
Update on strategic partnership between EDF and AREVA

Today, EDF and AREVA signed a memorandum of understanding that formalised the status of the progress of discussions concerning their contemplated partnership. This memorandum has three sections.

Firstly, this non binding memorandum deals with the contemplated acquisition by EDF of an exclusive control of a new company, NEW AREVA NP (NEW ANP), to be set-up, which will be transferred existing AREVA NP's assets and activities relating to the design and supply of nuclear reactor and equipment, fuel design and supply and the services to the nuclear installed base, to the exclusion, in particular, of the assets, liabilities and staff related to the achievement of the Olkiluoto 3 EPR project.

It provides for a majority control (at least 51% of shares and voting rights) of NEW ANP by EDF, a minimum stake of 15% and a maximum stake of 25% held by AREVA as part of a strategic partnership, and the potential participation of other minority partners up to 34%.

This project enables to better secure the most critical activities of the Grand Carénage for the existing fleet in France, and to improve the efficiency of engineering services, project management, and some manufacturing activities through EDF's experience feedback.

Secondly, the memorandum aims also to set-up a dedicated company - 80% owned by EDF and 20% owned by AREVA NP (then by NEW ANP) – in charge of the design and construction of the nuclear island for new build projects, in France and abroad. Its creation is targeted on the first quarter of 2017, regardless of the acquisition of an exclusive control of NEW AREVA NP by EDF.

The objective pursued by the setting up of this company is to improve the preparation and management of projects as well as the export offering of the French industry on the Nuclear Island by developing offers that are more competitive and adapted to client needs, all while ensuring the continuation of partnerships with the major industrial companies in Japan and China. This company will form part of a generator/supplier model, which has been tried and tested in several countries.

Lastly, EDF and AREVA restate their intent to enter into a comprehensive strategic and industrial agreement, in order to, in particular, improve and develop the efficiency of their cooperation in areas such as Research and Development, international sales of new reactors, the storage of spent fuel, and dismantling.

The parties agreed on an indicative price (100% of equity value¹) for NEW ANP of 2.5 billion euros² at the closing date. This amount is likely to be adjusted, firstly, upward or downward depending on the financial statements prepared on the date of completion of the transaction, and secondly, with a possible price earn-out of up to 325 million euros subject to the achievement of certain performance objectives measured after the closing date, proportionate to the participation acquired by EDF in NEW ANP. This price corresponds to a 2017 forecasted EBITDA multiple of 8x³.

¹ Scope of the transaction, after excluding operations not acquired

² "Non binding" figure with no transfer of liability related to Olkiluoto 3, nor financial debt at the closing date, and including proper protection against the risks resulting from irregular findings in the manufacturing tracking records of equipment and components at Le Creusot and Saint Marcel and Jeumont, if any. The figure will be subject to adjustment at closing.

³ Normalised EBITDA pro forma of the acquired scope, excluding large projects

The memorandum also provides that EDF, NEW ANP and their affiliates will be fully immunised against risks and costs related to the achievement of the Olkiluoto 3 project and will receive proper protection against the risks resulting from irregular findings in the manufacturing tracking records of equipment and components at Le Creusot and Saint Marcel and Jeumont, if any.

On the basis of a 51% to 75% stake held by EDF, all the financial terms enable the Group to preserve its financial trajectory.

A specific due diligence regarding the manufacturing process at Le Creusot is currently run, and a complementary due diligence phase will begin starting from August in order to enable EDF and AREVA to sign binding agreements before the end of November 2016.

Prior to signing binding agreements, the Group will proceed with the consultation of its employee representative bodies.

The negotiation of the participation of other potential partners will progress in parallel and the closing of the transaction is planned before the end of 2017, subject in particular to approval from the relevant merger control authorities.

A key player in energy transition, the EDF Group is an integrated electricity company, active in all areas of the business: generation, transmission, distribution, energy supply and trading, energy services. A global leader in low-carbon energies, the Group has developed a diversified generation mix based on nuclear power, hydropower, new renewable energies and thermal energy. The Group is involved in supplying energy and services to approximately 37.6 million customers, of which 27.8 million in France. The Group generated consolidated sales of €75 billion in 2015, of which 47.2% outside of France. EDF is listed on the Paris Stock Exchange.

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