

EDF
Thursday, 10th November 2011
17:15 Hrs UK time
Questions and answers chaired by Thomas Piquemal

The first question via the internet comes from Andrew Mead from Goldman Sachs and he is asking: Improvement in KD – does this reflect better underlying output or better management of the outage work? Planned outage days are up due to more visits but are they better than expected?

I think we gave the breakdown of the planned outages and all the days on page 8. We are never satisfied with extended outages, so we are always looking for improvement. We believe that we still have room for improvement on this front even if, as you can tell from the dark blue box, there is improvement on a quarterly basis compared to last year. We still have 303 days of extended outages during Q3 of this year and we believe that we still have room for improvement. You know that mid-term our availability factor target is 85%; that's where we will find the additional availability factor points.

Second question comes from Andrew Moulder (Credit Sights) is asking: are you expecting any cash payment or receipt in the Edison deal excluding the puts on any mandatory tender offer on the minorities?

It's a bit too early to give the potential impact of that transaction to our investors, even though I can say that the impact on our credit ratios will be extremely minimal and I will of course discuss all of that, if and when, we reach an agreement, hopefully by the end of the month of November. In terms of cash output, where we could spend cash is on buying the Gissi plant from A2A, at a price that has to be determined. That is where we will do some due diligences. As far as the mandatory tender offer is concerned, we will have contact with CONSOB. By the way, they started yesterday on the technical front with our advisers to explain the Framework Agreement that I have just described to you. In the forthcoming weeks we will submit a formal request to the CONSOB. As you know, we will ask for an exemption to the mandatory tender offer. It is up to CONSOB to decide and then we'll see if they decide that we are exempted or not. Of course, if we are not exempted, there will be a question of price. For us the price in that case should be the 12-month average and then, if we have to launch this mandatory tender offer, there could be a cash outflow. Beyond that, the only other impact is on the debt allocation of Edipower – it's too early to say as it will be done based on expert appraisals, and that is it. The fact that we get control of Edison will obviously entail a change in consolidation method from proportional accounting to full integration in our accounts but, beyond that, I don't see any other impact.

The next question comes from Citi. Sofia Savvantidou is asking what is your strategy with regards to the gas contract of Edison on potential renegotiations?

As I said, this is one of our key objectives to improve the performance of Edison. Our strategy is to do exactly as we did for Gazprom, where we used all the EDF Group leverage and good relationships with different gas suppliers to improve the situation for

Edison. We'll obviously, and we are consistently, permanently doing so with all the different suppliers of Edison and we expect to get results next year.

Vincent de Blic – JPMorgan

Good evening. Two questions from me, the first one on the French political environment. Obviously the press is talking about potential discussions between the Socialists and the Greens; can you tell us to what extent you are discussing with the various political parties in France, especially with the Socialists, to what extent they are happy to hear your views on the role of nuclear going forward?

Secondly – it is partly linked to the first point – the UFE came out with a paper earlier this week with quite bigger investment numbers between 2011 and 2030 and I was wondering whether you could give us your view on these numbers in all scenarios? We are talking about very big numbers for generation but also for networks, so any comment on this would be super. Thank you.

Our duty is to give technical information on the consequences of decisions that could be made and of course we are always doing that. Our CEO expressed his views and EDF's views yesterday in the press and you can tell from that, that obviously EDF considers that it is our duty to illustrate the consequences of any decision that could be made. As far as UFE is concerned, we took part in the work of this group, as did other power companies, and it is their analysis. I think I have no comment to make on the basis of their analysis. We have our own Capex program, and, as you know, we intend to invest more. We disclosed all that in detail at the end of July. We intend to invest much more in our French nuclear fleet in terms of maintenance than before; we intend to double that over the next – 2010-2015 period – and we also intend to increase our Capex in the network. Obviously all our vision on our Capex program was part, of course, of the discussions we had with UFE.

Before taking the next audio question, I have two more internet questions. The first one is from Andrew Mead from Goldman Sachs – do you have any comments on the potential impact of the proposed increase in the French Corporation Tax by 5% in 2011-2012?

Of course it is difficult for us to give precise impact, given the fact that it is on the pre-tax profit of our French entities; however, what I can say just to give you an order of magnitude is that it should be below €50m. I will even say below €40m, but again it really depends on the level of our taxable profits in France. This is the order of magnitude; I would say below €50m.

