

Rte

Réseau de transport d'électricité

MANAGEMENT REPORT
**CONSOLIDATED
FINANCIAL
STATEMENTS**

2009

01

Management report

Financial and legal information	P. 06
Environmental information	P. 20
Company information	P. 26

02

Consolidated income statements

Consolidated income statements	P. 34
Notes to the consolidated financial statements	P. 38

FINANCIAL AND LEGAL INFORMATION

1	◆ FINANCIAL AND LEGAL INFORMATION	6
1.1.	Significant events of 2009	6
1.2.	Economic environment	7
1.3.	Business and results in 2009	7
1.4.	Financing	11
1.5.	Outlook for 2010	11
1.6.	Other financial and legal information	13
1.6.1.	Subsequent events	13
1.6.2.	Risk analysis	13
1.6.3.	Subsidiaries and investments	14
1.6.4.	Non-deductible expenses concerned by article 39-4 of the French tax code	14
1.6.5.	Appointments and duties of key management personnel	14
2	◆ ENVIRONMENTAL INFORMATION	20
2.1.	Consumption of resources, pollution and waste	20
2.1.1.	Consumption of resources	20
2.1.2.	Energy consumption	20
2.1.3.	Greenhouse gas emissions: SF6	21
2.1.4.	Discharge into the ground or water: oil leaks	21
2.1.5.	Controlling waste	21

2.2.	Protection of the environment and biodiversity	21
2.2.1.	Control of environmental impact	21
2.2.2.	Flagship action to contribute to protection of the environment and biodiversity	22
2.2.3.	Birds: a constant concern	22
2.3.	Environmental management system (ISO 14001)	22
2.4.	Compliance with legislative and regulatory provisions	23
2.5.	Expenses explicitly dedicated to sustainable environmental protection	23
2.6.	Environmental management	23
2.6.1.	Organization of environmental training	23
2.6.2.	Management of environmental skills	23
2.6.3.	Environmental training for employees	23
2.6.4.	Managing accidental pollution	24
2.7.	Indemnities paid and reparation for damage caused	24

3 COMPANY INFORMATION **26**

3.1.	Statistics	26
3.1.1.	Workforce	26
3.1.2.	Recruitment (permanent and fixed-term contracts)	26
3.2.	Organization and working hours	26
3.3.	Remuneration	26
3.4.	Social dialogue	27
3.4.1.	Employee representation bodies (IRP)	27
3.4.2.	Introduction of new measures at RTE	27
3.4.3.	Salary developments	27
3.5.	Gender equality in the workplace	27
3.6.	Health and safety	28
3.6.1.	2009 results (at December 31)	28
3.6.2.	Health and safety: constant priorities	28
3.7.	Training and skills	28
3.8.	Employment and integration of disabled employees	29

Financial and legal information

2009 was marked by a €91 million (2.2%) decline in sales from 2008 to €4,130 million, mainly reflecting the effect of the economic crisis. Due to changes in expenses, EBIT saw a less pronounced decrease (of -€147 million, to €623 million).

The net income, however, registered a strong increase to €500 million due to the impact of the European Union Court decision (+€301 million). After adjustment for this favourable non-recurring effect, it stood at €199 million, €96 million less than in 2008. Investment

expenditure rose by 22.3%¹ in response to the arrival of new generation facilities and to strengthen international interconnection. The resulting net indebtedness amounts to €292 million².

1.1. SIGNIFICANT EVENTS OF 2009

*** The economic crisis of 2009 noticeably affected changes in energy withdrawals and electricity prices,** and also influenced sales and system purchases. RTE nonetheless took part in the French government's recovery plan through its investments and a step-up in expenses dedicated to the mechanical safety program.

*** There were two particularly cold spells in France in 2009,** in early January and mid-December. The first caused record peaks in consumption, with a perceptible impact on sales and system purchases.

*** On January 24, 2009, the Klaus cyclone struck three regions in south and southwest France** (Aquitaine, Midi-Pyrénées and Languedoc-Roussillon) and damaged the electricity transmission network. RTE repaired all transformation substations within 5 days, in line with commitments made to the French government. This exceptional weather event demonstrated the effectiveness of the mechanical safety policy initiated after the storms of 1999, and confirmed RTE's intent to complete the program in 2017.

*** The French energy regulator *Commission de régulation de l'énergie (CRE)*** sent a new proposal for the TURPE3 tariff to the ministers in charge of energy and the economy. This proposal was accepted on June 5, 2009 and was published in France's Official Gazette (*Journal officiel*) on June 19, 2009. The new 2% tariff rise came into force at August 1, 2009, and will subsequently be index-adjusted at each anniversary date. Finally, three incentive-based regulation systems were introduced concerning control of

operating costs, supply quality and the performance of purchases to compensate for losses.

*** An agreement between the SNCF and EDF** signed on December 22, 1999, known as the "line agreement", authorized EDF to use the high-voltage electricity line belonging to the SNCF in return for payment of an annual rental fee set by contract at €21.5 million.

In 2001, RTE (at the time a department of EDF) entered into a new contract with Réseau Ferré de France and considered that the "line agreement" was no longer applicable.

Consequently, from January 1, 2002, RTE (department of EDF) reestimated the amount of rental due. The SNCF contested this decision and took the case to the Paris administrative court. In its decision of July 4, 2008, this court ruled that the SNCF's claim was valid and ordered RTE EDF Transport to pay €153.2 million including taxes (€128.1 million excluding taxes) plus interest at the legal rate for the period January 1, 2002 to June 30, 2008. RTE settled the amount and filed an appeal against the decision.

In view of the litigation over use of these facilities and assets belonging to the SNCF, an additional amount of €19 million was allocated to provisions in 2009, bringing the total provision at December 31, 2009 to €27 million.

In parallel to this litigation, RTE is due to purchase the SNCF's network, which must become part of the Public Transmission Network (PTN) under article 10 of the law of August 9, 2004. The SNCF and RTE are in disagreement over the value of the network. RTE applied to the special commission set

up under the same article of law to settle related disputes, and on July 15, 2009 the commission issued its decision setting the price payable for transfer of the SCNF network at €140 million. The SNCF disagrees with this valuation and lodged a petition with the French Council of State on August 21, 2009.

*** Following the tax inspection covering the tax years 2005, 2006 and 2007,** RTE was notified of a further proposed tax reassessment on July 28, 2009, concerning the years 2006 and 2007.

RTE is contesting all the corrections notified, and two detailed responses to the proposed reassessments were sent on February 19 and October 2, 2009.

The reassessment has been partially upheld and until the final conclusions of the tax authorities are known, RTE has made an interim application to the Departmental Commission for direct taxes and sales taxes. At a meeting held on December 15, 2009, RTE presented all the grounds for its contestation of the proposed reassessments.

*** On August 28, 2008 RTE drew a nominal amount of €1 billion on its EMTN program** at the nominal rate of 5.125% for a 10-year duration. This refinanced part of RTE's debt in January 2009 to the extent of €1.2 billion.

*** The European Investment Bank (EIB) and RTE** signed a €400 million financing agreement on January 29, 2009 to finance part of RTE's investment program over the period 2009-2012. RTE made drawings of €200 million in 2009.

¹- For the budget approved by the CRE. ²- This is unaffected by the European Union Court decision, as the amount concerned was not paid to RTE during 2009.

★ **A European Court ruling of December 15, 2009** cancelled the European Commission's decision of December 16, 2003 which had declared that non-payment by Electricité de France (EDF) in 1997 of income taxes on the utilized portion of provisions for renewal of French national grid facilities recorded under "grantor's rights" and reclassified as equity when EDF's balance sheet was restructured should be classified as state aid. As a result of this classification, the French State had recovered the amount of presumed aid. In execution of the decision of December 15, 2009, on December 30, 2009 the State returned to EDF SA the sum of €1,224 mil-

lion, corresponding to the amount paid by EDF to the State in February 2004.

As the transmission and distribution activities were transferred to subsidiaries in 2005 and 2007 respectively, EDF, RTE and ERDF all share the rights to this reimbursement. EDF will thus repay the two subsidiaries the amount attributed to them in the same proportions as those defined by the CRE in its decision of February 26, 2004. RTE's share is 27.12% or €331 million³. Accordingly, RTE and ERDF both recorded receivables on EDF at December 31, 2009 equivalent to their shares.

For RTE, this receivable comprises financial

income of €91 million and tax income of €210 million.

★ **On December 9, 2009**, Standard & Poor's lowered RTE's rating from AA- à A+.

1.2. ECONOMIC ENVIRONMENT

In 2009, electricity consumption in France decreased by 1.6% from 2008, to 486.4 TWh.

After adjustment for the effects of weather conditions, the decline in consumption eased off in late 2009: consumption for November and December was higher than in the same months of 2008, when the effects of the economic crisis were already perceptible.

Electricity consumption was down by 8.6% for large industrial customers. This movement was amplified by the economic crisis and

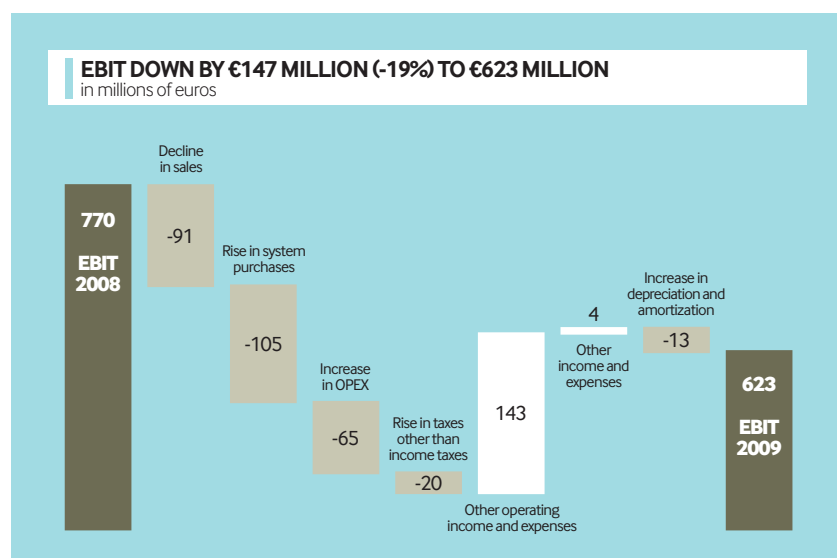
confirms a downward trend observed in previous years. Consumption for the final quarter of 2009 matched the corresponding period of 2008 but was down by 12.6% overall compared to the final quarter of 2007.

