eight months, we've also dealt with many topics that I would call urgent. First of all, the issue of the NOME Law and the new regulations in France – a significant topic, naturally, on the Group's agenda, that will not be finalised until the end of the year, once the NOME Law has been adopted and voted and the enforcement decree has been signed by the French public powers. We will only rejoice, if we do, once we have been able to influence the amendments in the NOME Law, which was a major concern for us earlier this year. Another major issue is, of course, to see the regulatory framework being stabilized. We talked about the U.K., and we spoke about the NOME Law in France. To, perhaps, lift any possible uncertainties; I would like to confirm that no nuclear taxes are on the agenda in France. A few days ago, I have received a letter in response to the one I had sent the Minister in charge, who confirmed that there would be no nuclear tax levied on nuclear power output in this country.

We've also devoted major efforts, as Hervé MACHENAUD explained, on the recovery of the industrial performance of the nuclear power plant, the availability factor, the generation capacity of the entire fleet, etc. This is a key topic; we've made key commitments on that and we are now on the way to full recovery and will soon be able to confirm our ability to improve the industrial performance of our existing asset base in a very, very short term, i.e., over the next three to four years.

Another one of our great ambitions is to continue to pursue the expansion of our Group, particularly in nuclear power. Clearly, in this respect, the expansion of nuclear power throughout the world is a topic that can only arouse enthusiasm within EDF. And to support our determination, we believe that our experience feedback and our own history in the nuclear industry will be a major asset for us throughout the world.

This will naturally require major cooperation with all key players whether French or otherwise, hence the need to strengthen synergy, to converge efforts, and to build common interest. Recent declarations by the French public authorities and the French President go in that direction, and I'm very pleased about that. I'm sure we'll have more opportunities to discuss it again in the future. By the same token, day after day, we are building up our cooperation with key international players in the nuclear industry. This is the reason why we have built cooperation agreements with other players such as the Chinese. We've been working with them for the past 25 years, and we renewed and strengthened our cooperation agreements with a 50-year extension with CGNPC and CNNC – the two key players on the Chinese nuclear market – supervised, of course, by the competent authorities. We have also signed a cooperation agreement with our Russian peers and we intend to continue to be a major player in the international energy industry in close cooperation with French energy companies as well. And in full respect of the role as a lead player that has been entrusted to us.

Nuclear power is not the exclusive issue on the agenda. We've also reinforced our ambition in hydro power, thermal power as well as renewable energy sources. There again, we will have ample opportunities to discuss this subject in the near future. We've also strengthened our ambitions in two other major sectors of the Group's expertise, namely, the networks – there again, we've signed cooperation agreements for the operation of management or participation in the management of

networks in the international markets – in Russia, in particular as well as downstream, i.e. our expertise in the fields of optimisation, sales, trading, this being under the efficient leadership of Pierre LEDERER. These are some of the Group's key fields of expertise that we will be developing internationally. All of these topics will be just at the early 2011 meeting, where you will be invited to give you more an idea, a better insight of what the EDF group will look like over the next five to ten years.

I'd also like to mention huge efforts devoted in the field of Human Resources. Indeed, one of the key challenges facing the Group is, naturally, the availability of our personnel, in spite of the age pyramid that forces us to be lucid about the necessary renewal of our teams and skills as half of our workforce working in the nuclear sector will be retiring over the next 5 years– a key challenge that we have taken over with much determination. We've developed decisive efforts and measures in developing and creating skills; a topic to which Marianne LAIGNEAU and Jean-Louis MATHIAS are devoting much of their time and energy. Developing human resources is a key essential topic for our Group.

So this is, basically, what I wanted to share with you. Now all that's left to do is to open the floor for your questions.

**John HONORÉ**

John HONORÉ, Société Générale. I have a first question for Thomas that has to do with taxes. Do we know what the impact of the end of the *taxe professionnelle* is? Is it positive or negative at the end of the day? I have two other questions concerning 2011. What do you think are the market shares that you are going to lose due to the NOME Law? What do you think about this? Second question: what impact will have the shutting down of Georges Besse, since you are going to get the electricity that was sold to AREVA? I suppose you don't want to go to Finland since we're talking about AREVA. But what are you going to do there? Will you take a 15% equity? Will you buy mines, will you take 30%? What do you intend to do? What's the maximum amount that you would be willing to pay so that you would have a stake in the equity of AREVA? Thank you.

**Thomas PIQUEMAL**

We'll start with the corporate tax called *taxe professionnelle*. It no longer exists in France. It's been replaced by another tax, but the impact is zero. Zero impact on our accounts.