Another question from Goldman Sachs, Adam Gileski is asking: can you provide further colour on October performance? You characterised hydro availability as one of the worst. Did improved nuclear output offset this poor availability? How is November looking giving heavy rains in the South of France?

Unfortunately hydro was again down in October 2011 compared to 2010. I would say that it was down by slightly less than 1 TWh and now our vision for the end of the year is that we might lose up to 11 TWh compared to last year. As I said, this has significant impact on our profitability. That is why - despite the good performance of our nuclear fleet - slightly above what we anticipated- I am unable today to lift my EBITDA guidance for the

year. As I said, I am keeping the 4-6% EBITDA guidance for the year, because this difficult performance on hydro has a cost to us, despite the good performance in nuclear.

We come back to the audio questions.

Benjamin Leyre – Exane BNP Paribas

Good evening. I have two questions, please. The first one: a few days ago the technical arm of the French safety authority on nuclear published an opinion with the need to put some bunkers around the key equipments in nuclear plants. I wonder if you agree with this proposal and if you have a price tag on this potential investment on stress-testing nuclear in France? The second one on Veolia and Dalkia, I want to know what is your objective there because you seem to exclude to joint control other companies but here in Dalkia you seem to make an exception, with the possibility to joint control with Veolia, and what is the blocking point also in the discussions at the moment with Veolia? Thank you.

On IRSN it is part of the work that is currently being done by a group of experts. We are part of this group of experts and I think there will be communication on that particular topic in the forthcoming weeks, or even days I think, and therefore I will refrain from commenting at this stage.

On the Veolia and Dalkia topic you are absolutely right; our strategy is to control our partnerships, or at least what was considered as being a partnership, because most of those partnerships constituted significant growth areas or development prospects for the group and we consider that EDF is an industrial company and not a passive manager of financial stakes in power entities. Dalkia is different. Our goal is really, because we consider that energy efficiency services are core to EDF, we want to develop it further and we consider that this partnership was the right idea. The partnership with Veolia around Dalkia was the right idea ten years ago. We consider that service is the core business of Veolia and that by joining forces with them around Dalkia, we can develop and grow our business there more rapidly than if we were alone. This was the idea ten years ago. Our goal is obviously to improve that. For example, we own 50% of the international business in Europe but just one third roughly in France, and zero in the US. I said earlier that we had a very good team in optimisation business in the US. We consider that we can develop further synergies and what we are looking at is if there is a way for us to get exposure to the Dalkia US business. Having said that, we want clarity on the way responsibilities are shared so that businesses can be run properly. 50/50 was the original objective written in the agreement signed ten years ago, but this does not mean that we are not ready to give management control to Veolia, obviously if we get the right protection mechanisms and governance structure because, again, as I said we believe in clarity and in proper sharing of responsibilities in a business that has good development prospects. Again it is not new. It is an idea that existed ten years ago and that we want to develop further and we hope to reach an agreement rapidly around those ideas. So far it is too early to further comment on that.

Martin Young – Nomura

Good afternoon. Two questions – just wondering, when you moved to full consolidation of SPE in Belgium and did all the opening balance sheet adjustments, what lifetime

assumptions you were making for your interests in the nuclear plants in those countries, i.e. will there be any write-down implications of a closing of lifespan to 2015 in Belgium?

Secondly, around the Edison reorganisation and the issue of the mandatory buy-out that you are clearly hoping to avoid, if it came to pass that you did have to go down that route, would I be correct in assuming that the shareholders from the Delmi side of things have said they are quite happy with the agreement, so we are just talking about the ramp of the free float of Edison here?

I'll start with the second question because I don't have the answer to your first question at the top of my mind, since I was not there at that time – I think I would be surprised if we had assumed anything that would go beyond the law that was passed, but I'll check that with the team. Sorry, Martin, but I'll come back to you on that.

On the mandatory tender offer issue, potential or not, Delmi in any event committed not to tender its shares if we had to launch a mandatory tender offer, so I am here talking about 20% free float and, in addition to that - I will not go into the specifics of our agreement in principle – Delmi will take a share, if we have to launch the mandatory tender offer, of this tender offer.

A question from the internet, from Morgan Stanley, Emmanuel Turpin – hydro production down 9.5 TWh year-on-year; how does this compare to an average hydro year, i.e. what would be the upside in production to a long-term average production level?