In contrast, consumption by customers connected to low-voltage supply (residential customers, professional customers, public authorities, public lighting, and various services) was up by 2% from 2008. Record levels of French power consumption were reached successively on January 5, 6 and 7, 2009 when temperatures were 5°C to 8°C lower than nor-

mal for the season. The peak of 92,400 MW registered at 7pm on January 7, 2009 is to date the highest level ever reached.

The balance of contractual exchanges with other countries was down by 47% but RTE remained a net exporter (24.6 TWh in 2009). French electricity output, including a growing contribution from renewable energies, declined by 5.5% from 2008.

1.3. BUSINESS AND RESULTS IN 2009



³ - The net income for 2009 is increased by €300.6 million. The total amount of €331 million comprises: Financial income of €90.8 million corresponding to reimbursement of late payment interest (for the period 1997-2003), which is subject to income tax (-€31.3 million); Tax income of €241.1 million corresponding to reimbursement of the principal amount, which is not subject to income tax.

The RTE Group's sales amounted to €4,130 million compared to €4,221 million in 2008.

This decline of €91 million (-2.2%) results from several factors:

★ **Network access income (withdrawals and injections) rose by €49 million to €3,759 million.** The

lower volumes withdrawn and injected were offset by the impact of peaks in consumption registered during spells of cold weather and the 2% tariff increase of August 1st with the introduction of TURPE3. Sales to distributors increased by €82 million, while income from other customers (industrial customers and energy producers) was down by €34 million.

★ **Income from interconnection capacity allocations saw a marked decrease (down by -126 million to €257 million),** particularly between France and Italy (-€54 million), France and the United Kingdom (-€36 million), France and Germany (-€27 million) and France and Spain (-€12 million). Only the connection with Belgium saw a slight increase (+€4 million). These changes are explained by changes in price differentials on these borders.

★ **Income from services amounted to €114 million.** The €14 million decrease essentially concerns maintenance services and sales of equipment to certain distributors.

Purchases related to operation of the electric system⁴ comprise:

★ **energy purchases to compensate for network losses,** which are auctioned and bid for by many European actors (including EPEX - Spot⁵);

★ **system service purchases,** on economic terms approved by the CRE,

★ **congestion costs,** i.e. the surplus costs generated by output adjustments in response to network operating constraints;

★ **the balance of the "Balance Responsible Entity - Balancing Mechanism" account** used for all income and expenses intended to maintain the supply-demand balance in the electric system;

★ **exchange contracts between transmission system operators (TSOs):** mutual assistance services to neighbouring TSOs for the purposes of their own supply-demand balance or to deal with congestion in interconnection lines;

★ **RTE's contribution to the balancing mechanism** for network usage costs related to international transit (ITC) between European network operators.

These purchases totaled €1,166 million in 2009.

★ **the €105 million increase compared to 2008** mainly results from a rise in «electricity purchases to compensate for network losses» (+€100 million) as the average purchase cost grew noticeably and volumes increased slightly.

★ **congestion costs were also higher (+€18 million)** due to operating constraints. Conversely, there were favorable changes in the balance of the balancing mechanism account (-€10 million) and RTE's contribution to the inter-TSO balancing mechanism (-€7 million).

Operating expenses (OPEX) increased by €65 million to €1,332 million. Other purchases and services⁶ amounted to €707 million (€675 million in 2008). The €32 million rise mainly results from a step-up in mechanical safety expenses (+€23 million) and the Klaus cyclone (with an impact valued at +€11 million on this item).

Personnel expenses⁷ stood at €625 million compared to €592 million in 2008, a rise of €33 million resulting from workforce growth⁸ and general and individual pay measures⁹, the cost of new arrangements introduced in 2009¹⁰ and the consequences of the new profit share agreement signed on May 14 for the period 2009-2011. Taxes other than income taxes amounted to €411 million after €391 million in 2008. The €20 million increase was driven by French business tax (+€9 million) and pylon tax (+€8 million), mainly as a result of higher tax rates.

Other operating income and expenses¹¹ generated a net expense of €10 million compared to a net expense of €153 million in 2008. This significant improvement (+€143 million) is largely explained by the lower impact of the litigation with the SNCF over line rental¹² (+€91 million), together with the favourable developments in other increases to provisions (+€28 million) and the decline in net book value of demolished assets (+€13 million).

Other income and expenses¹³ were close to zero in 2009. In 2008, they consisted of the non-recurring impacts of the pension system reform resulting in a net expense of €4 million.

Depreciation and amortization were up by €13 million to €588 million. This rise reflects changes in the assets (transmission facilities and IT applications).



4 - These purchases only concern RTE SA: reservation of margins required for safety and stability of the electric system. 5 - EPEX Spot: European Power EXchange Spot. 6 - Reported net of the portion allocated to investments. 7 - The definition used also covers net increases to provisions for employees (for long-term and post-employment benefits, the employer's contribution to profit share on behalf of employees, etc.). This item is also reported net of the portion allocated to investments. 8 - The IEG status workforce rose from 8,439 in 2008 to 8,515 in 2009, particularly to accompany growth in investments: labor is recorded in self-produced assets. RTE also absorbed the SERECT research department. 9 - As part of the measures for the electricity and gas (IEG) sector: revaluation of the national minimum wage (*salaires nationaux de base*) and the minimum promotion rate. 10 - Additional pension, welfare benefits and the company pension plan (PERCO) defined in principle in 2008 for the IEG sector when the pension reform was introduced. 11 - Other operating income and expenses are ordinary business income and expenses, net provisions on current assets, spreading of investment subsidies, and net proceeds on asset disposals. 12 - In 2008, the administrative court ordered RTE to pay the SNCF €128 million excluding taxes (plus interest and VAT) corresponding to overdue rental demanded by the SNCF for the period 2002 to mid-2008. The net impact on Other operating income and expenses was €110 million (including a net reversal from provisions of €18 million). RTE has lodged an appeal against this decision and booked a provision of €19 million in respect of this situation in 2009. 13 - This item comprises certain non-recurring impacts that must not be included in EBITDA.

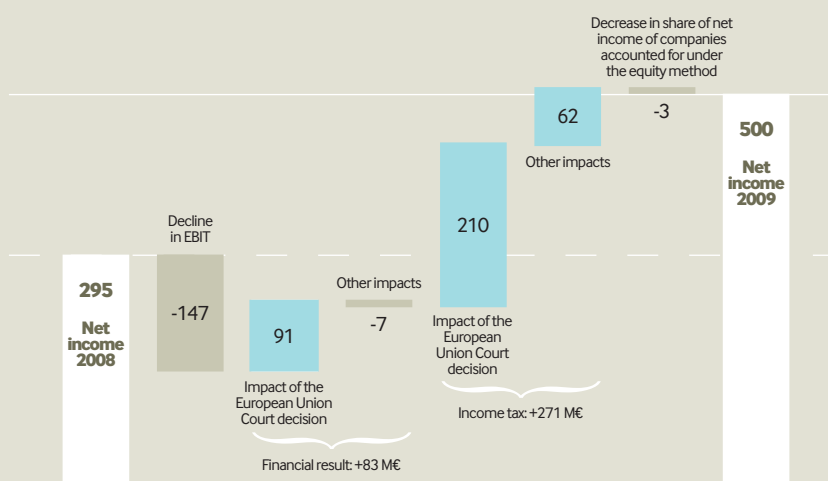
2009 NET INCOME UP

+205 M€

This rise was greatly influenced by the consequences of the European Union Court decision, which led to a €301 million increase in 2009 net income. Without this non-recurring effect, net income stands at €199 million, €96 million lower than in 2008.

The financial result was -€235 million (compared to -€319 million in 2008). Apart from the effect of the European Union Court decision (+€91 million in financial income), the slight -€7 million decline was caused by rising net interest expenses (a consequence of net indebtedness associated with higher investments) and the accretion costs for employee benefit provisions, despite the favorable effect of non-recurrence of exceptional items arising in 2008¹⁴ and capitalization of borrowing costs due to application of IAS 23 in 2009.

Finally, in 2009 RTE recognized net tax income of €111 million (compared to a net expense of €160 million in 2008). The European Union Court decision had a favorable impact of +€210 million on this item, as the tax income corresponding to reimbursement of the principal (+€241 million) was reduced by the additional amount of tax on financial income (-€31 million). Without this effect, a net tax expense would be recognized amounting to €98 million, down by €62 million from 2008.



NET INCOME 2008-2009

in millions of euros

	2008	2009	CHANGE
Sales	4,221.3	4,130.1	- 91.2
including network access: withdrawals	3,621.9	3,674.3	52.4
including network access: injections	88.0	84.4	- 3.7
including network access: interconnections	382.5	257.0	- 125.5
including services	128.8	114.4	- 14.4
System purchases	-1,061.6	-1,166.1	- 104.6
OPEX	-1,266.8	-1,331.5	- 64.8
including other net purchases	-674.6	-706.8	- 32.1
including net personnel expenses	-592.1	-624.8	- 32.6
Taxes other than income taxes	-391.5	-411.2	- 19.7
Other operating income and expenses	-152.8	-10.0	142.7
EBITDA	1,348.7	1,211.2	- 137.4
Other income and expenses	-3.7	0.0	3.7
Depreciation and amortization	-574.6	-587.8	- 13.2
EBIT	770.4	623.4	- 146.9
Financial result	-318.8	-235.4	83.4
Gross income	451.6	388.0	- 63.6
Income taxes	-159.9	111.5	271.4
Share in net income of companies accounted for under the equity method	3.2	0.0	- 3.2
Net income	294.9	499.5	204.7

Net income excluding the impact of the European Union Court decision of December 15, 2009. **198.9**

NB : In some cases, rounding figures up or down can lead to a non-significant difference in totals and variations.