Now, as far as the other questions are concerned, I'm not sure I'm the best to answer this. That is, the market share and how our market shares are going to be impacted by the NOME Law. Maybe Pierre would like to say something or should we talk about GB I, or AREVA, as you wish.

**Henri PROGLIO**

We'll give a single global answer to these questions. As far as the NOME Law is concerned, this is something I've said several times: our objective is not to have decreasing markets, or to lose market shares. Our objective was to define the rules so that we would not be obliged to sell our electricity generation at a price below cost price. This is what we've always tried to do when we influenced the discussion on the bill. This is quite normal, it's a normal ambition. This is what most companies do in the world. If our objective is met, then the next issue is to know how efficient we will be on a market where the rules are stabilised. And I don't see any reasons why we should believe that we would lose market shares. If the operational conditions are the same, we will be able to prove we are the most competitive company, and, therefore, I contend that we're going to stabilize or increase our market shares. That's the only answer I have to your question.

Now, the other questions you asked concerning AREVA, I think it's too early to answer them in detail. This is purely an industrial matter. It's exclusively an industrial topic. What we are fighting for, what our Group is fighting for, is our competitiveness, our ability to develop an industrial project in electricity and in nuclear electricity. To develop this industrial project, we need to meet all of the necessary conditions to be efficient and competitive, which means, we have to have a good portfolio of products to live up to customer needs, which is something essential and natural. And secondly, all the players on the market should have converging interests, so that this business could gain market shares, and so that we could conquer new positions in the new nuclear market in the world, which is what we are currently working on. This is our ambition; this has always been our rationale. If your question was, "which are the main

players on this market?”, well, my objective, which was recognized by the public authorities, is that I want people to recognize the fact that EDF has to be the leader, the coordinator, the lead player, because we have the experience, the expertise, we’ve developed the nuclear fleet in France, which is the reference in the world. Our main asset is that we have this 40-year experience in design-build in the nuclear sector. Therefore, we are the benchmark in the world. And we will coordinate with the other players in the sector that is, AREVA, but also other players. So, our cooperation with AREVA has to be efficient and we have to see eye-to-eye with them. Our interests should more or less converge.

If this means taking a stake in their capital, this is something we could contemplate. But it’s too early today to say what we’re going to do. We don’t know what form this could take. In any case, should we contemplate this, we’d be totally opened. We will always defend EDF’s interest and we will do this so as to preserve the interests of the Group, which is quite natural whenever there’s an investment. The Group will receive the approval from the Board of Directors and the shareholders. We’ll do this to meet the interest of all of our shareholders, of course.

And there was another question concerning GB I. As you know, we have signed, well, I’m not going to give you all the particulars of Georges Besse I, the Tricastin plant which will be replaced by the unit called Georges Besse II. The contract was signed by the Group in 2007, and, in this contract, we had said that this plant should be decommissioned in 2010 and the new plant should be commissioned after the beginning of 2013. Therefore EDF has bought UTS<sup>1</sup> to face the gap between 2010 and 2013, to face that gap. So EDF is in a good position to respect its part of the contract. Today, we have met our contractual obligations and will thus get back two nuclear units, as planned. However, the construction of the second unit is a bit late. There are current discussions on this because AREVA will be late in the building of this new plant. So, that means that the old unit will still need some electricity but on a lower scale. Therefore, I think, we’ll be able to recover one of the two units and then conditions of the availability of the second unit is still something that is being discussed – this is what we’re talking about.

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<sup>1</sup> UTS refer to uranium enrichment working units

**Thomas PIQUEMAL**

I'll take a question that we've received before, an email question concerning the cost price of Flamanville.

The increase in the price, or the costs, will this threaten the new nuclear business?

Well, I have two answers to this.

The first answer is that, you know, the global expected cost is anticipated to be €5 billion. Therefore, Flamanville is still a unit that has a cost price which is comparable with fossil fuel units under certain carbon forecasts, but our analysis is such that Flamanville will remain comparable with fossil fuel plants.

The second answer I have is something that corresponds to what Hervé said before. From the cost of Flamanville, we should not deduct the cost of the new nuclear business. What Hervé said before really shows that our objective is to build several of those plants. Our Chairman and Hervé have underscored this.

**Benjamin LEYRE**

Good morning, Benjamin LEYRE from *Exane*, I have a few questions I'd like to ask. First, concerning RTE or the possible transfer of 50%, could you tell us what the conditions or value would be? Is it the regulated asset base or with a premium? And will you be forced to de-consolidate RTE or is it a choice that you made or a choice made by the government?

