



Réseau de transport d'électricité

# FINANCIAL RESULTS FOR 2009

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## PRESS KIT

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# Sommaire

<b>I.</b>	Good results, in a more difficult climate	3
<b>II.</b>	A dynamic industrial policy	4
<b>III.</b>	An ambitious industrial policy set to continue in 2010	7
<b>APPENDIX 1</b>		
	RTE's main financial indicators	10
<b>APPENDIX 2</b>		
	2009 Sales	11
<b>APPENDIX 3</b>		
	Cost structure	12
<b>APPENDIX 4</b>		
	Cash flow, refinancing under control	13
<b>APPENDIX 5</b>		
	Financial structure	14

# I. Good results, in a more difficult climate

## **Sales down slightly, in a year marked by the economic crisis and severe weather conditions**

RTE's 2009 **sales** amounted to €4,130 million, down by 2.2% compared with 2008.

**In France**, sales were affected by the difficult context, and in particular the economic crisis, which saw demand for electricity fall (by 1.6% on the previous year), especially in heavy industry (-8.6%). Demand by industry in the fourth quarter of 2009 returned to the level recorded in Q4 2008, but overall remained 12.6% below the figure for Q4 2007.

The economic recession's impact on sales was mitigated by the high demand recorded during the spells of extremely cold weather which occurred at the beginning and end of 2009, and also the delayed entry into force of the new tariff for accessing the power network<sup>(1)</sup> which now covers spending to a greater extent.

Altogether, income from electricity transmission operations in France rose by €49 million (an increase of 1.3%).

**Income from interconnectors** was down by €126 million compared with 2008 (a decrease of 33%).

## **Net income is satisfactory, impacted positively by an extraordinary item**

**EBITDA**<sup>(2)</sup> was €1,211 million, down by 10% on the figure for 2008.

**Net income** after taxes was €500 million (up by €205 million on 2008). This figure includes RTE's share of the sum repaid by the French State to EDF, after the European Union's General Court set aside a previous decision by the EU Commission<sup>(3)</sup>. Without this non-recurring effect, **net income** stands at €199 million, €96 million lower than in 2008.

(1) The Public Electricity Transmission System User Tariff (TURPE3), which came into application on 1 August 2009.

(2) «Earnings Before Interest, Tax, Depreciation and Amortization», i.e. sales revenues and income from current operations less purchases of materials, works and services, personnel costs and taxes and duties other than corporation tax.

(3) On 15 December 2009, the General Court of the European Union handed down a ruling, setting aside a Commission decision of 16 December 2003, concerning alleged state aid to EDF. On 30 December 2009, the State paid EDF the sum of €1,224 million.

## II. A dynamic industrial policy

### Significantly increased investment (+22%)...

RTE's **capital expenditure** continued to rise in 2009 (€1,021 million, +22%), in line with the company's commitments and the budget authorized by the French energy regulator CRE, to deal with the arrival of new generating facilities and strengthen international interconnectors.

This increased investment budget included spending on work to build and renew some 951 kilometres of high and extra-high voltage power lines, and connect a total of 14 new substations (225 kV, 90 kV and 63 kV).

### ... leading to continued staff recruitment...

In connection with the increase in investments, RTE has also expanded its **workforce**, notably in the engineering field. The workforce rose from 8,439 to 8,515 between the end of 2008 and the end of 2009. In 2009, the company recruited 285 employees altogether, including 131 managerial staff. This figure includes a total of 45 staff awarded full contracts after completing an apprenticeship.

### ... with RTE's main financial indicators remaining stable.

**Purchases related to operation** of the electric system rose by around 10%, to a total of €1,166 million (an increase of €105 million). This development is largely due to increases in the price of the electricity purchased by RTE to offset physical losses on its own network.

(4) ROCE (Return On Capital Employed), calculated on the basis of RTE SA's company accounts according to French accounting standards, is the ratio of operating income to economic assets mobilized by RTE for its activity

### Financing RTE's investments

To finance its investments, RTE has its own resources, based mainly on the tariff paid by all network users. This tariff, proposed by the energy regulator CRE and approved by the Government, is set at a level intended to enable RTE to cover all its costs, and provide a fair return on the capital employed through the investment programmes approved. The current tariff (TURPE3) applies for a period of four years from August 1st 2009. It takes into account the significant investment planned for that timeframe.