Reconciliation between RTE SA's net income under French GAAP and the RTE Group's net income under IFRS

RTE Group net income under IFRS:
€500 million

Impact of subsidiaries, net of intragroup transactions (unfavourable in 2009): **+€8 million**

Impact of differences in accounting treatment under French GAAP and IFRS: **-€42 million**

RTE SA's net income under French GAAP:
€465 million

14 - In particular, in 2008 RTE paid €15 million of late payment interest to the SNCF in execution of the administrative court ruling.

Lower return on capital employed and return on equity

Based on RTE SA's individual financial statements in compliance with French GAAP¹⁵ (see the condensed income statement and balance sheet below), the gross return on capital employed¹⁶ calculated as the ratio of EBIT to capital employed by RTE for its business was 5.6% for 2009 compared to 7.0% for 2008.

This is below the return on capital employed forecast at 7.25% by the regulator for the TURPE2 and TURPE3 tariff periods. The differential between the ROCE expected by the regulator (7.25%) and the actual ROCE (5.6%) is due to flows recorded in the income and expenditure adjustment account (*Compte de Régulation des Charges et Produits - CRCP*), part of the tariff regulation system. This adjustment account records the differences that may arise between forecasts and actual results on certain items the CRE considers "difficult to forecast or difficult to control". These differences are then balanced by future tariff changes.

The transactions recorded in this account in 2009 comprise:

- ★ **balancing of differences arising in previous regulation periods** (particularly interconnection income, which was very

high in 2006-2008), which had an impact of -1% on the rate of return;

- ★ **differences arising in 2009 on eligible items** (including unfavorable variances on the cost of losses and tariff income, partly offset by favorable differences on interconnection income), with an impact of -0.6% on the ROCE.

The actual ROCE after adjustment for items in the adjustment account is no longer 5.5% but 7.2%, close to the theoretical ROCE forecast by the regulator (7.25%).

At December 31, 2008, the amount of the CRCP account was estimated by the CRE at €865.9 million. At December 31, 2009, the amount of the CRCP account estimated by RTE using the method defined by (and subject to the approval of) the CRE comprises the following:

- ★ **the amount remaining to be balanced for the two previous tariff regulation periods**, which decreased from €865.9 million at December 31, 2008 to €803 million at December 31, 2009 in view of the balancing effect of the new TURPE3 tariff over the last 5 months of the year,

- ★ **the amount of differences arising in 2009 on items eligible for the CRCP**, which ultimately generated a shortfall of €90 million for RTE. This is mainly explained by the late application of the TURPE3 tariff, and will be covered in a tariff adjustment of August 1, 2010;
- ★ **the excess or shortfall resulting from the three incentive-based regulation systems** introduced by the CRE for the TURPE3 tariff that came into force on August 1, 2009, respectively concerning control of operating expenses, the cost of compensation for losses, and continuity of supply, totaling €8 million to the benefit of network users.

In total, the value of the CRCP income and expenditure adjustment account at December 31, 2009 is estimated by RTE using the method defined by the CRE at €722 million. This amount does not include additional rental paid to the SNCF (€143 million in 2008 including late payment interest), which is due to be deducted from the CRCP account if the administrative court's decision is upheld¹⁷.

Extract from the individual financial statements of RTE EDF TRANSPORT SA

The return on equity¹⁸, calculated as the ratio of net income to equity, was 10.8% (6.9% in 2008) as a direct consequence of the change in the return on capital employed discussed above. After elimination of the impact of the European Union Court decision, it stands at 4.6%.

INDIVIDUAL FINANCIAL STATEMENT (EXTRACT) in millions of euros	2008	2009
INCOME STATEMENT		
Sales	4,218	4,127
EBIT	757	610
Financial result	-318	-235
Excluding impact of the European Union Court decision		-326
Net income (after income taxes)	267	465
Excluding impact of the European Union Court decision		165
BALANCE SHEET ITEMS		
Economic assets at January 1	10,830	10,957
Fixed assets at December 31		
Gross value	21,778	22,664
Depreciation	10,219	10,687
Net value	11,559	11,977
Equity at December 31	4,797	5,189
Excluding impact of the European Union Court decision		4,889
Net indebtedness (gross debt adjusted for cash)	6,100	6,391

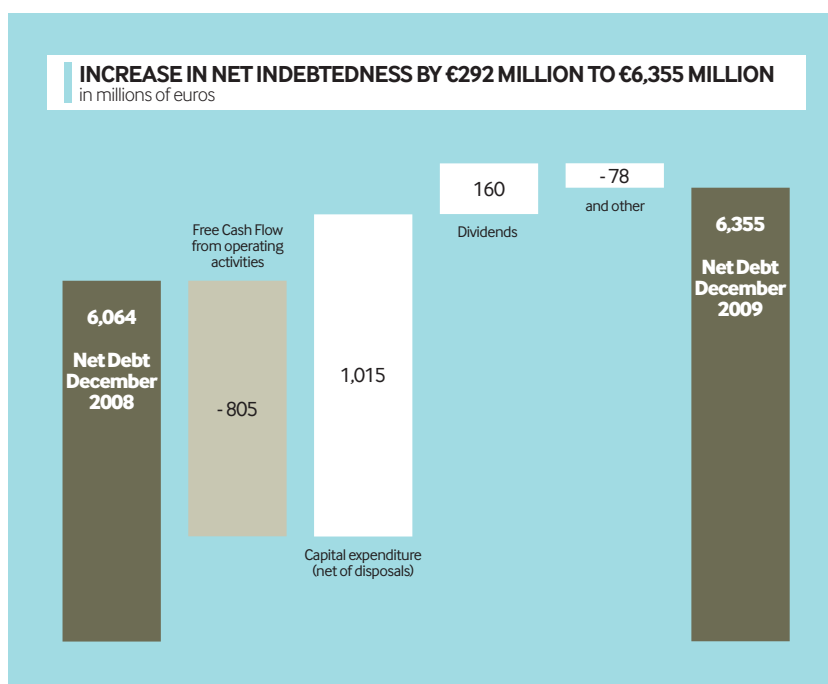
15 - This basis for calculation is used to ensure consistency with the terms of calculation for the TURPE2 and TURPE3 tariffs, which are based solely on RTE SA's financial statements under French GAAP. 16 - ROCE. To remain coherent with the regulator's view, EBIT for the year is divided by the economic assets (tangible and intangible assets + working capital - investment subsidies) in the balance sheet at January 1, 2009. 17 - Only once the administrative court's decision has become final and RTE has used all possible means of appeal as the tariff decree states. 18 - ROE. Return on equity is calculated for the RTE Group based on financial statements under IFRS, using the equity value at December 31, 2009.

1.4. FINANCING

The rise in consolidated net indebtedness is explained by the following:

- * **net cash flows from operating activities**, which generated resources of over €805 million;
- * **investments net of disposals amounting to €1,015 million**. For RTE SA alone, investment expenditure subject to approval by the CRE amounted to €1,021 million (see table above), which is within the budget of €1,030 million authorized by the CRE and showed a significant increase compared to 2008 (+22.3%);
- * **following the General Shareholders' agreement of May 15, 2009**, RTE paid its sole shareholder EDF SA a dividend of €160 million, corresponding to a 60% distribution rate for the 2008 net income;
- * **financial structure**.

Equity amounted to €4.635 billion at December 31, 2009, including €301 million resulting from the European Union Court decision *via* net income for the year. Net indebtedness stood at €6.355 billion at December 31, 2009: €6.570 billion in financial indebtedness less cash and short-term financial assets amounting to €0.215 billion at December 31, 2009. The gearing (net financial indebtedness/equity) decreased from 1.41 for 2008 to 1.37 for 2009. On December 9, 2009, Standard & Poor's lowered RTE's rating from AA- à A+¹⁹.



INVESTMENT EXPENDITURE APPROVED BY THE CRE in millions of euros	2008	2009
Networks	692	871
National grid and interconnections	223	294
Regional networks	469	577
Information system	116	111
Logistics	26	38
INVESTMENT PROGRAM	834	1,021

1.5. OUTLOOK FOR 2010

The TURPE3 tariff will be adjusted at each anniversary date: a 2% rise at its initial application date of August 1, 2009, then annual adjustment for 2010 to 2012 based on a fixed cost factor of 0.4%, inflation, and a coefficient for balancing of the CRCP adjustment account²⁰. Given the differences observed in 2009 for items eligible for the CRCP account, this coefficient could be close to 2%.

The investment budget approved by the CRE for 2010 is €1,116 million. This marks an increase of some 10% from 2009, chiefly explained by:

- * **a rise (of approximately 20%)** in expenditure for the "national grid" network

and interconnections. A particularly significant factor in 2010 will be work on the "Cotentin-Maine" and "France-Spain *via* the eastern Pyrenees" projects;

- * **a rise (of approximately 15%)**

in development expenses for regional networks to handle the increase in consumption and the arrival of new energy producers;

- * **a fall (of approximately -25%)**

in expenses dedicated to the information system, as the optical fiber rollout under the ROSE project (optical security network), which is nearing completion.

After the economic slowdown of 2009, the French government is expecting growth to

pick up slightly in 2010 (+1.4%), and this should have an influence on RTE's results, particularly variations in withdrawals. However, there is still some uncertainty over future developments in the economic environment.