Question number 2: could you tell us more about Constellation? Do you think there are more risks of Constellation exercising their put option?

Thirdly, a question concerning the total economic cost of the nuclear business: could you tell us how you're going to calculate this and how the regulator can or cannot approve this? Thank you.

**Thomas PIQUEMAL**

First, RTE. As I said before, this is a project that we're currently studying. The value we presented is the net book value. Now, we don't know yet about the transferred value in the dedicated funds. This is a marginal issue because it'll still be 100% in the Group. However, it's important because the more valued it is, the better it is in terms of dedicated assets, but this is not the principal objective. The main objective is

that of allocation of assets in dedicated funds and, therefore, it is important for us to have RTE in this structure. So to answer precisely your question, I'd say that the valuation will depend on the due diligence (independent or not), but net book value is good; it's a good starting point. We know what the impact will be on the Group.

The second question on RTE is, "is there any constraint put upon us, or is it a choice? Is it a choice we made or is it a decision made by the government?" Of course, by definition, the government made the decision. The reason for this de-consolidation could be that part of RTE could be transferred in dedicated assets, and given the weight of this stake in dedicated assets, it would be legitimate for the government to have two seats on the Supervisory Board.

Mechanically, this would lead to the de-consolidation of RTE in our accounts, even though we would have 100% of the cash flow: half of the cash flow dedicated to the fund and half allocated to the rest of the Group. Concerning Constellation's put, I have received a number of questions on this via email. By the way, Constellation's put is not in our debt. The two billion we have is an off-balance sheet commitment.

Let me tell you more about these negotiations, although I was not there at the time, but the situation was clear. At the time, Constellation had problems with liquidity. I understand that today they have no problems with their liquidity. It's a partnership. Constellation confirmed the fact that they want to continue this project of Calvert Cliffs. They want to develop this project with us and they like this partnership with EDF. As I said before, our objective is to develop this project in the US, and to continue the development, and to meet all the terms and conditions so that this is completed.

As far as the total economic cost is concerned, the law says that there will be a number of steps to be introduced and after the first step, there would be "a stacking of costs that would justify the calculation of ARENH". We're currently discussing this with the regulator and we've just about started. We've started discussing with the regulator and other bodies, but it's too early to know today. These are issues that we're currently discussing.

**Emmanuel TURPIN**

Emmanuel TURPIN, Morgan Stanley, I have three questions to ask. To start with, I have a question concerning tariffs, which is normal. Could you tell us what you think about a possible tariff or price increase in August? Some say that in Europe and in France, since we have a slowdown, we would most certainly not have a price increase. Do you think that the government will do it or not? It is a summer tradition in France. Second question concerning your 2010 objectives: your guidance has not changed, even though the nuclear output has changed going from 20 TWh to a bracket between +15 to +25 TWh. How could you possibly offset this decrease of 5 TWh in a full year? And finally, could you tell us more about the capital expenditure program of the group for the years to come and making a difference between France and the rest of the world? Thank you.

**Henri PROGLIO**

I'll answer your first question. Of course, as you might expect, I'm not going to answer your question. I'll just say that all traditions have to be respected in spite of the slowdown, or the economic situation. We are currently discussing this with the government. I have no right to unveil anything. I have no right to tell you anything about what I'll think about this, when the conclusions are drawn. The government will define the tariffs. This is something we're currently discussing. This is all I can say. There's nothing special, nothing exceptional, nothing to worry about.

**Thomas PIQUEMAL**

Concerning the 2010 target, you said the nuclear output could go from 15 to 25, the bracket is increased. At this point, what I can say is that we're still within this bracket. During the first half we saw that. There's no reason why I should question these figures this organic growth of 3 – 5% over the year. Of course, there are always ups and downs but all in all, this is the trend, this is what we expect. I'm not certain I could add anything to this. There are always positive or upsides, and downsides.