RTE's **ROCE**<sup>(4)</sup> in 2009 was 5.6%, lower than the figure for 2008 (7%). This is principally due to the introduction of the new TURPE3 tariff, which reduced the differences between RTE's results and the hypotheses used to determine the level of the previous TURPE2 tariff, notably as regards income from the allocation of interconnector transmission capacities<sup>(5)</sup>. When adjusted to reflect this, ROCE stands at 7.2%.

**Total net debt** remains under control at €6,355 million (up by €291 million on 2008), despite higher capital expenditure and lower cash flow from operations.

(5) These favourable differences had led to artificially high returns in 2006 (9.6%) and 2007 (9.5%)

### **Expenditure on work to physically reinforce the network reached its highest level since 2002...**

In spite of the general economic situation, **expenditure on work to physically reinforce** the network (€142 million)<sup>(6)</sup> continued to rise in 2009 (by 20% compared with 2008), with the work on course to be completed on schedule in 2017, in line with the wishes of the French Minister for Energy.

### **... and demonstrated its effectiveness during the storms of January 2009**

During the night of Friday 23rd to Saturday 24th January 2009, France was hit by an exceptionally severe storm, which was given the name Klaus. In places, the storm was even more severe than those of 1999. It affected a large part of RTE's high and extra high voltage network in the South-West, Languedoc-Roussillon and Southern Auvergne regions, causing power outages. **By successfully restoring its entire network to service within five days**, RTE honoured the commitment made to the State in 2002. This was made possible by previous work done to secure the network, and by the mobilization of some 600 RTE technicians and specialists, backed by helicopter-borne resources. The storms of December 1999 and January 24th 2009 were historically similar events in terms of wind speeds. However, based on a «like-for-like» perimeter in the south-west, storm Klaus caused **twice as few high and extra high voltage lines to suffer outages, and three times fewer substations, than the storm of 1999. It damaged four times fewer pylons than the 1999 storms.**

**The effectiveness of the work already done was demonstrated** during storm Klaus.

(6) Including all operating costs (incl. labour costs)

The two storms Lothar and Martin of December 26th and 27th 1999 crossed France from west to east, with exceptionally severe consequences. On January 15th 2002, the Energy Minister asked RTE to embark on a fifteen-year programme of work to **physically consolidate the power grid**. The programme is due to end in 2007. It aims to reinforce network infrastructures, so as to be able to re-establish the power supply to the RTE grid within five days following a climatic event with winds higher than those seen in 1999, and to maintain the power supply to all electric substations in the case of winds equivalent to those of 1999.

**By the end of 2009, RTE had installed three-quarters of its so-called «anti-cascade» pylons**. They will all be installed by 2013. These special pylons are even stronger and are installed every 3 to 5 kilometres, on extra high voltage lines (225,000 and 400,000 volts). In the event of an incident, they serve to reduce the risk of a network collapse by a «domino effect», and reduce the time taken to restore power, through the use of emergency links. **By the end of 2009, RTE had completed 95% of work to widen the forest corridors** through which a total of 8,000 km of power lines pass. In 1999, falling trees were responsible for 50% of all the damage caused to pylons.