In 2010, RTE plans to devote €185 million to mechanical network safety, 30% more than in 2009. The step-up in the pace of these expenses, decided in late 2007 and covered



¹⁹ - Extract from the Standard & Poor's press release: " - Overview: The regulator's TURP 3 tariffs provide a more transparent and predictable regulatory framework. However, the new regulation may weaken RTE's financial profile. We are placing RTE on CreditWatch with negative implications. - Rating Action: On Sept. 29, 2009, Standard & Poor's Ratings Services placed on CreditWatch with negative implications its 'AA-/A-1+' long- and short-term corporate credit ratings on French power transmission grid operator, RTE EDF Transport S.A. (RTE)". ²⁰ - In the TURPE3 period, differences included in the CRCP income and expenditure adjustment account are balanced annually by a tariff adjustment (balancing coefficient) limited to +/- 2%: an excess is offset by a tariff decrease for the following year, while a shortfall is offset by a tariff rise.

by the TURPE3 tariff, is intended to achieve completion of the program in 2017 as requested by the Minister for Energy after the gales experienced at the end of 1999. The discontinuation of business tax under the French Finance law of 2010 should not have any significant impact for RTE, given that a sector-specific tax on transformers is to be created, in addition to the Territorial Economic contribution (*Contribution Économique Territoriale*) payable by all businesses. The annual fixed tax on pylons has now been set for 2010

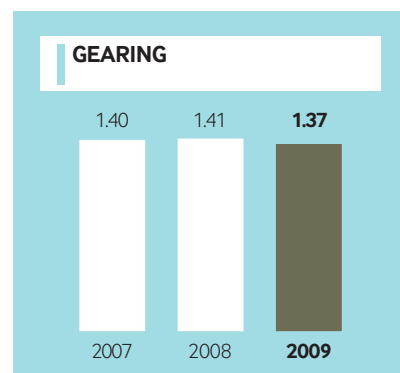
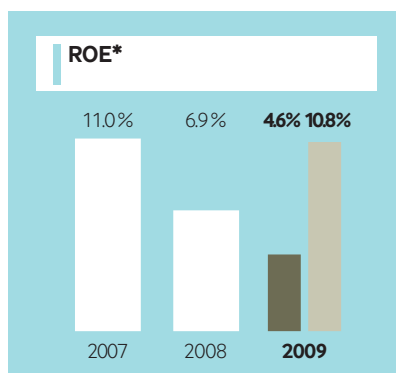
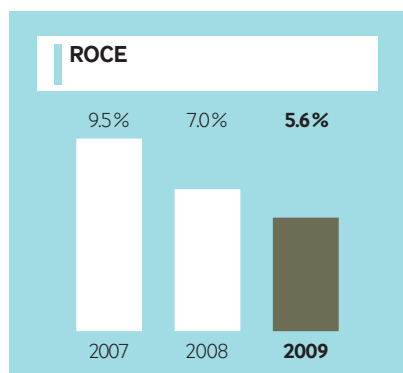
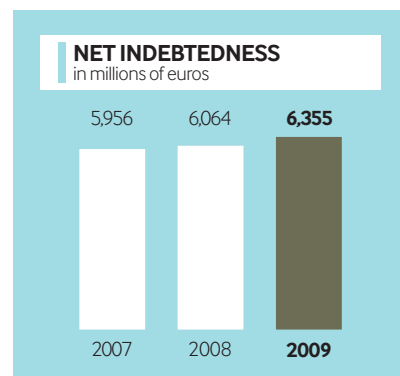
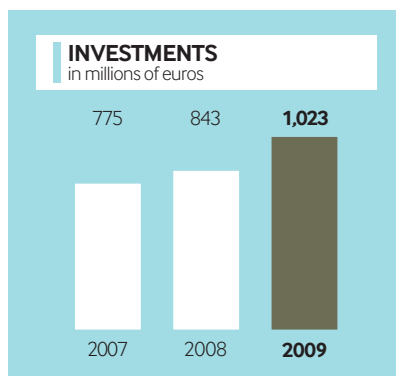
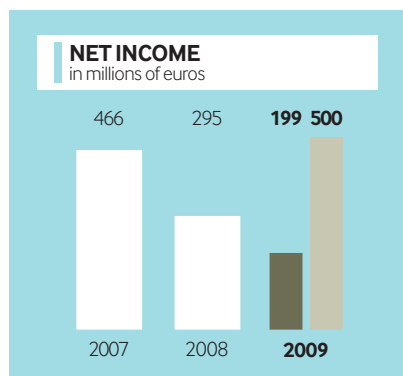
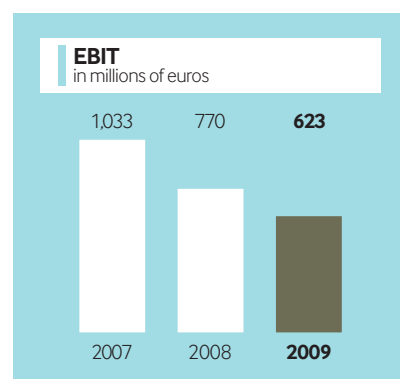
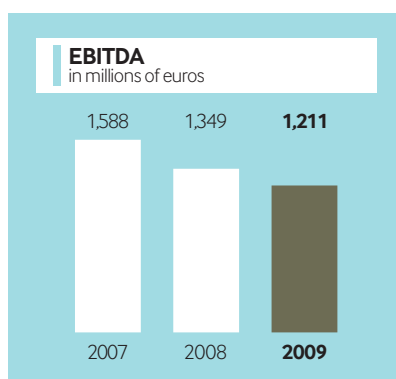
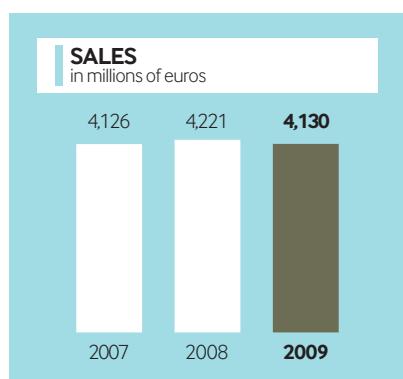
with a marked 7.2% increase, which will cause a rise of €14 million for RTE.

System purchase costs should decrease. Electricity purchases to compensate for network losses are expected to benefit from a larger decline in electricity prices in 2010 than in 2009, given the forward planning policy for these purchases. Also, the ENTSO-E agreement signed on December 16, 2009 on the inter-TSO (ITC) balancing mechanism for 2010 should lead to an appreciable reduction in RTE's contribution.

Regarding developments in 2010 in the ongoing litigation with the SNCF, RTE intends to await the outcome of two proceedings currently in process concerning purchase of the network and the rental due for network use prior to the purchase, unless a settlement can be reached.

As a result of the European Union Court's decision of December 15, RTE EDF Transport SA should receive €331.9 million from EDF SA in 2010. This amount will reduce RTE's net indebtedness.

Key Financial Indicators



*The net income and return on equity are presented gross (in grey) and after adjustment for the impact of the European Union Court's decision (in blue).
 NB: figures for the RTE Group comply with IFRS, except for the return on equity which is calculated based on the parent company RTE's individual financial statements under French GAAP.

1.6. OTHER FINANCIAL AND LEGAL INFORMATION

1.6.1. Subsequent events

No significant event has been identified between the closing date and the date of finalization of the financial statements.

1.6.2. Risk analysis

1.6.2.1. General arrangements

RTE uses risk analysis to control its activities and ensure that the right decisions are implemented to achieve its objectives.

Major risks of internal or external origin are regularly identified and described, with estimation of their probability and potential seriousness, taking into account the environment and existing means of control.

They are evaluated based on criteria defined by the management (financial, legal, image, labor, environmental, trade, stakeholder risks) and covered in RTE's mapping of major risks. These arrangements are described in a model comprising 7 areas of risks, organized into 3 categories (external environment, strategy and oversight, operating risks).

The Risk Control team has particular responsibility for control of RTE's financial risks. It prepares the annual framework for the company's cash management policy defined by the Finance Division and implemented by the Cash Management department.

1.6.2.2. Control of financial risks

Daily trading on the financial markets exposes RTE to a range of risks:

- * **interest rate risk:** the risk associated with future changes in interest rates for the holder of a fixed-rate or floating-rate receivable or debt;
- * **liquidity risk:** the risk that the funds necessary to honour commitments will not be available when those commitments mature;
- * **counterparty risk:** the risk for a creditor that his debtor will be unable to repay some or all of his debt when it matures.

The general cash management policy is covered by an annual framework validated by the Finance Division. This framework lists the authorized financial instruments and sets the rules and constraints that must be respected. It includes a list of authorized counterparties, with assigned commitment

limits by amount and type of financial instrument.

The document defining the framework is signed jointly by the Deputy Managing Director in charge of the Finance Division and the Head of the Financing and Cash department for implementation.

■ **The portfolio of negotiable debt instruments developed by the RTE Group** exposes the group to an investment risk, i.e. the risk of loss of value on fixed-rate securities held in the portfolio in the event of a significant rise in rates.

The risk management framework recommends that no more than 35% of cash investments should bear interest at fixed rates, after hedging by interest rate swaps to adjust the initial risk exposure.

The RTE Group is also exposed to an interest rate risk on its financial indebtedness.

The group's sensitivity to changes in rates, assessed on the basis of probable scenarios, is as follows:

- * **sensitivity of financial expenses:** a change in interest rates has no significant effect on the financial expenses on long-term debt (with residual maturity over one year) since 97% of the financial indebtedness bears interest at fixed rates;
- * **sensitivity of financial indebtedness:** a 1% change in interest rates would generate an approximate €0.291 billion opposite change in the discounted value of interest expenses and debt repayments (based on mid-swap rates), equivalent to 4.18% of total debt.

At December 31, 2009, the amount available from the syndicated credit line was €850 million (€1 billion less issues of French treasury notes amounting to €150 million). In view of the net liquidities of €47 million, the RTE Group's liquidity position is approximately €897 million.

Average maturity for the Group's debt is approximately 4.91 years, shorter than in 2008 due to variable-rate financing from the BEI representing 3% of long-term debt.

■ **Liquidity problems on the financial markets** can affect the RTE Group's access to financing, increasing the cost of finance. The RTE Group seeks to control this risk through a policy of diversifying its financing resources, principally by keeping realizable amounts of financing through its negotiable

debt securities or its syndicated credit line. RTE makes every effort to preserve or improve its image and rating on the capital markets.

To manage liquidity risks, the RTE Group has a securities portfolio mainly comprising negotiable debt instruments for which a liquid market exists, which are rapidly realizable to meet liquidity needs.

The Group also benefits from a treasury note issue program for a maximum €1 billion, which RTE can use to meet its own liquidity needs.

During the first half of 2010 the Group intends to revise the AMF-approved documentation for its Euro Medium Term Note Program, which will amount to €7.5 billion. In December 2009, neither RTE nor any of its subsidiaries was in default on any borrowing.

■ **Credit risk**, or counterparty risk, is defined as the total loss that the RTE Group would sustain on its business and market transactions if a counterparty defaulted and failed to perform its contractual obligations. The financial instruments that may expose the RTE Group to counterparty risk are essentially cash and cash equivalents, trade receivables, negotiable debt instruments, short-term investments and derivative financial instruments.

