



Réseau de transport d'électricité

FINANCIAL RESULTS FOR 2010

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PRESS KIT

PRESS CONTACTS

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I. Positive results for 2010, in a favourable economic and meteorological context

Rising profits

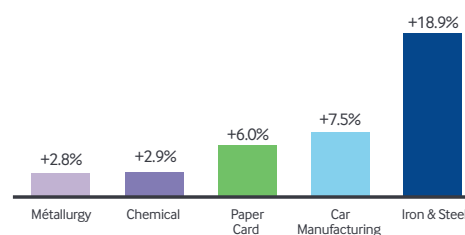
After-tax **net profits** for 2010 were €368m, up by €169m on the like-for-like total for 2009⁽¹⁾, which was €199m.

A 6% rise in sales

In 2010, RTE's **sales** totalled €4,396m, up by 6% compared with 2009. This increase is due to the 5.5% rise in French internal electricity demand, which totalled 513.3 TWh in 2010, breaking the 500 TWh barrier for the first time.

This increased demand is largely due to the colder weather in 2010⁽²⁾, structural growth in electricity consumption by households, and a recovery in demand for power by industrial consumers (+3.7% for heavy industry 2010 as compared with 2009)⁽³⁾.

Growth in demand by heavy industry on the RTE network by sector (2010)



The **2.5% rise** in the network access tariff which came into force on August 1st 2010 also contributed to the increase in RTE's sales.

(1) On December 15th 2009, the General Court of the European Union handed down a ruling, setting aside a Commission decision of December 16th 2009, concerning alleged state aid to EDF. On December 30th 2009, the French State paid EDF the sum that EDF had paid back to it in 2004. And in 2010, EDF paid RTE the amount assigned to it under the allocation formula determined by CRE in its deliberation of February 26th 2004.

Without this one-off favourable effect, RTE's 2009 profits would have been €199m.

(2) The successive cold snaps at the beginning and end of the year, with particularly low winter temperatures, resulted in new record demand peaks.

(3) Electricity demand by SMEs rose by more than 3% in 2010

Profits from increased French demand in 2010 returned to consumers through tariff regulation

RTE's sales are structurally dependent on contingencies linked to the climate and the economic context. However, under the new regulatory mechanism determined in 2009 (the 'TURPE 3' tariff), the positive or negative impact of these exogenous factors is neutralized, and only RTE's own performance is taken into account.

To this end, over each tariff period, the income and expenditure adjustment account (Compte de Régulation des Charges et Produits –CRCP) records the differences that may appear between forecasts and reality for certain items which CRE considers to be «difficult to forecast or control». These items include increased demand for power due to climatic conditions or the economic context. These differences will then be recovered by a future change to the tariff. As a result of this arrangement, the surplus revenues received by RTE in 2010 due to the extreme weather conditions will be returned to consumers by tariff changes in future years.

The Public Transmission System Access Tariff (TURPE)

RTE holds a regulated monopoly: its revenues are not determined by market prices, but by a regulated tariff. The tariff is established in a non-discriminatory manner, designed to cover all of the transmission system operator's costs, insofar as those costs represent those of an efficient system operator. In line with the Law of February 10th 2000, this tariff, proposed by CRE and approved by the Government, is set at a level intended to enable RTE to cover 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.

Rising economic profitability

Based on RTE's financial statements, drawn up in accordance with French accountancy standards⁽⁴⁾, return on capital employed⁽⁵⁾ was equal to 7.4% in 2010, compared with 5.6% in 2009.

It exceeds the 7.25% rate budgeted in advance by the energy regulator CRE, for the TURPE 2 and TURPE 3 tariff periods. The discrepancy between the ROCE rate allowed by CRE (7.25%) and the actual rate (7.4%) must be considered in the light of the flows through the Costs and Income Regulation Account (CRCP), the mechanism used for regulating the tariff.

(4) Calculation performed on this basis to ensure consistency with the calculation of tariffs TURPE 2 and TURPE 3, which are based solely on RTE's accounts as drawn up to French standards.