### Storm Xynthia of February 28th 2010

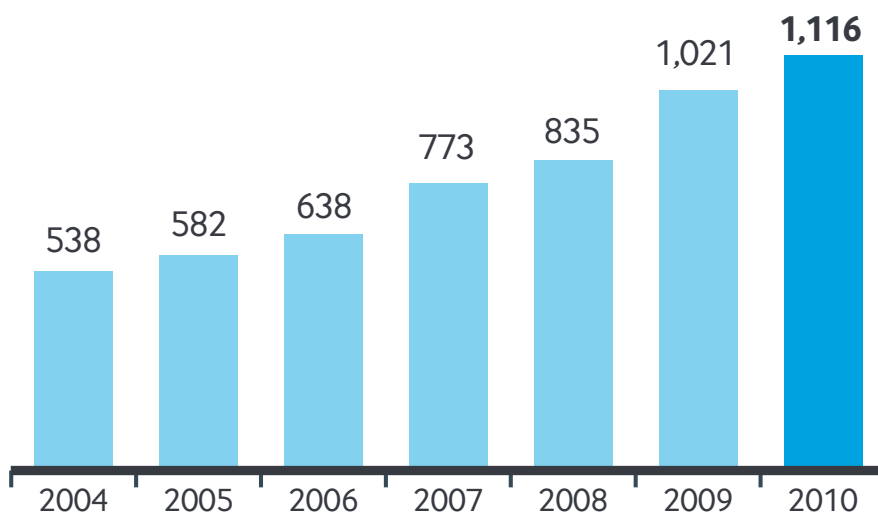
Storm Xynthia struck parts of France on the weekend of February 28th, sadly claiming many lives. Following the announcement that this exceptionally severe storm would hit the country, RTE immediately put its teams on stand-by to deal with expected difficulties affecting the power network and ensure supply would be restored in the shortest possible time. At the height of the storm, around ten substations suffered outages and almost eighty power lines were disconnected from the rest of the grid, mainly in the West, South-West and East regions. Ground and helicopter-based inspections were carried out on electrical installations, and RTE's technical staff responded quickly to repair and restore power to the affected infrastructures. By the evening of Monday March 1st, all the substations were back in operation, with the exception of the substation at Licq (Hautes-Pyrénées), which was still partially out of commission. With the distribution networks severely affected, RTE coordinated its efforts with those of ERDF, by making human and material resources available in order to restore power quickly.

## III. An ambitious industrial policy set to continue in 2010

### Increasing investment for a long-term industrial policy

RTE's investment budget continues to rise, in line with commitments, increasing once again to a total of €1,116 million in 2010<sup>(7)</sup>:

### RTE's Investments (m€)



Some of the major development projects to be undertaken by RTE in 2010 include:

- the creation of a dual 400,000 V Cotentin-Maine line, to accommodate a third generating unit at the Flamanville plant
- the creation of two new 400 000 V substations, to accommodate additional generating facilities in the Fos-Lavéra zone

→ work to strengthen the 400,000 V Avignon-Montpellier (Tamareau-Tavel) line

→ the creation of the Morbihan transforming substation, to improve the security of supply to southern Brittany.

(7) CRE Deliberation of December 17th 2009 on the RTE investment programme for 2010. [www.cre.fr](http://www.cre.fr)

In 2010, **investments set aside for electrical interconnectors are set to double**, to €67 million, up from €33 million in 2009. This substantial increase is a result of decision to go ahead with projects (replacing conductors for the Albertville-Cornier and France-Italy optimization projects) and preliminary studies for the France-Spain interconnector in the eastern Pyrenees. The studies undertaken by RTE on the France-England interconnector, in cooperation with its British counterpart National Grid, are intended to identify the new investments required in 2010 to boost the interconnection capacity between the two countries.

In 2010, investments devoted to **developing the regional networks** are impacted by the start of two major projects: reinforcement of the 225 kV Cantegrit-Mouguerre line, to improve security of supply to the Biarritz-Bayonne zone, and the creation of a 225 kV step at Hyères, with the construction of a 225 kV underground line between the Hyères and La Garde substations, to secure the power supply to the east of Toulon.

Meanwhile, on January 29th 2009, the European Investment Bank (EIB) and RTE signed a financing agreement with €400 million, to fund part of RTE's investment programme for the period 2009-2012.

From a long term perspective, this rise in investment reflects France's energy priorities and extends the orientations laid down by the government's Grenelle environmental plan. In addition to financing the renewal of infrastructures, it will also enable RTE to adapt the network to handle the expansion of renewable energy sources, promote the connection of other new generating units (EPR, CCGTs), strengthen the power supply to sensitive regions (especially PACA and Brittany), satisfy the needs of industrial customers and distributors, and commit to developing new interconnectors.

## Dedicated investments in the Provence-Alps-Côte d'Azur and West regions

To minimize the risk of power outages in the PACA region, which is classed as an «electric peninsula», RTE has undertaken a series of investments to strengthen its network. A major part of these «emergency measures» has just entered active service, and the new installations, which represent an investment budget of €85 million, are now operational.