This risk is approached through rules set out in the framework with the following principles:

- * **financial transactions** can only be undertaken with authorized counterparties for which limits and amounts have been set;
- * **only agency-rated counterparties are authorized**, and they must have a minimum BBB rating;
- * **a limit has been set** for the portion of investments undertaken with counterparties rated BBB+ and BBB;
- * **sectorial diversification** is required for cash investments: no more than 25% of all investments must be in a single sector (apart from the banking sector).



The RTE Group's counterparty risk monitoring and evaluation is not restricted to cash management; it also covers access to the public transmission network ("CART" network access agreements), access to interconnections, supplier risks (mainly electricity purchases to compensate for losses) and Balance Responsible Entities. Requirements for financial counter parties were reinforced during 2009 in the RTE Group's cash management.

All risks inherent to financial activities and the rules and constraints defined in the framework are regularly reviewed by the Financial Risk Control through daily reporting and monitoring of the principal risk indicators, sent to the Finance Director.

If a risk limit is exceeded, an alert procedure is set in motion: notification of the Finance Director, explanation of the action taken, and proposal of a solution to avoid recurrence of the problem.

1.6.3. Subsidiaries and investments

The RTE Group ("the Group") comprises the parent company RTE EDF Transport (RTE), two subsidiaries, shares in two associates and one joint venture.

RTE EDF Transport is a *Société Anonyme*, a French limited company whose shares are not listed but which issues debt securities which may be held by the public. It manages the French electricity transmission network with responsibility for operating, maintaining and developing the network. It guarantees smooth and safe operation of the French electric system, providing on-demand, equitable access to all network users.

The two subsidiaries of the RTE Group are:

■ **Qrteria²¹ which markets:**

- ★ optical fibres constructed by RTE EDF Transport, through the sale of long-term usage rights;
- ★ isolated radio pylons or power system pylons which have been pre-equipped to host operators' mobile telephone facilities for broadband supply to the final customer, as a complement to the use of optical fibres.

■ **RTE International (RTE I)²²** which provides engineering and consulting services outside France in all areas of an electricity transmission network operator's business.

RTE owns INELFE (Interconnexion Electrique France – Espagne) jointly with REE (Red Electricité de España). INELFE was formed to construct a new electricity transmission line in order to increase interconnection capacity between the French and Spanish transmission networks.

The Group's associates are:

- ★ **the HGRT Group**, consisting of a financial holding company (HGRT - *Holding des Gestionnaires de Réseau de Transport d'Électricité*, a SAS French limited company) and Powernext, a company related to HGRT that handles financial management for energy purchase and sale contracts on French territory;
- ★ **Coreso SA**, which coordinates operation of electricity networks, covering France, the UK and Belgium.

1.6.4. Non-deductible expenses concerned by article 39-4 of the French tax code

The amount of expenses not allowable for tax deduction in 2009 was €113,589.

1.6.5. Appointments and duties of key management personnel

RTE applies the recommendations issued by French organizations AFEP and MEDEF in October 2008 on remuneration of key management personnel of companies traded on a regulated market.

1.6.5.1. Executive Board

The French law of August 9, 2004 on the public electricity and gas service and electricity and gas companies, amended by the law of July 13, 2005 setting the orientations of energy policy, defined the procedures for nomination and appointment of Executive Board members.

The provisions of these laws have mostly been incorporated into RTE's bylaws. They require the Chairman of the Executive Board to be appointed by the company's Supervisory Board after nomination by the Minister for Energy, while other Executive Board members are appointed by the company's Supervisory Board after nomination by the Chairman of the Executive Board.

Members of the Executive Board are appointed for 5-year terms of office.

The following table (page 16) shows the current members of the Executive Board and their roles and other functions held.

1.6.5.2. Supervisory Board

Under the French law of August 9, 2004, one third of RTE's Supervisory Board must be employee representatives, up to one third are representatives of the French State, and the rest are appointed by the shareholders. The number of Board members is set at 12 in article 13 of the company's bylaws. Members of the Supervisory Board are appointed for 5-year terms.

In compliance with article L.225-102-1 of the French Commercial Code, the following table shows the members of the Supervisory Board in 2009 and their roles and other functions held during the same year.



TABLE OF SUBSIDIARIES AND INVESTMENTS

COMPANY	GROSS VALUE OF SHARES OWNED AT DEC 31, 2009 K€	PROVISIONS AT DEC 31, 2009 K€	% OF CAPITAL OWNED K€	OUT-STANDING LOANS AND ADVANCES K€	2009 SALES K€	2009 EQUITY K€	2009 NET INCOME K€	DIVIDENDS RECEIVED IN 2009 K€
Qrteria	650	0	100%	0	6,922	-1,725	1,091	0
RTE International	2,000	0	100%	0	4,296	1,808	-538	145
HGRT	16,881	0	51%	0	0	36,909	1,667	2,040
Coreso	333	0	33.33%	675	3,328	1,100	100	0
Inelfe	1,000	0	50%	0	4,589	2,091	91	0
Belpex	300	0	10%	NC	NC	NC	NC	33
CASC-CWE	5	0	14.2%	NC	NC	NC	NC	NC
Declaranet	144	0	12%	NC	NC	NC	NC	NC

NC: not communicated.

QRTERIA

Qrteria's sole purpose is the optimization, operation and maintenance of optical fibre networks and all related or complementary activities.

Sales for 2009 amounted to €6,922,000, up by €1,465,000 from 2008.

Operating income was €1,131,000 and 2009 net income was €1,091,000, an increase of €6,382,000 from 2008.

RTE International

RTE International, a simplified single-shareholder company (SASU), exists to supply engineering and advisory services internationally in all areas of an electricity transmission network operator's business (operations of all kinds, whether technical, economic, legal or financial).

The company's share capital is set at €2 million. Sales for 2009 amounted to €4,296,000.

EBIT was a negative €504,000, down by €932,000 from 2008. A net loss of €538,000 was recorded in 2009, compared to net income of €351,000 in 2008.

HGRT

The objective of HGRT is to subscribe, acquire, sell, hold and manage all shares or other securities issued by Powernext. The French banking commission decided in 2009 to include HGRT on the list of financial companies.

Sales for 2009 were nil as in 2008.

EBIT was a negative €65,000, up by €104,000 from 2008. Net income of €1,667,000 was recorded in 2009, compared to net income of €6,279,000 in 2008.

BELPEX

Belpex is Belgium's electricity exchange. It was formed on July 7, 2005 and has capital of €3,000,000. RTE subscribed 10% of the capital of Belpex, for €300,000.

INELFE

INELFE (INterconnexion ELectrique France Espagne) was formed to construct a 400 kV line across the Pyrenees mountains. RTE holds a €1,000,000 investment (50% of the capital) in this company. Sales for 2009 amounted to €4,589,000, and net income amounted to €91,000.

CORESO

Coreso is a Belgian company which coordinates operation of electricity networks, covering France, the UK and Belgium.

RTE holds a €333,000 investment in this company (33.33% of the capital).

Sales for 2009 amounted to €3,328,000, and net income amounted to €100,000.

CASC-CWE

CASC-CWE is a Luxembourg company set up to implement cross-border capacity auctions for electricity exchange in the west-central area of Europe.

RTE holds a €5,000 investment in this company (14.2% of the capital).

DECLARANET

Declaranet's objective is to contribute to human safety and property security, and to protect infrastructures and facilities when building and other work is in process by offering a platform for dematerialization of requests for information and declarations of intent to begin work.

RTE holds a €144,000 investment in this company (12% of the capital).

EXECUTIVE BOARD 2010	TITLE	ROLE	OTHER FUNCTIONS
Dominique Maillard	Chairman of the Executive Board		President of HGRT Member of the Board of Directors of Réseau ferré de France President of Coreso
Pierre Bornard	Vice-Chairman of the Executive Board	Deputy Managing Director, Electric Systems	Chairman of the Board of Directors of Powernext SA Director of HGRT Director of CASC-CWE Member of the Supervisory Board of ECC (European Commodity Clearing) Director of Entso-E (Belgian nonprofit association)
Hervé Laffaye	Member of the Executive Board	Deputy Managing Director, Electricity Transmission	Member of the Board of Directors of Declaranet
Philippe Dupuis	Member of the Executive Board	Deputy Managing Director, Finance	Member of the Board of Directors of Powernext SA

SUPERVISORY BOARD 2009	POSITION AT RTE	ROLE	OTHER FUNCTIONS
Marianne Laigneau	Chairman of the Supervisory Board Representative of EDF	Secretary General of EDF	Member of the Supervisory Board of EDF Assurances Director of EDF International Director of EDF Trading Ltd General manager of Lake Acquisitions Ltd
Gérard Menjon Until May 27, 2009	Vice-Chairman of the Supervisory Board Representative of EDF	Manager and advisor to the Chief Officer of EDF	Director of EDF Energy Plc
Jocelyne Canetti From October 22, 2009	Vice-Chairman of the Supervisory Board Representative of EDF	Mediator at EDF	Member of the Board of Directors of EDF Énergies nouvelles réparties (EDF ENR) President of EDF Optimal Solutions Chairman of the Supervisory Board of Euroinvest SAS Director of Smeg ; President of Sinergis Member of the Management Committee of Edenkia
Édouard Vieillefond Until June 25, 2009	Member of the Supervisory Board Representative of the French government Member of the CSEA	Director of energy sector investments at the State Investment Agency of the French Ministry of the Economy, Industry and Employment	Member of the Board of Directors of GDF-Suez Representative of the French government Member of the Board of Directors of Française des jeux Representative of the French government Member of the Board of Directors of Areva NC (formerly Cogema) Representative of the French government
Astrid Milsan From July 24, 2009	Member of the Supervisory Board Representative of the French government Member of the CSEA Member of the Remuneration Committee	Director of the energy subdepartment at the State Investment Agency of the French Ministry of the Economy, Industry and Employment	Member of the Board of Directors of Française des jeux Representative of the French government Member of the Board of Directors of Areva NC (formerly Cogema) Representative of the French government Member of the Board of Directors of Laboratoire français du fractionnement et des biotechnologies Representative of the French government