(5) In line with the Regulator's view, operating profit for the year is divided by the economic assets (tangible and intangible fixed assets + WCR - investment subsidies) shown on the balance sheet as of January 1st 2010

Operating expenditure under control

The price and quality of electricity not only contribute to the health of the French economy, but also help France to attract overseas investment. With this in mind, RTE has in recent years, and particularly through its Sustainable Performance industrial plan, reinforced its strategy aimed at controlling costs and generating value for the wider community.

In 2010, RTE's "Sustainable Performance" industrial plan produced the following results:

- A decrease of €64m in **purchases** related to operation of the power system;
- Stable **operational expenditures** of €1,331, despite increased investment in measures to physically reinforce network infrastructures;
- A slight decrease in **staffing costs** (€12m), whilst maintaining high recruitment levels (215 new staff in 2010).

Also in 2010, RTE launched measures to develop new activities aimed at exploiting the value of industrial assets and skills. Some of these should materialize by 2011.

The «Sustainable Performance» industrial plan

With its major industrial plan, launched in 2010, RTE has four main aims:

- To fully perform its public service missions in a changing society, in other words adapt in order to operate the power system more effectively and efficiently.
- To turn to Europe in order to promote its actions and missions, help affirm the «common interest» in European power networks and give a new dimension to the performance of its public service missions.
- To work with people and adapt their human potential, as the company's employees, their commitment and capacity to adapt their skills lie at the heart of the industrial plan.
- To pave the way for the future of the power system, by developing new activities and building the network of tomorrow.

To ensure its industrial plan is a success, RTE is introducing a new approach based on three key levers: technical and economic performance, innovation and R&D, and openness.

RTE Information Systems back-office activities brought in-house

RTE's search for improved performance in this area is focused on bringing a number of Information System functions in-house. These functions are considered to be essential to the proper running of the transmission network.

In 2008, RTE began efforts to reduce the number of Information System providers it uses by 30%. This resulted in RTE bringing a number of back-office functions in-house (consulting and requirement analysis, production piloting, revenues, system control), for improved technical and financial control. This allowed the company to make savings of almost €4m between 2009 and 2010, recruit 68 new staff at the entities responsible for the information system, and improve operational quality.

II. Rising investments bringing improved quality of service

A 15% increase in investments

In 2010, RTE increased its **capital expenditure** by 15% to €1,170m, in line with the budget permitted by the energy regulator (CRE). That figure notably includes €140m earmarked for the acquisition of high voltage installations from the French railway operator SNCF, participating in the public transmission network.

As part of a long-term approach taking into account France's economic requirements and energy policy priorities and the need to ensure a proper return for consumers, this rise in investments will enable RTE to deal successfully with the major challenges of developing and renewing its network:

- taking into account rising demand (estimated at between 5% and 20% by 2020 depending on the scenario);
- contributing to efforts to build an integrated European electricity market by bolstering interconnection capacities;
- strengthening the power supply to zones with structural weaknesses (Brittany and Provence-Alps-Côte d'Azur);
- promoting the accommodation of new generating facilities (in response to the expansion of renewable sources and the building of new units, EPRs and CCGTs), by connecting them to the network promptly and strengthening the upstream network accordingly;
- gradually renewing or refurbishing network infrastructures as necessary.

Grenelle environmental plan targets

Following the French government's 'Grenelle' environmental plan, and in order to help meet the EU target of having renewable sources cover 20% of energy demand, in June 2009 the Secretary of State Jean-Louis Borloo set France a target of generating 19,000 MW from onshore wind farms by 2020.

During the course of the year, RTE commissioned some 656 km of electric circuits, of which 17% were installed underground for extra high voltage lines at 225,000 volts and 44% underground for high voltage lines (63,000 and 90,000 volts). RTE also connected 20 substations to the transmission network.

RTE is also looking to diversify its sources of financing, in order to reduce the cost of its investments for consumers. Through the European Energy Programme for Recovery (EEPR), the EU Commission has awarded RTE and its Spanish counterpart REE (Red Eléctrica de España) a €225m **subsidy**, designed to build the cross-border link between France and Spain.

Under a financing agreement worth €400m secured with the EIB (European Investment Bank) on January 29th 2009, RTE drew a total of €100m on its line of credit on October 22nd 2010.