It is true that when we look at long-term trends in hydro in France, we can tell that climate change exists because recent hydro output is lower than long-term averages. Now we believe that 2011 is a very bad year. In our forecast, but we'll know that much better obviously early 2012, we will hopefully come back to a more normalised level in 2012. I was mentioning climate change but that is not the real reason for the decrease in overall hydropower in France and you know that because we recently had a teaching session on our hydro business in France that there were some changes in the regulatory framework, the law on “ water”, what we have to maintain for tourism, for the environment and the management also of our nuclear fleet which is extremely important in the way we manage the combined electrical network in France. All those changes in the regulatory framework explain the slight decrease in the very long-term hydro potential compared to a normalised year but, again, 2011 is a very bad year.

The next question is from Adam Gileski, Goldman Sachs Asset Management. Can you please provide an update on your objections to the Exelon Constellation merger in the US?

First of all, I think there are more than 40 people who are involved in the hearings (40 stakeholders), and we are one of them. We own 49.9% of the existing nuclear assets of Constellation and if the merger goes through, the fleet, which is within this 49.9% joint venture, will be combined from an industrial standpoint with Exelon's fleet. Obviously we want to preserve the integrity of our JV and that is why we intervened in the merger process and that is why we are making our case as we speak, by the way, in front of the PSC (Maryland); I think the hearings were quite interesting so far. We'll come back to the consequences of those hearings, especially on the deal and the agreement we reached in

2010. We reached this agreement at a time when apparently Exelon and Constellation had some preliminary contact and I have to say that I would like to get some better clarity on that front, and understand to what extent this project was already going on, at a time when we were forced to stop our project on Unistar. We were forced also to sell some of our Constellation shares to Constellation in exchange for the put, and that is all I can say at this stage. We still have a lot of money invested in this joint venture and we are going to protect our interests.

Another question from Morgan Stanley, Emmanuel Turpin, coming back on IRSN; any comments on the preliminary conclusion of IRSN on your nuclear audit proposal? They seem to be asking for extra measures compared to your initial plan including bunkering of some parts of the stations. Have you discussed with IRSN any idea of Capex cost, the scale of the extra work required? What is the next communication step on this topic?

Again, we are part of this group of experts currently reviewing all of that. It is extremely technical. We made a lot of proposals. We are giving our views but we will expect, as everybody else, the report by the ASN and will comment after this report is issued.

Benjamin Leyre – Exane BNP Paribas

Three small questions, please, and the first one is: can you already share with us a bit of insight on the expectation for nuclear output for 2012? The second is on TaRTAM; you communicated an extra provision of 170 million at H1. Where do you stand in your discussions with the regulator and what could be the final outcome of this? The third point, can you reiterate your comfort with the recurring net income estimate by the consensus. Thank you.

It is too early to give you a 2012 view on our nuclear output. We expect of course that we will have enough time to explain that to you early next year, but we will have less decennial visits in 2012 than 2011, so we should be able to deliver some further improvement.

On TaRTAM cost you are absolutely right, we suffered a €170m non-recurring operational cost due to this TaRTAM mechanism which (that's the good news of it) disappeared during H1 2011. By the way, when I say 4-6% growth in EBITDA guidance it's before this cost of €170m which we consider as being non-recurring. We had a lot of contact with the regulator. They asked detailed accounting to our competitors and we understand that they are currently reviewing that. So far I have no further views on that and therefore I exclude that from the EBITDA target that we have for the year. You are asking me absolute numbers in terms of guidance and, yes, I am still comfortable with the €3.3bn recurring net income issued by market consensus and, as I said, I confirm all our objectives for the year.

Before closing, we have two more questions. One question is from BoA/Merrill Lynch, from Yulia Mitryaeva. You have reportedly stated that Edison takeover offer will be at or close to current Edison share price, whereas Italian side wanted to get the premium; can you please comment if the Italian side is ready to accept your proposed level of the offer and, without giving exact price, can you say if an agreement has been reached on that?

We have had absolutely no discussion with the 20% shareholders in Edison, which represent the free float. We will present our case to the CONSOB from a technical standpoint, but we have no contact. If we have to launch a mandatory tender offer, we believe that we have a good case explaining that mandatory tender offer should be the 12-month average. We have a good case but, for us, I have to say that it is not a good price because the current market price which is roughly the 12-month average implies a 10xEBITDA multiple, which I consider as being very high and that is why, in our agreement with our Italian partners, again our preliminary framework agreement, we insisted and they agreed on the fact that, if we were wrong in this assumption, the 12-month average price should be the price if a mandatory tender offer has to be launched. Then we would have to completely review our agreement with our Italian partners and, again, current share price of 12-month average is 10xEBITDA. If you apply an average EBITDA multiple of some of our Italian competitors, you deduct the leverage - I am sure you make a calculation and you will end up with a share price with a current profitability level which is extremely low. That is why a 12-month average for me I'd consider a very high price, implying 10xEBITDA.