SUPERVISORY BOARD 2009	POSITION AT RTE	ROLE	OTHER FUNCTIONS
Pierre Fontaine	Member of the Supervisory Board Representative of the French government	Deputy director of the Electric and renewable energies system at the Energy Department of the General Energy and Climate Division of the French Ministry of Ecology, Energy, Sustainable Development and the Sea	Government commissioner at the Compagnie nationale du Rhône Representative of the French government Member of the Supervisory Board of ERDF Representative of the French government Member of the Supervisory Board of Électricité de Mayotte Representative of the French government Member of the Board of Directors of Voies navigables de France Representative of the French government
Anne Le Lorier	Member of the Supervisory Board Representative of EDF President of the CSEA	Senior Executive Vice President in charge of Corporate Finance and Treasury, EDF	Chairman of the Board of Directors of EDF Développement Environnement (Edev) President of EDF Holding SAS Member of the Board of Directors of EDF International Director of EDF Trading Ltd Chairman of the Board of Directors of Électricité de Strasbourg President of Société C3 Vice-Chairman of the Supervisory Board of ERDF Director of British Energy Group Plc Member of the Supervisory Board of EDF Assurances General manager of Lake Acquisitions Ltd
Jean-Paul Bouttes	Member of the Supervisory Board Representative of EDF	Executive Vice President, Corporate Strategy, Prospective and International Affairs, EDF	
Catherine Cros	Member of the Supervisory Board Representative of EDF Member of the CSEA	Senior Vice-President, Co-ordinator for regulated activities, EDF	Member of the Supervisory Board of ERDF Member of the Orientation Committee of EDF Production électrique insulaire SAS Member of the Board of Directors of Électricité de Strasbourg
Nicole Verdier-Naves	Member of the Supervisory Board Representative of EDF Chairman of the Remuneration Committee	Senior Vice President, Senior executive development, EDF Group	
Patrice Sébille	Member of the Supervisory Board Employee representative Sponsored by the CGT union Member of the CSEA	Engineer in charge of coordination	
Charles Niéto	Member of the Supervisory Board Employee representative Sponsored by the CGT union	Member of technical operations staff at RTE	
Dominique Loret	Member of the Supervisory Board Employee representative Sponsored by the CGT union	Operations engineer at RTE	
Patrick Larradet	Member of the Supervisory Board Employee representative Sponsored by the CFDT union	Senior engineer at RTE	



1.6.5.3. Remuneration of key management personnel

Members of the Executive Board

The following list reports remuneration and benefits of all kinds paid by RTE to members of the Executive Board during 2009.

The variable salary is paid in addition to the basic fixed salary. Amounts are reported prorata to the duration of the terms of office.

* Dominique Maillard (Chairman of the Executive Board)

Fixed salary for 2009: €262,500
Variable salary: €58,500
Benefits in kind: €1,008

* Pierre Bornard (Vice Chairman)

Fixed salary for 2009: €231,561
Variable salary: €68,400
Benefits in kind: €14,940

* Philippe Dupuis (member of the Executive Board)

Fixed salary for 2009: €187,028
Variable salary: €50,600
Benefits in kind: €2,897

* Hervé Laffaye (member of the Executive Board)

Fixed salary for 2009: €169,000
Variable salary: €50,400
Benefits in kind: €17,256

Members of the Supervisory Board

RTE does not pay any compensation to members of the Supervisory Board for serving their term of office.

Also, none of the Board members receives attendance fees, either because legal provisions exist

that expressly state they should exercise their duties for no payment (employee representatives and State representatives) or because no resolution has been adopted for the purpose by the General Shareholders' meeting.

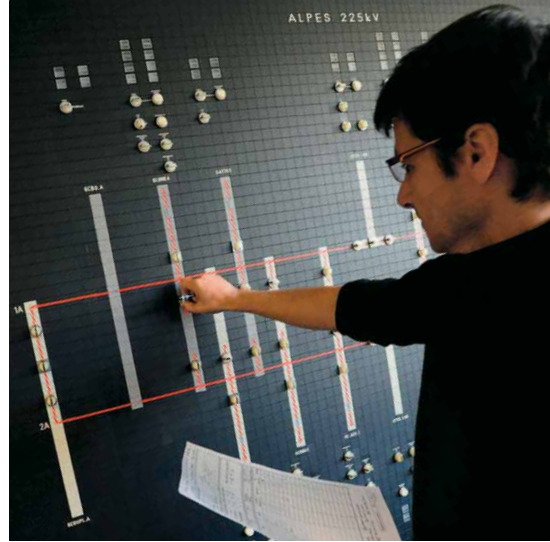
As employees, Supervisory Board members representing employees are entitled to benefit from EDF's free share attribution plan.

However, the Supervisory Board members representing employees have an employment contract with RTE and thus received the following remuneration and benefits in kind in 2009.

Finally, the following remuneration and benefits in kind were paid by Electricité De France, the company's sole shareholder, to its representative members on the Supervisory Board:

2009 (in euros)	P. LARRADET	D. LORET	C. NIÉTO	P. SÉBILLE
Fixed salary	85,796	73,561	46,339	63,934
Benefits in kind	629	693	1,075	1,406

2009 (in euros)	J.-P. BOUTTES	N. VERDIER-NAVES	C. CROS	M. LAIGNEAU	A. LE LORIER	J. CANETTI	G. MENJON
Fixed salary	187,600	213,632	158,500	259,500	274,500	219,500	118,073
Part variable	70,615	81,556	59,555	128,917	135,037	80,943	157,285
Benefits in kind	12,659	22,407	14,951	5,345	693	27,010	118,218



Environmental information

2.1. CONSUMPTION OF RESOURCES, POLLUTION AND WASTE

2.1.1. Consumption of resources

In order to root its sustainable development in the practicalities of the company's business, in 2009 RTE calculated its carbon balance for the first time under the Bilan Carbone procedure, concerning the year 2008. In addition to its educational value, this procedure enables the company to incorporate the "carbon" factor into its analyses and thus illustrate its contribution to global warming issues and the associated climate change. The carbon balance was calculated under the procedure recommended by the Environment and Demand-Side Management Agency (*Agence de l'Environnement et de la Maîtrise de l'Énergie*, - ADEME) for a "global" scope.

Regarding consumption of resources, the following emissions were taken into consideration for RTE's 2008 carbon balance review:

- ★ **emissions related to fuels** used in the course of business (industrial processes, heating of premises, air conditioning, ventilation);
- ★ **emissions related to transportation of materials** used in the company (particularly materials for work sites);
- ★ **emissions related to travel** by employees and visitors;
- ★ **emissions related to materials and services** used by the company.

As well as the question of RTE's contribution to the question of power losses from the transmission networks, this first carbon balance identified several areas for analysis. They concern the main sources of emissions, which are variable in nature:

- ★ **materials and services** used in construction and renovation of industrial facilities;
- ★ **emissions related to use of fluorinated gas**, particularly sulfur hexafluoride.

Finally, additional measures are currently being developed to control or reduce associated emissions:

- ★ **incentives to integrate low-energy vehicles** into RTE's fleet of cars;
- ★ **purchase policy** encouraging acquisition of low-CO2 emission vehicles;

- ★ **incentives** to introduce employee travel plans;
- ★ **introduction and promotion of collaborative working tools** to limit employee travel (video conferencing, web conferencing, teleconferencing);
- ★ **introduction of energy diagnoses** for existing office buildings;
- ★ **incorporation of the "sustainable development" question** into real estate policy; Feasibility studies by the HQE label for all major office building renovations or new build projects.

(Source : RTE's *Bilan Carbone*® 2008 report available on the website rte-france.com)

2.1.2. Energy consumption

2.1.2.1. Controlling resources: reducing network losses

Every year, operation of the network generates extensive electricity losses, principally due to the Joule effect.

Purchases of electricity to cover these losses involve significant financial stakes. Network losses also have an impact on the environment, due to the additional power generation needed to compensate for lost power. RTE has begun new studies to reduce these electricity losses. A working party review has identified 25 positive action measures covering environmental and social factors, and also economic factors.

In addition to classification of action by business line, the action plan has been rolled out at several levels:

- ★ **rapid implementation** of practical on-site measures;
- ★ **action for the medium term:** reflected in technical policies and incorporated as new technical specifications into the choice of network materials or used for experimentation;
- ★ **innovative large-scale studies** for the more complex measures.

2.1.2.2. Fuel consumption: the "low-energy vehicle" study

RTE has analyzed the feasibility of using "clean" vehicles, i.e. energy-efficient, hybrid

or electric vehicles, in its fleet. This analysis complements the study carried out in 2007, which examined the feasibility of including gas-powered, LPG and biofuel vehicles in the RTE fleet.

The following conclusions were reached:

- ★ **For thermal engine vehicles**, RTE's current strategy of purchasing low-consumption diesel vehicles with particulate filters should be continued and stepped up. To minimize the environmental footprint of its vehicles, RTE must seek to change behaviours, for example through ecodriving training or raising awareness of optimal use of air conditioning. The possibility of including energy-saving equipment such as special tyres should also be considered.
- ★ **Regarding hybrid vehicles**, the high acquisition costs and the fact that most journeys by RTE employees take place outside urban areas mean that it is not advisable to purchase such vehicles in all cases.
- ★ **Regarding electric vehicles**, RTE is prepared to use them as soon as they are available on the market. The company is interested in entering a partnership with an automaker, for example to test prototypes.

2.1.2.3. Energy consumption by buildings

Improvement of buildings' energy efficiency :

The ongoing project to renovate buildings in RTE's regional units in Lyon is one illustration of the company's dedication to improving demand side management for office buildings. RTE has decided to seek HQE certification: this is an ambitious serious managerial, technical and environmental challenge for this type of renovation project. RTE will construct an action plan for all existing buildings based on the areas for improvement identified in the three energy diagnoses carried out in 2009 for typical office buildings. RTE has also added an environmental aspect to its real estate policy, in formal recognition of the contribution made by real estate to the corporate action for sustainable development. The relevant action plan is being applied progressively.

2.1.3. Greenhouse gas emissions: SF6

RTE uses the greenhouse gas sulfur hexafluoride (SF6) as an electricity insulator in its own plants, particularly metal-enclosed substations and circuit breakers.

