Internal Energy Market, HR & Social Dialog

Future trends and developments
EDF IN EUROPE

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (billion €)</td>
<td>59</td>
</tr>
<tr>
<td>Installed capacity (GW)</td>
<td>45% internat.</td>
</tr>
<tr>
<td>EBITDA</td>
<td>14</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>11</td>
</tr>
<tr>
<td>RNPG</td>
<td>5.6</td>
</tr>
<tr>
<td>Net debt</td>
<td>15</td>
</tr>
<tr>
<td>Worldwide customers</td>
<td>41 million</td>
</tr>
<tr>
<td>Worldwide staff</td>
<td>144 GWe</td>
</tr>
<tr>
<td>EDF Trading</td>
<td></td>
</tr>
<tr>
<td>Sales (billion €)</td>
<td>8.3</td>
</tr>
<tr>
<td>Installed capacity (GW)</td>
<td>4.8</td>
</tr>
<tr>
<td>Electricity sales (TWh)</td>
<td>53.5</td>
</tr>
<tr>
<td>Gas sales (Gm3)</td>
<td>2.3</td>
</tr>
<tr>
<td>Generation (TWh)</td>
<td>25.4</td>
</tr>
<tr>
<td>No. customers (millions)</td>
<td>5.5</td>
</tr>
<tr>
<td>Distribution</td>
<td>175 000 km</td>
</tr>
<tr>
<td>Services provided to</td>
<td>7.8 millions</td>
</tr>
<tr>
<td>CEECs</td>
<td></td>
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<tr>
<td>Sales (billion €)</td>
<td>1.3</td>
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<tr>
<td>Installed capacity elec (GW)</td>
<td>3.6</td>
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<tr>
<td>Installed capacity heat (GW)</td>
<td>5.4</td>
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<tr>
<td>Generation (TWh)</td>
<td>16.5</td>
</tr>
<tr>
<td>Electricity sales (TWh)</td>
<td>27</td>
</tr>
<tr>
<td>No. customers (millions)</td>
<td>1.5</td>
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<tr>
<td>Distribution (km)</td>
<td>63 000</td>
</tr>
<tr>
<td>Switzerland, an interest in Atel</td>
<td>Secure transit capacities and peak-time assets</td>
</tr>
<tr>
<td>Sales (billion €)</td>
<td>8.5</td>
</tr>
<tr>
<td>Installed capacity elec (GW)</td>
<td>11.7</td>
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<tr>
<td>Generation (TWh)</td>
<td>51.9</td>
</tr>
<tr>
<td>Electricity sales (TWh)</td>
<td>65.4</td>
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<tr>
<td>Gas sales (Gm3)</td>
<td>13.6</td>
</tr>
</tbody>
</table>
1 CONTEXT

- Construction of the Internal Energy Market:
  - Full opening on 1st July 2007 => in France, 27 millions of residential customers
  - Third energy package project => instability of the legislative and regulatory project

- Awareness of decreasing fossil fuel resources

- Climate change and CO2 reduction

- Risks to the security of supply:
  - Supply of primary sources
  - Security of the network

- European energy policy?
2 TENDENCIES

- Increasing of energy prices
- Change in the generation mix (post-oil, sustainable generation)
- End of generation overcapacities

MASSIVE INVESTMENT NEEDS IN EUROPE: 600 GW - 1000 Billion €
3. A SECTOR BEING RE-FORMED

United Kingdom
- Rumoured takeover bid for Centrica
- E.On pulls out of negotiations to buy out Scottish Power (too expensive).
- Vattenfall considers its entry (?)
- Possible partnerships between various players if the nuclear option is reopened
- Iberdrola negotiating to buy out Scottish Power

France
- Enel shows an interest in SNET and the “large” LDCs – Talks on entry in the EPR
- Electrabel: controls CNR and SHEM
- Low costs (Poweo, Direct Energie): equity restructuring (Verbund for Poweo, Louis-Dreyfus for Direct Energie)

Benelux
- Enel to make a takeover bid for Electrabel
- Gaz de France – Suez: merger plans
- Expected changes to PBs: many companies are interested (RWE)

Germany
- RWE restructures its services (RWE Solutions) and waste activities and sells its water business outside Germany (done in the UK)
- E.On initiates a “clean” coal power plant and CO2 storage facility plan

Switzerland
- UBS sells its Atel shares: restructuring in preparation in Switzerland

Italy
- E.On announces its intention to become a pivotal player in Italy and invests in production
- Endesa fails in its attempted takeover of Edison and EDF becomes a prominent player in Italy
- A trend towards the concentration of municipal utilities

Iberian peninsula
- Natural gas: hostile takeover bid for Endesa and deal with Iberdrola
- E.On initiates a takeover bid for Endesa & expands its offering
- Enel and Centrica are interested in compensation
- Iberdrola wishes to forge closer ties with EDP
- Entry of new non-energy players in: (ACS in Fenosa, Accionna in Endesa, Sacyr in Repsol)
- Spain modifies the terms of the takeover bid for E.ON, who agrees
4 EFFECT ON EMPLOYMENT …/…

- Concentrations => synergies and productivity
- **BUT**
- Demographic ageing
- Massive investments in networks and generation
- Developing new technologies (CO2-free)
- Developing a competitive market

**Creation of new skills**
EXAMPLE OF A TOOL TO GET THE NEW SKILLS:

EDF is implementing a prospective process on jobs and skills, aiming at identifying key core skills for the Group.

2 criteria to determine the key skills:

- **Strategic**: skill that
  - provides a competitive benefit,
  - is a key factor of success in the middle-long term development of the group,
  - creates value...

- **Critical level**:
  - high difficulties to find the skills,
  - urgency, ...
5 EFFECT ON INDUSTRIAL RELATIONS

- Concentration = increasing number of big European players
  ⇒ development of a European social dialogue within companies,
  not as a substitution of local social dialogue (subsidiarity rule)
  but as a guideline for setting objectives.

- Developing European social dialogue = a way of sharing common values
  within the company

  • Within information and consultation bodies, such as EWCs: dialogue on
    international HR policies
      ⇒ e.g. EDF:
      - anticipation and guidance in restructuring processes,
      - international mobility,
      - health and safety policy

  • for transnational negotiation of collective agreements;
    ⇒ e.g.: EDF Group CSR agreement and setting up of the CSR Dialogue Committee
6 INDUSTRIAL RELATIONS WITHIN EDF GROUP

- Employee representation and social dialogue in place in each affiliate, according to the local legislation

- Impetus given to the social dialogue by the:
  - e.g.: - commitment to diversity or to environmental targets
  - negotiation of local CSR agreements within affiliates

- Implementing consultation bodies about CSR agreement:
  - Consultation committee of the Asia-Pacific branch, follow up committee of the agreement for EDF SA

- Widening of local dialogue:
  Thanks to the participation of employee representatives in EWC and in the Consultation Committee on EDF Group CSR
Adapting companies of the electricity industry to a changing legal, economical and technological framework makes necessary a common work with the social partners in order to discuss and analyse together the challenges and their social and human impacts.