Can you give us some colour on the level of debt at the end of 2011?

Yes. As I just said, I confirmed this guidance in terms of leverage, 2.1-2.3x debt/EBITDA, including the impact of the Energies Nouvelles transaction. We do not rely on the second instalment of the Exeltium contract and that's why I think we will be closer to the higher end of the range than to the lower end of the range. You might remember that when I gave absolute number on the debt level earlier in the year, at the time of the FY results, I said €30-32bn, assuming that we would get this Exeltium payment. We are no longer assuming that and of course in February it was before the EDF EN transaction, but we will be close to – I think, as far as I can tell – the higher end of our range.

Vincent De Blic – JPMorgan

Two quick questions and the first one's on French distribution – there are some reports that you are trying to look at ways to improve the reported profitability of ERDF – can you update us on where you are on this project? Secondly, on the UK, you have raised prices less than your peers – can you give us your latest customer numbers in retail?

On the French distribution, yes, this is an area where we spent a lot of time and we worked a lot. I have to say that every time there is a new development project for ERDF we can prove and we can tell that the inconsistency between the tariff mechanisms and between the contractual arrangements with the local state is really creating a lot of problems for ERDF and the inconsistency is done to the detriment of ERDF. We intend to change that. As far as the accounting treatment is concerned, we launched huge work and I have to say the ERDF team are doing fantastic modelling work for all the concessions in France in order to review if we still have to account for provisions for renewal or not. I hope to get the results on this huge modelling exercise by the end of the year and obviously I'll come back to you on that as well. So far it's a little too early to give you results but I am quite confident that this work performed by the ERDF team will give us much better visibility on these provisions for renewal and on the necessity or not to pursue the accruals for those provisions. By the way, remember that in the tariff we are not compensated for accruing for those provisions, which demonstrates again the total inconsistency between tariff formula and the contractual arrangement with the local authorities.

I am giving the answer for Martin on the nuclear fleet in Belgium by the time of the PPA in Belgium – it is 40 years.

Coming back to your last question on the UK, yes, we made some progress in terms of market share and I can say that we intend to increase our total number of customers by roughly 300,000 by the end of the year.

Benjamin Leyre – Exane BNP Parisbas

A couple of small questions, please... I think we were expecting the approval or at least opinion of the EC on the NOME Law sometime in November. Do you have visibility on the precise timing? Second, do you see a bit more clearly any progress on the drafting of the State council decree on the tariff formula for the application of ARENH? Thank you.

On the feedback from the EU, I am not sure that any official deadline was announced and therefore we are expecting, like you, their official feedback. On the formula there's nothing new on that front. So far there's nothing that I can add to that. As you know we have our price set for 2012 and we continuously make our case on the need to increase the Capex in our nuclear fleet in France. The need to invest in our operational costs, in our workforce and in our maintenance programs in France in order for the regulator or the government to understand that this price has to go up in the forthcoming years.

Last internet question from Andrew Moulder (Credit Sights):

If you launch the mandatory offer at the 12-month average Edison share price, would you have to take a write-down on your existing stake?

The price you pay in the transaction should not be derived from any accounting consequences or considerations whatsoever. I am trying to do this arrangement and agreement of course in the best interest of EDF and the shareholders, and I am not led by any accounting consequences. I do not expect any mechanistic triggering of any impairment due to the price I would have to pay if I had to make a mandatory tender offer. I think this has to be looked at on a global basis and nothing should be triggered technically speaking from the price I pay in mandatory tender offer if I have to launch one, but it will depend on our industrial plans for the Group, and the prospects of the Group. On that front, we intend, as I said, to strengthen Edison to improve its profitability, to create a new equity story with new growth prospects in Italy, outside of Italy, in the gas area and we intend to share of course all that with the market, the Italian shareholders listed in Milan, and this is our mid-term objective as far as Edison is concerned. I think we'll have in the forthcoming months a lot of time to explain all that.

Closing Comments

There are no more questions, so I would like again to thank you very much for attending this call on this 10th November evening. Thank you very much and obviously, if you have any further questions, don't hesitate to send those to us. Thank you and bye.