Responsible procurement

RTE has for many years been working constantly to improve relations with its suppliers, by doing more to incorporate environmental considerations into performance management and monitoring. The company has recently reaffirmed its commitment to building balanced relations with suppliers, through its «Sustainable Performance» industrial plan and its Procurement Policy. RTE's suppliers' charter reflects the principles which the company undertakes to abide by in the performance of its public service missions, and more specifically in its approach to procurement. It sets out RTE's own pledges and what it expects from its suppliers. In addition, it embodies the commitment to quality, safety and respect for the environment, and calls on the innovation and performance of businesses to meet the needs and expectations of our fellow citizens.

Maintaining financial balances

Despite the increased investment, RTE's **net financial debt** was down slightly by €24m on the figure for 2009, at €6,331m⁽⁶⁾.

The **gearing ratio (debt to equity ratio)** also remained stable at **1.36 at the end** of 2010 (compared with 1.37 at the end of 2009). A dividend of €340m was paid out to the shareholder in 2010.

RTE's purchases and suppliers in 2010

In 2010, RTE placed orders worth €1,590m (excluding VAT)⁽⁶⁾.

The table below gives an estimate, from the point of view of the location of the manufacturing sites, of the breakdown⁽⁷⁾ of the orders placed by RTE, between France, Europe and the Rest of the World for the segments: plant, studies and works.

SEGMENT /BREAKDOWN	FRANCE	EUROPE (excl. France)	REST OF WORLD
Network plant	53%	46%	1%
Network studies	90%	10%	–
Network works	85%	15%	–

In June 2010, RTE raised a total of €750m through a **bond issue**, bearing interest at 3.875% and maturing in 2022. The issue was intended to refinance an amount equivalent to the debt assigned to the company by EDF when it was created⁽⁹⁾.

On December 14th 2010, **Standard & Poors** confirmed the rating already awarded to RTE: «A+ prospects stable».

(6) Provisional figures, excluding losses and services for ensuring power system reliability.

(7) For consultancy and works done by subsidiaries of overseas groups (Germany, Spain, Italy), the location of the parent company is used.

(8) i.e. €6,726m of gross financial debt, minus €395m of cash and short-term financial assets.

(9) In October 2010, the European Investment Bank (EIB) granted RTE a €100m loan at the EURIBOR 3 month rate + 0.1%, intended to support efforts to develop the public power transmission system.

Constantly improving quality of service

In 2010, RTE continued its **programme of work to physically reinforce** transmission network infrastructures (expenditure of €176m, up by €42m on 2009), with the aim of improving the security of the country's power supply in the event of major climatic events.

Significant efforts by RTE, in conjunction with the decision to speed up the programme of investments, have led to continued improvement in the reliability of the power network. In 2010, the quality of the electricity supply on RTE's network reached one of its highest ever levels, confirming RTE's status among the European TSOs offering the best quality of service.

The total number of outages over the year was particularly low, excluding exceptional events, **down by over a third compared with the average for the previous ten years.**

Disregarding the two exceptional events that marked 2010, namely storm Xynthia in February and the floods in the Var department in June, the equivalent outage time was significantly improved on 2009 at 2 min 53 s⁽¹⁰⁾.

Physically reinforcing the RTE network to withstand storms

Following the storms of 1999, on January 15th 2002 the Energy Minister asked RTE to embark upon a fifteen-year programme of work designed to physically reinforce the infrastructures that make up the transmission network. The programme, which is due to be completed in 2017, requires the power supply to be restored within five days, in the event of a new climatic event with winds stronger than those recorded in 1999. It notably involves revising some 45,000 km of power lines (strengthening pylons and foundations), installing special «anti-cascade» pylons to avoid the domino effect where collapsing towers pull down neighbouring installations, and widening the forest corridors along which power lines run to prevent trees from falling on the lines concerned

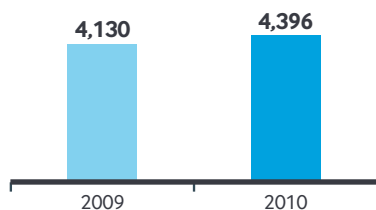
(10) If storm Xynthia and the Var floods are included in the calculation, the equivalent outage time is 4 min 48 s.