As regional electricity demand continues to rise, these emergency measures are intended to reinforce the existing power network, operate it to its full technical capacity and reduce the impact of network disturbances or spells of very cold weather, notably in the eastern part of the region, thereby ensuring a better response to demand peaks and incidents. The work, which altogether represents a **total investment of some 325 million euros, is due to be completed by 2015.**

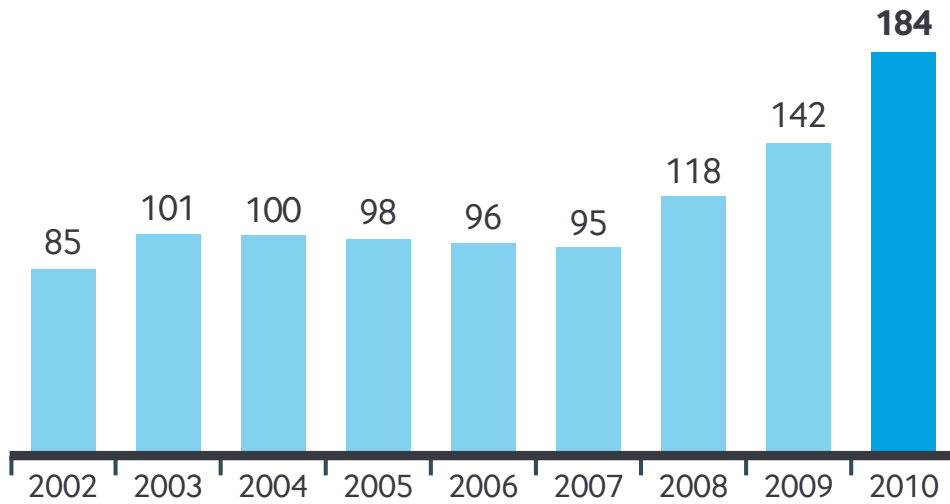
In Brittany, a region which only generates 8% of the electricity it consumes, there is just a single high voltage line running northwards. To prevent power outages, RTE launched an invitation to tender in 2006, and subsequently signed a contract to **reserve generating capacities in the Saint-Brieuc zone.** RTE is currently waiting for the successful bidder to complete the planned power plant. Also, since last autumn, RTE has begun construction work on a **new substation in the Morbihan area,** which will eventually be used to inject current towards the centre of the region by the end of 2010.

**Expenditure on work to physically reinforce the network will continue to rise in 2010, stabilizing thereafter until 2017**

Altogether, by the time the programme is completed in 2017, RTE will have devoted some €2.4 billion to efforts to physically reinforce its network, with average spending in the region of €160 million per year. This programme involves reviewing the size of the 45,000 km of overhead lines that make up RTE's network.

Following the significant increase in spending on this network reinforcement work<sup>(8)</sup> between 2008 and 2010, investment in this area will subsequently remain stable over the remaining years until the programme is completed as planned in 2017.