RTE is strongly committed to controlling its greenhouse gas emissions. A protocol agreement was therefore signed in 2004 with ADEME and the electrical equipment industries syndicate GIMELEC to bring emissions back down to 1995 levels by 2010. The company thus prepared in 2009 for the launch of

a new SF6 discharge reduction policy in 2010, with three focal points:

- * **an increase** in leak-fixing operations at metal-enclosed substations;
- * **improvement** in intervention methods and tools to recover SF6;
- * **scheduling** and monitoring of treatment of SF6 circuit breakers.

The volume of emissions is reported annually to the Ministry of Ecology, Energy, Sustainable Development and the Sea. The following table reports SF6 output in tonnes, as a percentage of the mass of SF6 contained in RTE's facilities:

MASS AND DISCHARGE OF SF6	2007	2008	2009
Mass of SF6 installed (tonnes)	457	449	485
SF6 discharge (tonnes)	8.6	7.0	6.8
SF6 discharge (% of mass installed)	1.9	1.6	1.4

2.1.4. Discharge into the ground or water: oil leaks

2.1.4.1. Oil leaks

In compliance with the company's technical policies, transformer pits are being adapted to current standards as part of ongoing rehabilitation or engineering work. This has enabled RTE to limit oil discharge year after year, protecting the ground and water. The multi-annual program for replacement of fluid oil exchanges by synthetic insulation cables or repairs for the leakiest cables have the same effects.

In the event of a pollution incident, RTE recovers any polluted oil and earth for processing and repairs the damage to the environment.

2.1.4.2. Facilities containing PCB-contaminated oil

The decontamination plan for PCB-polluted facilities is being applied in line with the

national objective, which includes the targets set by the legislation relating to Classified Facilities for the Protection of the Environment (*Installations classées pour la protection de l'environnement - ICPE*). At December 31, 2009, RTE still has three²³ cases of equipment with concentration of over 500 ppm, which are to be treated by December 31, 2010.

Treatment of 100-500 ppm PCB-contaminated facilities is also scheduled to take place over several years, as required by the regulations.

2.1.5. Controlling waste

Efforts were made in 2009 to stabilize the waste recycling rate, in order to meet the target set by France's "Grenelle I" law: 75% recycling of ordinary waste by the end of 2012. For information, the waste reported below is the waste for which RTE is identified as producer.

Waste produced by RTE's service providers during work or maintenance is not included in the following figures:

* For year 2008:

Dangerous waste: 1,032 tonnes
Non-dangerous waste: 1,331 tonnes
Recycled waste: 1,440 tonnes or 61%

* For year 2009:

Dangerous waste: 1,460 tonnes
Non-dangerous waste: 1,420 tonnes
Recycled waste: 1,491 tonnes or 52%

2.2. PROTECTION OF THE ENVIRONMENT AND BIODIVERSITY

2.2.1. Control of environmental impact

When "environmentally sensitive" maintenance operations are in preparation (tree pruning, pylon painting, etc), RTE staff check whether the zone concerned includes any preservation areas.

This is done by using an IT mapping tool

that compares RTE infrastructures (electric lines and transformation substations) with the main protected natural areas (*Zones Natura 2000*, National Parks, Regional Natural Parks, etc).



2.2.2. Flagship action to contribute to protection of the environment and biodiversity

An innovative partnership was set up in 2009 between the Île-de-France region, France's Natural History Museum and RTE to carry out an inventory of the flora beneath 200km of transmission lines in the Seine et Marne area of France near Paris. The aim of this study is to improve knowledge of the biodiversity existing along the lines, and help to preserve protected species. The initial results identified some thirty rare species growing beneath the lines, including the tufted milkwort which had not been observed in the Île-de-France region since 1960.

Following on from France's Grenelle Environment Round Table process, RTE took part in the biodiversity group organized by the MEDEF²⁴.

RTE is a member of the Strategic Orientation Council at the new Foundation for Biodiversity Research (*Fondation pour la Recherche sur la Biodiversité* or FRB), representing the transmission and infrastructure group, and has set up a forum on "Linear and Biodiversity Infrastructures" involving representatives of RTE, RFF, ERDF, GRT Gaz, TIGF and VNF to discuss biodiversity-related matters.

RTE participates in ongoing analysis of the Green and Blue Grid (*Trame verte et bleue*), a national ecological network started under the Grenelle Environment Round Table, and contributed to the work of the operational

committee (COMOP²⁵). For example, the company took part in the Working Party commissioned by the COMOP to evaluate the impact of linear infrastructures on ecological corridors, under the supervision of the association Alsace Nature. RTE also took part in a study by France's National Regional Parks and its Federation of Natural Area Conservatories, asked by the COMOP to identify contractualization arrangements that could be used to benefit the Green and Blue Grid. Finally, the company is involved at local level in various working parties on the Green and Blue Grid.

RTE responded to the consultation run by the French Ministry of Ecology, Energy, Sustainable Development and the Sea concerning the 3rd guide for application of the Green and Blue Grid, specifically dedicated to linear infrastructure operators.

RTE also created an internal "Green and Blue Grid and Biodiversity" skill network with correspondents appointed in each region.

2.2.3. Birds: a constant concern

RTE also regularly meets with bird protection societies under the auspices of the National Avifauna Committee (*Comité National Avifaune* or CNA). In 2009 the CNA held a conference on bird protection, attended by some hundred representatives of bird protection societies and the electricity network operators RTE and ERDF.

RTE is also continuing action for bird protection, and updated the relevant policy in 2009.

In determining which sections of the lines present the greatest risks to birds, RTE pays particular attention to the Special Protection Zones defined by the Natura 2000 network and contacts with local bird protection societies.

Once the zones have been identified, RTE staff progressively install protective equipment in the sensitive sections. This reduces collisions by 65% to 95%.

In 2009, for example, to protect the Bonelli's eagle RTE equipped 9 km of very high-voltage lines in the Sainte-Baume hills in partnership with the Bird Protection League association.

Under the agreement signed in 2007 between RTE Sud-Ouest, the Bird Protection League and the Aquitaine Region's Environmental Department to promote protection of the bearded vulture in the Pyrenees mountains, RTE limited heliported work during the bird's mating and nesting period in the relevant zones, and in 2009 it equipped a first 4 km section of the Pragnères-Biescas 225 kV line with new-technology visualization systems. This experience is transposable to mountain sites with significant land level differences, where standard markers cannot be installed.

2.3. ENVIRONMENTAL MANAGEMENT SYSTEM (ISO 14001)

The Environmental management system (EMS) is led by regional environmental pilots in charge of coordinating and implementing in-the-field action, and an environmental committee that defines the orientations of RTE's environmental policy, the resources to be mobilized, and the objectives to reach. In 2009, a network of regional environmental correspondents was set up to strengthen environmental management in the regions, enhancing the existing structures.

Environmental management programs are reviewed each year to assess how action is progressing, and ensure that changes in regulations and context are taken into consideration, as well as stakeholders' views and regularly scheduled internal and external audits.

RTE incorporates environmental questions into its internal control plan, and has a team of internal auditors consisting of company staff trained in quality and environmental audit standards and methods.

The company has held AFAQ ISO 14001 certification since 2002 for some of its regional entities, and since 2004 for all entities. This certification was renewed in May 2009 by the AFAQ, with no remarks.

²⁴ - French employers' union: Mouvement des entreprises de France. ²⁵ - The Green and Blue grid COMOP, a steering group resulting from the Grenelle Environment Round Table process, is in charge of determining the framework and methodology of the Green grid and Blue grid in France. In early 2010 it was replaced by the National Monitoring Committee for the Green and Blue grid.

2.4. COMPLIANCE WITH LEGISLATIVE AND REGULATORY PROVISIONS

The first cycle of environmental compliance assessment began in 2004 and is due to be completed in 2010. The objective of assessing all sites by the end of 2010 should be

achieved. RTE is concerned by the following major areas of regulatory compliance: air, noise, 50 Hz electric and magnetic fields, waste, water, ICPE (Classified Facilities for the

Protection of the Environment), chemicals, environmental protection and soils.

2.5. EXPENSES EXPLICITLY DEDICATED TO SUSTAINABLE ENVIRONMENTAL PROTECTION

An overview of RTE's specific expenses for sustainable environmental protection highlights the following major trends:

- * **the largest item of expenses relates to incorporation of environmental considerations** into network development projects, particularly protection of biodiversity and the landscape;
- * **technical environmental policies are the next largest item of expenses**, including moving existing facilities underground to limit the visual impact on the landscape, and adaptation of transformer pits to control the risk of oil leaks.

COST DISTRIBUTION BY MAJOR AREA IS AS FOLLOWS	OPERATION		INVESTMENT	
	In thousands of euros		In thousands of euros	
AREA OF EXPENSE	2008		2009	
Ambient air, climate	1,720	589	1,969	637
Management of waste water	46	340	80	152
Waste management	4,149	-	2,906	970
Soils, underground/ surface water	1,094	9,659	586	6,025
Noise	233	982	648	1,225
Biodiversity, landscape	10,920	37,202	7,462	24,345
Radiation	788	-	881	-
Research & development	4,085	-	2,051	-
Other activities	16,681	-	17,111	-
Demand side management	11	-	378	84
	39,726	48,772	34,072	33,437
TOTAL	88,498		67,509	

2.6. ENVIRONMENTAL MANAGEMENT

2.6.1. Organization of environmental training

Training Oversight Groups (TOGs) exist to develop and monitor all RTE's professionalization projects.

The Environmental Training Oversight Group (ETOG) monitors all training available on integration of new facilities into the landscape, the associated legal obligations, third party safety, waste management and "the environment" in the broadest sense. It also ensures that the other TOGs incorporate the environmental aspect into the training they offer.

The members of the ETOG represent RTE's various activities and its training department.

2.6.2. Management of environmental skills

In 2008, RTE acquired a new system called COMP&TAL (*Compétences et Talents*) designed

to assess employee skills. Staff can assess their own skills against a unique set of benchmarks covering all areas of RTE's activity.