APPENDIX 1

RTE's main financial indicators

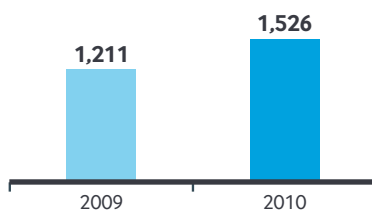
Sales

(in millions of Euros)



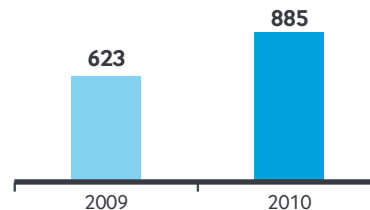
EBITDA

(in millions of Euros)



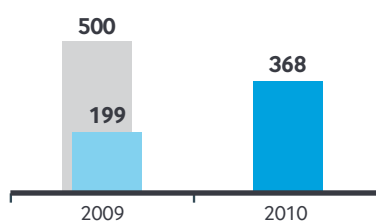
Operating profit

(in millions of Euros)



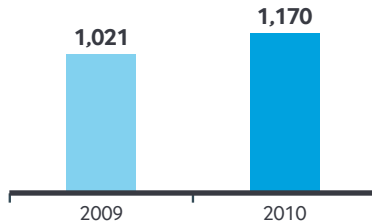
Net income*

(in millions of Euros)



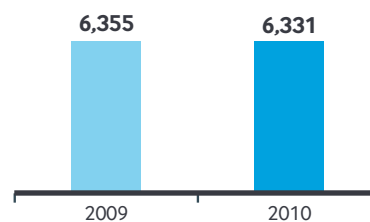
Investments

(in millions of Euros)



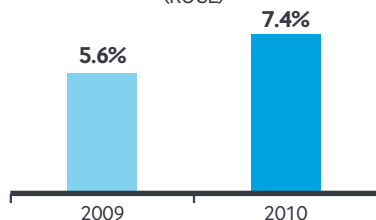
Net debt

(in millions of Euros)



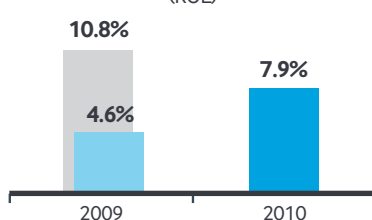
Return on capital employed

(ROCE)



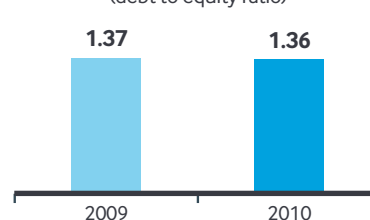
Return on equity*

(ROE)



Gearing ratio

(debt to equity ratio)

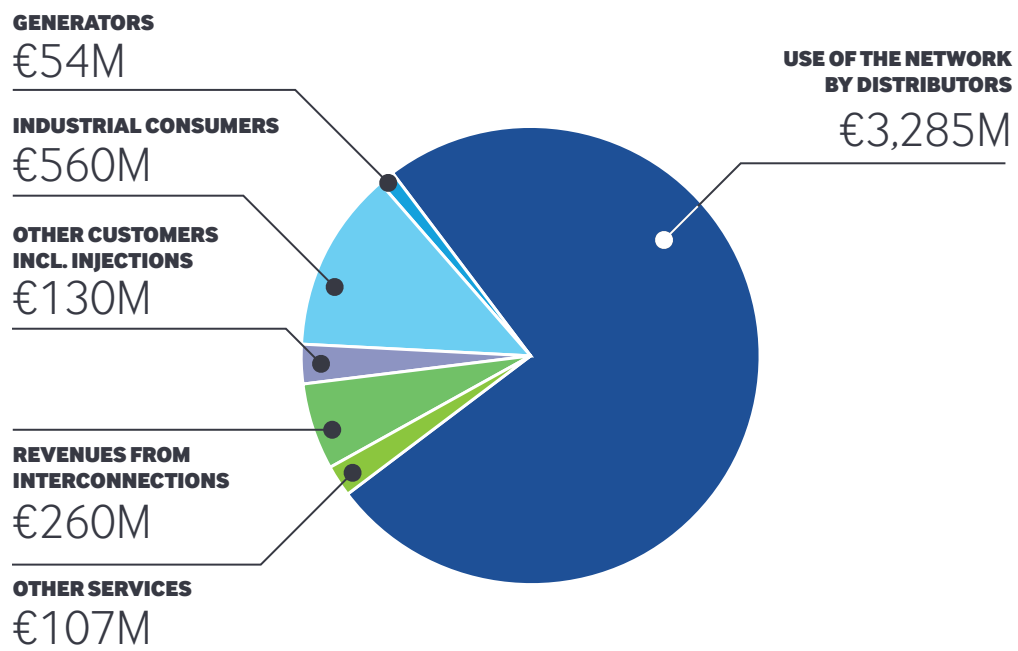


(*) Figures for net income and ROE are shown gross (grey) and adjusted to reflect the impact of the EU General Court's ruling (blue)