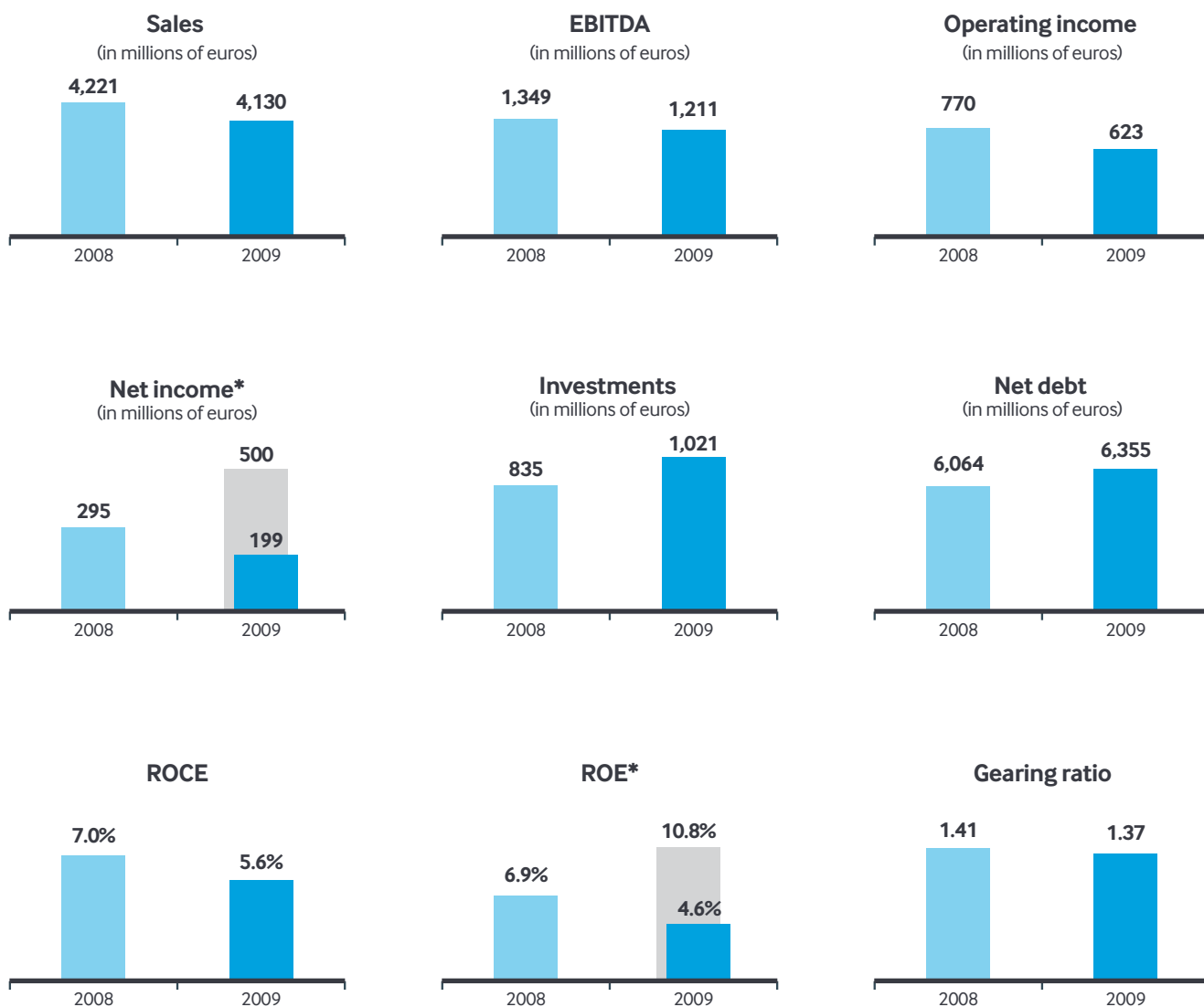
**Expenditure on physical reinforcement work between 2002 and 2010 (m€)**



(8) Including all operating costs (incl. labour costs)

## APPENDIX 1

# RTE's main financial indicators

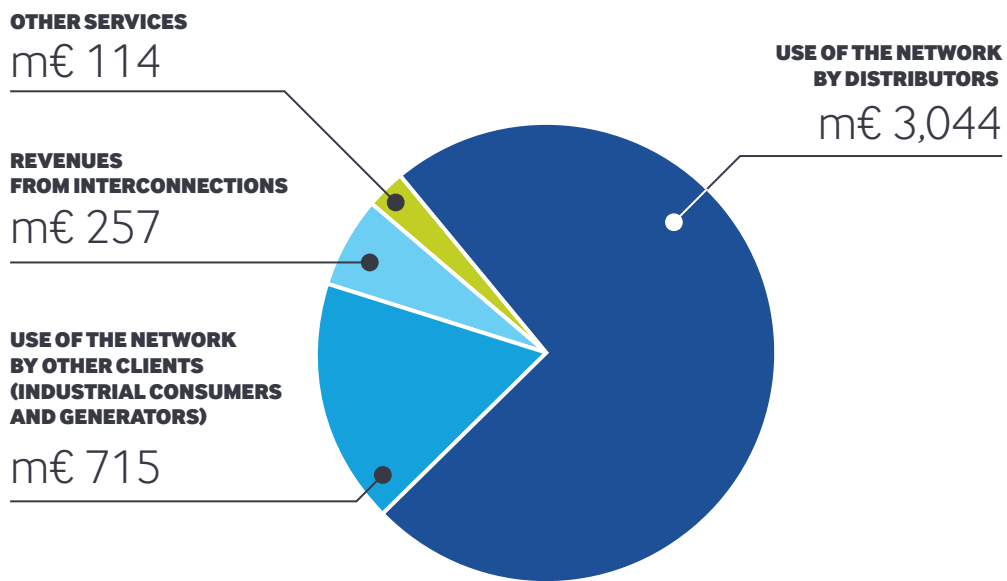


(\*) Figures for net income and ROE are shown gross (grey) and adjusted to reflect the impact of the EU General Court's ruling (blue)