Now as far as the capital expenditure program is concerned, I've read many things here and there, people have talked about this. In the annexed documents, you have the figures and you have an analysis of our

capital expenditure. I hope we can show you this slide now. David is going to try and help us. There we are: an analysis of capital expenditure. I'd like to spend some time on this. This is not going to be an answer to your question, Sir. Not immediately. These are the figures for 2009: €12.3 billion in 2009. What I wanted to recall is the breakdown of capital expenditure: first, the regulated business, 36% in dark blue, and the other business line, 64% – which include development, 53%, and maintenance, 47%. The objective of this very simple slide is to show you that we can always choose how quickly we want to grow and develop. This is the situation that we will review so that we can analyse during autumn as Chairman PROGLIO said, our midterm trajectory. Our midterm plans will be based on a number of factors, as you know, and if we can give you our plans before the beginning of next year, we will do so. But, as you know, there is still the Nome draft and the ARENH level, which are key elements, and this is the reason why that we'll have to wait until the beginning of next year so we can tell you more about our midterm view. But we wanted to give you this breakdown of our capital expenditure, so that you understand that as of 2011, we'll give you the midterm view that is covering three or five years to come. We'll tell you more about our development and our business model, and our cash flow position. This is the midterm view I have concerning capital expenditure.

One more question regarding the value of the UK networks. Somebody calculated by dividing the corporate value, removing the premium, and did not reach the regulated asset value. Let me remind you that out of the overall value, we also have non regulated assets. We calculated the premium based on regulated assets, removing the value of non-regulated asset from the proposed price, i.e., approximately 500 million pounds sterling. That's for your own calculations.

#### **Vincent de BLIC**

Vincent de BLIC, JP Morgan, three questions, very briefly. Simple questions, I hope.

The first one is about the Nome Law. One point I'd like to check from Mr. LEDERER's presentation. Are you expecting for the calculation method and for the evolution of the ARENH price over the 15 years of the mechanism will be set in enforcement decrees before the law is voted or will it take place later on?

Second question: the delay of the Flamanville startup, does that have an impact on your calendar abroad,

particularly in the U.K.? Would you be prepared to start building a new plant in the U.K. even before the completion of the Flamanville reactor? And lastly, you have an improvement of 700 million in your working capital requirement largely because of the advance from Exeltium, but if you deduct it, there is a decrease of one billion, could you detail that for me, please?

**Pierre LEDERER**

Regarding your question about the calculation of the ARENH price, we're expecting the government decrees to specify the list of various questions that are included in the Nome bill. Now, remembering that the practical formalities to determine the ARENH price will have to be worked out, particularly the method that will be used for cash prices and future costs that are included in the Nome bill. That is one of the reasons why the Nome bill includes a period of three years during which the Ministers will be deciding, after which the CRE, the French Energy Authority will be applying the method that will determine the ARENH.

So first, the decree will come out and then the CRE will come up with its own method to calculate cash costs and future costs that are used to determine the ARENH price regarding return on capital. We believe that the government decrees should give the details on that.

**Henri PROGLIO**

Regarding the U.K. new nuclear, I would say that Flamanville will not have any other impact aside from, as an experience, lessons to be learned. There's no other conclusion to draw except that we can improve gradually the economic and industrial efficiency of the future units. Conversely, the ongoing talks and negotiations underway that are led by Vincent de RIVAZ with the British government regarding the operational conditions, economic conditions, particularly, regarding negotiating a price, cap on carbon prices, will be key elements on context for that decision to be made.

So the one thing that I can confirm is the support of public authorities, the new government authorities, to this nuclear project that was confirmed, reasserted repeatedly, reflecting the determination of the British authorities to implement and establish, this nuclear program, i.e., our nuclear program as well.

Now, once economic conditions have been defined, or simultaneously, we will undertake to implement the relevant projects that have been largely announced already.

**Thomas PIQUEMAL**

Regarding the working capital, if you remove the Exeltium effect, there's a degradation of working capital requirements in the first half 2010 versus the same period 2009, which may be explained by two elements. First, the reversal of the trend on trading which required increased margin calls. The second element is the effect of provisions on the TaRTAM mechanism. I won't go into details, but just summarize the whole thing. In the first half, the cost of the TaRTAM mechanism was higher than expected. In the second half year, hence, there's a change in the working capital. TaRTAM cost is approximately €400 million which have been provisioned, of course. And this provision and the new allocation provisions explain largely the degradation of the working capital requirements.

Another element, of course, has to do with optimisation and trading business due to optimisation measures taken in the market and changes in the market over the first half year.

We had a question, an email question regarding the guidance, what are the baseline effects of acquisitions and so on?

I've already given you some information in the first quarter. This is unchanged regarding contribution of acquisitions, i.e., approximately 400 million Euros. This is the 2009 baseline readjusted for a volatility linked to IAS 39 + IFRIC 18. Just to give you more details, perhaps, I would say 18 billion Euros, i.e., 4.3% growth rate. That is, in the middle of this 3 to 5% annual growth rate range<sup>2</sup>.