APPENDIX 2

Sales in 2010

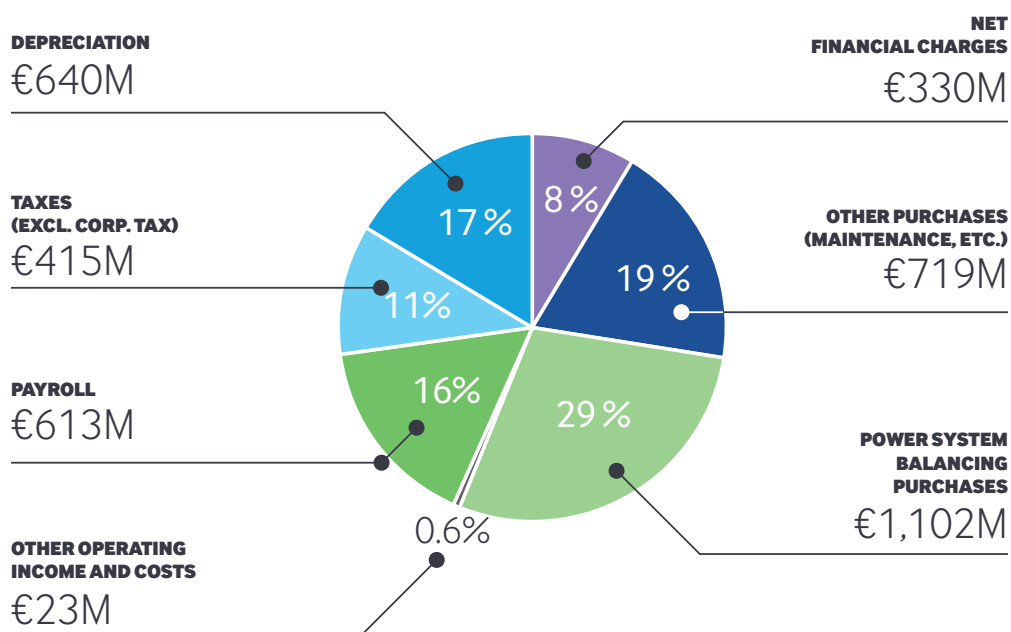
2010 Sales



APPENDIX 3

Cost Structure in 2010

Cost Structure in 2010



APPENDIX 4

Taxes

FIGURES (IN K€)	2008	2009	2010
Pylon Tax	189,317	197,398	211,407
Land Tax	20,361	21,753	22,777
Business Tax + CCI	157,333	166,609	
CFE + CCI			35,344
CVAE			38,556
IFER			87,621
TOTAL	367,011	385,760	395,704

CCI: Fees payable for Chambers of Commerce & Industry

CFE: Cotisation Foncière des Entreprises (tax on business real estate)

CVAE: Cotisation sur la Valeur Ajoutée des Entreprises (tax based on added value)

IFER: Imposition Forfaitaire des Entreprises de Réseaux (fixed rate tax on network businesses)

The Finance Law for 2010 abolished the «taxe professionnelle» (business tax) that had previously been in force in France. To replace it, the Law introduced a new levy known as the CET or 'territorial economic contribution', which itself has two components: the CFE, a tax based on business real estate values, and the CVAE, a tax on the added value generated by businesses. The government has also introduced a fixed rate tax on network companies, called the IFER. In RTE's case, the tax is levied on its electric transformers.