## APPENDIX 2

# 2009 Sales

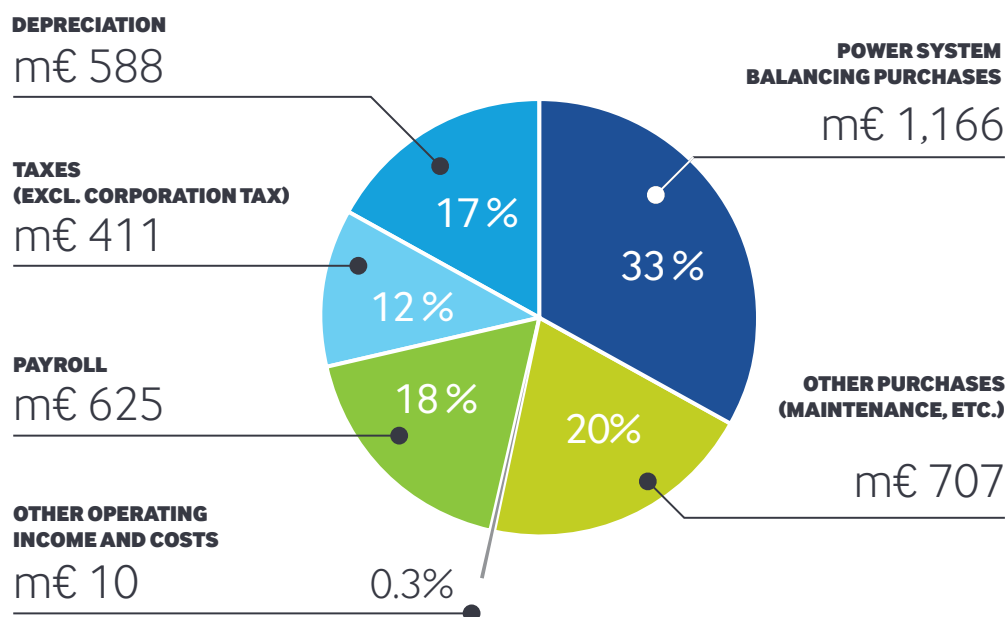
## 2009 Sales



## APPENDIX 3

### Cost structure

#### 2009 Cost Structure

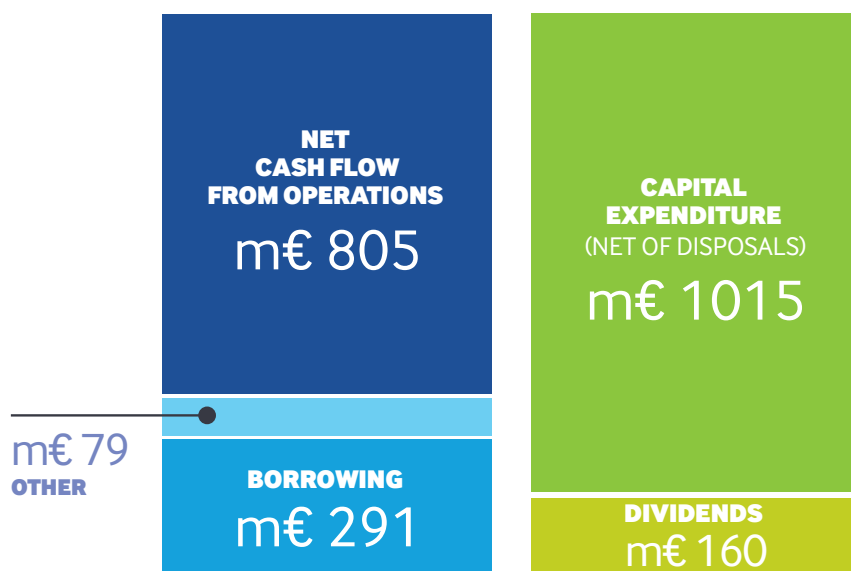


## APPENDIX 4

# Cash flow, refinancing under control

## Cash flow

### REFINANCING UNDER CONTROL



\*flux de trésorerie généré par l'activité

## APPENDIX 5

# Financial structure

### 2009 Closing Balance Sheet