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<sup>2</sup> *Additional information : the change in Net working capital form 31/12/2009 to 30/06/2010 includes the position effect of the Exeltium advance for €1.7 Bn and the negative impact of the growth activity as well as an additional (€0,5 Bn) negative impact of CSPE (CSPE offsets generation costs and purchase obligations in Corsica and French overseas departments and first necessity tariff)*

**Myriam COHEN**

Myriam COHEN, Alpha Value. Could we get back to RTE? Why would you be transferring only 50% and not more, since it's improving your debt position? And why are you not doing the same thing for the British Distribution networks?

**Thomas PIQUEMAL**

There are several ways to reply. Or, rather, two key elements. Number 1, as I said earlier, our main objective, is to have good management of the portfolio of dedicated assets. This is something we need to do together and analyse with a group of experts. And we need to discuss it as well with the Board's committee involved with these dedicated assets.

We believe that 50% of RTE gives an acceptable way to that within the overall dedicated assets portfolio. This is why we use this assumption. If we were to use 100%, that might be a little bit much, i.e., having such a significant line item of our dedicated asset allocated to RTE. Even though having between 10 to 20% of infrastructure on such a long-term portfolio of asset is not absurd, of course. This is a choice we made with assets allocation. This is the reason why we're using this assumption of 50%, but it can change. We're just investigating these projects, this plan for the time being.

Now, why are we not doing the same thing with the British networks? Using the same terminology I used earlier, it seems to me that RTE is an asset of choice. Profile, steady income cash flows and so on and also because they have a specific governance system with real management independence. We hold 100% over that company, RTE. But its own governance system is particularly suitable for this plan. And our goal is not to put all of our subsidiaries into dedicated assets. But because of these specific features and governance features of RTE, this plan is beneficial.

**Myriam COHEN**

Could you give us an update on the new concession contracts for the hydraulic dams?

**Henri PROGLIO**

I don't really understand the question because these concession contracts have a final definite term, and at the end of a term of a contract, we naturally will try to renew the contract. It's perfectly natural, very legitimate. And the update is very clear, very simple. We win or we lose them, but naturally we intend to win these new contract bids.

**Thomas PIQUEMAL**

Regarding capital gains on the disposal of the U.K. networks, will there be any capital gains? That is an email question. My answer is, yes. But naturally it depends if the transaction is voted or not by the Board of Directors. It depends also if the authorities, European and French authorities, approve of it. And if the answer is yes, and we do sell, there will be a significant capital gain on that transaction.

**Benjamin LEYRE**

In Germany, what is your key scenario regarding the nuclear tax? Could there be a swap or a change? Or could there be a tax without extended lifespan of the nuclear plants?

Second question, are you more optimistic regarding electricity prices in the US than in France since you're having a provision?

Thirdly, what about the cost-cutting programme for the Group?

**Thomas PIQUEMAL**

Regarding the nuclear tax in Germany: if it were to be confirmed, based on our initial calculation, it would have a very significant impact on the profitability of EnBW; we're coming up with figures estimates of an approximately 500 to 700 million impact range. The comments that are being made on that, or that can be made on that, should be made, first of all, by EnBW. The only thing I can say is that the consequences or impact will be obvious, if that nuclear tax were to be confirmed. Possibly tax deductible, we don't know any potential link, with the extension of the reactor lifespan. All of that is uncertain. The one certainty is that if there was to be a nuclear tax, that would lead to a question within EnBW and the government, a

question about adequacy between capex plans and the company's cash flow and so on. It sounds like self-evident, but it's important to be reminded.

Regarding the USA, are we more optimistic in Europe or in the US? Let me get back to that, maybe I was unclear as to the reasons for the provisions made on US investment. This provision should be analysed based on the investments conditions in the year 2009 and of our investment in Unistar. The risk has increased so when you look at the value of these investments versus an increased risk, then you can only conclude that there's a strong probability that we will have to depreciate and impair the value of, maybe, CENG's asset, probably impair the assets of Unistar where we invested \$600 million, and probably we'll need to provisions on future risk contingencies in developments as we want to continue development at Calvert Cliffs.

Getting back to your question, the provision has nothing to do with different optimism of anticipation, or pessimism. It was more linked with our assessment of the risk and the value of the investments made in 2009, and a little bit earlier in Unistar.

**Henri PROGLIO**

Since we have no other questions, we would like to thank you for your attendance and your attention, and share, once again, our determination to finalise and complete these programs successfully. We will meet again, at the very latest, for the next financial results as well as the information meeting that we will be organising in early 2011 regarding the Group's outlook. Thank you again for being here.