Since the reforms to the «taxe professionnelle» were announced, Dominique Maillard, Chairman of the RTE Management Board, has sought to draw the

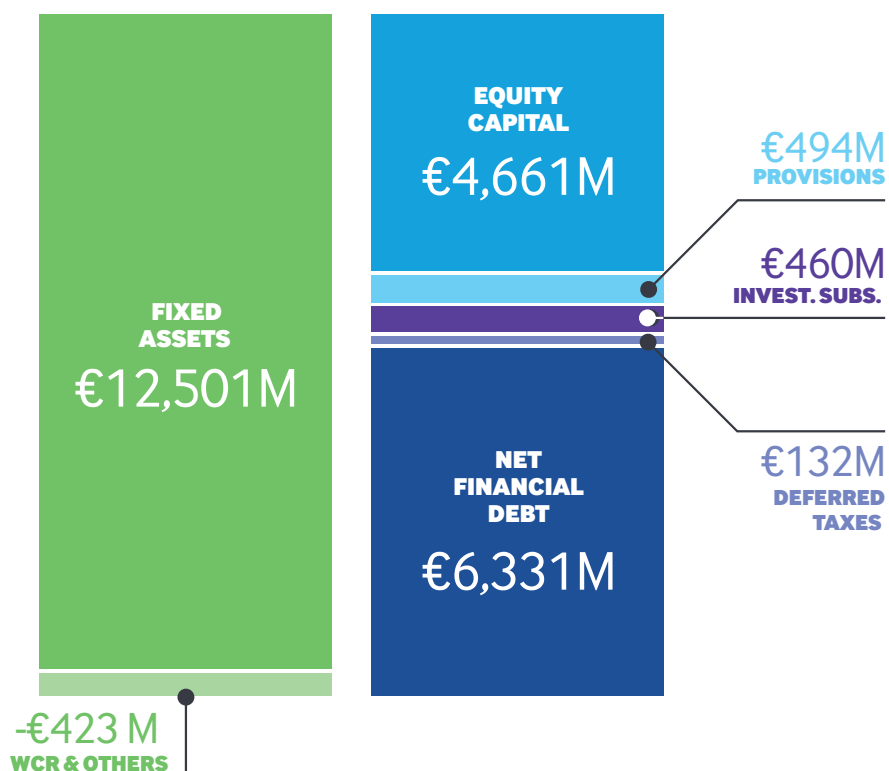
attention of the Finance Minister, Christine Lagarde, to the importance of preserving tax revenues for territorial authorities, and notably local municipalities, from RTE's electrical installations. RTE was a driving force in the creation of the IFER on electrical transformers in order to ensure that, following on from the 'taxe professionnelle', the municipalities that host RTE's substations continue to receive tax revenues from these installations.

The creation of the IFER on transformers thus neutralized the effect of the reforms to the 'taxe professionnelle' for RTE. RTE's contribution in terms of direct local taxation has consequently remained relatively stable (+2.57% between 2009 and 2010).

APPENDIX 5

2010 Closing Balance Sheet

2010 Closing Balance Sheet



APPENDIX 6

RTE's Physical Network Reinforcement Policy

In the wake of the storms of 1999, on January 15th 2002, the Minister for Energy asked RTE to implement a programme designed to physically secure the network, with the aim of ensuring that power could be restored within five days in the event of another severe climatic event. The programme was to be carried out over a fifteen year period, running through to 2017. This time is necessary to revise 45,000 kilometres of power lines.

The work already done since 2002 demonstrated its value during storm Xynthia: the 24 overhead installations affected were restored to service very promptly.

Of the entire programme planned for a total budget of €2.4bn, RTE has already committed 50% of the expenditure.

RTE has carried out most of the network reinforcement work necessary to control the two most significant risks identified following the storm that hit France at the end of 1999:

1. Risk of trees falling on power lines: as of today, some 98% of forest line corridors have been widened to their original dimensions.

2. The programme of work to reinforce certain pylons and foundations has been completed. The insertion of 'anti-cascade' pylons, which prevent the domino effect where collapsing towers pull down neighbouring installations, should be completed in 2013. Over 97% of all lines considered essential to operating reliability (priority 1) have been dealt with.

The physical reinforcement measures planned for the period up to 2017 are now being carried out according to decreasing level of priority:

1. Over half of the 400 kV lines identified as necessary for the operating reliability of the power system have been fully secured for completion of the works in 2017;

2. Over half of all lines running over residential zones or major highways or other thoroughfares have been secured.



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