The aim of the COMP&TAL system is to improve forward skill planning through better identification of the requirements in each area, and better knowledge of the skills available in the workforce. This enables RTE to fine-tune the action required to renew and develop skills (through training and recruitment) and facilitates career path management in line with employees' wishes.

In 2009 the ETOG began work on improving the description of environmental skills in the COMP&TAL system benchmarks, in preparation for the individual staff evaluations of 2010.

2.6.3. Environmental training for employees

RTE is committed to training and motivating personnel to develop a constant concern for

the environment. This commitment is reflected in development of specific new courses or adjustment of existing courses.

For example, the training course devised in 2006 to improve management by local employees of SF6 (sulfur hexafluoride) leaks was adapted in 2008 to incorporate new European requirements on certification of personnel recovering the SF6.

This training exists on two levels: initial training and validation of skills already learned. Certification of the staff recovering the SF6 began in 2009 and will continue in 2010.



24

In response to the growing importance of biodiversity issues, RTE has also introduced a specific training course on the "Impact of RTE's facilities on biodiversity", designed to bring RTE personnel to take the biodiversity question into consideration in the course of their work. A first experimental session took place in the Ardèche region of France during June 2009.

2.6.4. Managing accidental pollution

2.6.4.1. Accidental pollution incidents

Environmental Emergencies are accidental events with a significant environmental impact, which require the company to have resources for prevention and reaction in order to limit the irreversible or serious consequences for the environment.

To improve prevention and management of these emergencies, since 2005 the operating units have incorporated the concept of aggravating factors into their standard instructions defining the preventive and remedial action to be taken in the event of environmental emergencies.

The "Environmental Emergency Management Guide" is currently being reviewed as part of RTE's 2009 Environmental Analysis, with the chief aim of adding more detail to the definitions of such emergencies. The revised guide should be available during the first quarter of 2010, and the regional units carry out quarterly validation of the Environmental Emergency report.

The table below shows the number of Environmental Emergencies that have occurred since 2005:

2009 saw an increase in the number of Environmental Emergencies. The table also shows that fires and oil leaks are the most frequent type of emergency.

At RTE, detailed reports are drawn up for Environmental Emergencies of a specific nature. These reports describe the event, the

action taken (strong points and difficulties encountered), the improvements begun after the emergency and good practices to be applied.

2.6.4.2. Environmental Emergency tests

In addition to the emergencies that arise, RTE carries out simulated environmental emergency exercises (8 in 2008 and 12²⁶ in 2009) or general tests involving the various concerned actors (the fire service, the police, elected officials, etc). These exercises are useful for testing and adapting the emergency procedures that should be in place to deal with this type of event.

Also, for the first time in 2009 RTE introduced the concept of simple Environmental Emergency tests: for example, using role play with the foreman during a site visit in order to check procedures (ensuring that the equipment required is available, etc).

HOURS OF ENVIRONMENTAL TRAINING by RTE	2007	2008	2009
	4,870	5,845	6,048

ENVIRONMENTAL EMERGENCIES	2005	2006	2007	2008	2009
Fires under overhead lines	10	2	2	1	8
Substation fires	3	7	3	4	6
Oil leaks from transformers	4	4	2	4	6
Oil leaks from underground connections	1	6	2	1	9
SF6 leaks (metal-enclosed substations or substation buildings)	0	0	0	1	1
Leaks or fires of dangerous materials during transport	0	0	2	1	2
TOTAL²⁷	18	19	11	12	32

2.7. INDEMNITIES PAID AND REPARATION FOR DAMAGE CAUSED

Visual prejudice: €700,000 in 2009.



Company information

3.1. STATISTICS

The figures reported concern RTE SA.

3.1.1. Workforce

★ **Total workforce on permanent contracts:** 8,614, including 8,515 with IEG status and 99 non statutory.

★ **Total workforce on fixed-term contracts:** 295, including 286 on apprenticeship and training contracts.

3.1.2. Recruitment (permanent and fixed-term contracts)

RTE EDF Transport SA hired 285 employees on all types of contract in 2009. 45 of the

newly-hired employees formerly had apprenticeship contracts with the company, and 131 have been hired with executive (*cadre*) status. These new arrivals partly offset the 199 retirements in 2009.

The net balance of employee transfers to and from other IEG companies was +27 (178 people joined RTE and 151 left).

Under the agreement for apprenticeship signed by RTE EDF Transport SA's management with representatives of five trade unions in 2007, a growing number of young people were hired on apprenticeship or training contracts in 2008 and 2009, bringing the total to 286 (264 on apprenticeship contracts and 22 on training contracts).

3.2. ORGANIZATION AND WORKING HOURS

In terms of working hours, RTE's 8,515 employees with IEG status were distributed as follows at December 31, 2009, showing a slight decrease in the number with part-time contracts:

★ **6,691 employees** (>78%) have full-time contracts,

★ **1,824 employees** (<22%) have part-time contracts (working week of less than 35 hours).

3.3. REMUNERATION

2009 was marked by the introduction or modification of several pay and social security measures.

The first of these was the signature of a company profit share plan for the period 2009 to 2011, which applies to all RTE Group entities without requiring transposition into a company agreement.

The aim is to reward each employee's contribution to the corporate performance. It also seeks to encourage ongoing performance improvement, by creating a strong, visible link between the company's human, technical and economic performance and the amounts employees receive as profit share. The reserved criteria in the profit share agreement cover four areas:

- ★ quality of electricity supply;
- ★ development and safety in the company's industrial assets;
- ★ expansion of professional skills of company employees;
- ★ control of the corporate financial stakes.

The results will be available during 2010. The second measure is RTE's payment of an exceptional €1,500 bonus to each employee, in application of the French law of December 3, 2008 in favour of employment revenue. Two additional pension measures were also introduced in 2009:

- ★ an additional defined-contribution pension plan (contribution of 1% of the employer's share) for employees governed by the IEG statutes for which the special pension system was reformed in 2008;

- ★ a collective pension fund plan (*Plan d'Épargne Retraite Collectif* – PERCO) to which the company makes a matching contribution on employees' behalf.

RTE employees with IEG status now benefit from the additional welfare system set up in 2009 with social partners in the sector. Finally, RTE negotiated a salary agreement for the years 2009 and 2010.

3.4. SOCIAL DIALOGUE

In 2009, RTE negotiated a certain number of agreements or made decisions concerning the following:

3.4.1. Employee representation bodies (IRP²⁸)

■ Collective agreement on the new Health and Safety Committee (March 10, 2009).

■ Agreement on the terms for access to and use of new information and communication technologies by union representatives and personnel representatives at RTE EDF Transport SA (June 8, 2009).

■ Agreement on formation of Regional Coordination Committees for the Health, Safety and Working Conditions Committee (November 6, 2009).

■ Agreement on career advancement for employees devoting 50% or 100% of their working time to work as union or other representatives, introducing rules for recognition and inclusion of the time spent on those duties in a career plan (December 4, 2009).

3.4.2. Introduction of new measures at RTE

■ Decision on the introduction of an additional pension plan in line with the sector agreement (cf § 3.3) (March 16, 2009).

■ Statement of position: a framework for revision of job classification. The objective is

to clarify job structure and thus facilitate career advancement. This move is part of the company's skill management principles and will be defined in more detail in the GPEC negotiations (forward planning for management of employments and skills) of 2010. (April 9, 2009).

■ Agreement for integration of disabled employees (2009-2010-2011). This follows on from the 2006 agreement and includes past experience. (April 28, 2009).

■ Agreement on deduction of the contribution for disability pensions paid by the pension administration body CNIEG (*Caisse Nationale des Industries Électriques et Gazières*). One of its aims is to make it possible to transfer to the CNIEG the employer's power to deduct employee contributions for the additional disability benefits and pay them to the benefit management bodies. (October 15, 2009).

■ Decision on introduction of a mobility allowance to encourage integration of new employees. This is designed to cover part of the accommodation costs for new recruits who need to move to join the company. (December 16, 2009).

■ The action plan for employment of older people includes favorable measures for the second part of their career. (December 31, 2009):

- ★ forward planning for career development;

- ★ improved working conditions and prevention of difficult working situations;
- ★ development of skills and qualifications, and access to training;
- ★ career-end adjustments and arrangements for the transition between work and retirement;
- ★ transmission of knowhow and skills, and development of mentoring.

3.4.3. Salary developments

■ Agreement on choice-based promotions (January 2009 & 2010) (May 14, 2009).

■ Profit sharing agreement for 2009-2011 (Cf § 3.3) (May 14, 2009).

■ Agreement marking RTE's adherence to the agreement of July 17, 2009 setting out the regulations for the EDF Group's collective pension fund plan (*Plan d'Épargne Retraite Collectif* – PERCO). This provides an optional long-term saving facility for employees, to complement their pension income. (October 15, 2009).

In addition to this agreement, the following were also executed:

- ★ an amendment to the profit share agreement, entitling employees to invest their profit share in the PERCO plan (December 29, 2009);
- ★ an amendment to the adherence to the EDF Group savings plan defining rules for the employer's contribution (October 27, 2009).

3.5. GENDER EQUALITY IN THE WORKPLACE

RTE management and the representatives of 5 union organizations signed RTE's first agreement for gender equality in the workplace on May 14, 2007.

In addition to the continued vigilance over salaries, the agreement aims to reach an overall proportion of 20% of women employees, focusing particularly on technical positions where they are underrepresented and using all available levers for action (recruitment, hiring of female apprentices, internal transfers, promotion of certain types of position, etc). In the three years of the agreement's existence, there has been continuous growth in RTE's external recruitment of women, from 22% in

2007 to 27% in 2008 then 28.4% in 2009. This has been the main contributing factor to the rising numbers of female employees at RTE EDF Transport SA since 2007.

Thanks to this external recruitment, the proportion of women at RTE EDF Transport SA has risen continuously since the agreement was signed: from 17.9% in 2007 to 18.4% in 2008, reaching 19% in 2009.

The "workplace equality correspondents" present in all units have also implemented a range of local initiatives: awareness-raising through drama or internal communication, promotion of technical careers to women,

introduction of specific transfer channels towards technical positions, and more.

Partnerships have also been established with educational institutions and various local actors such as regional delegations for women's rights and equalities, in connection with the Scientific and Technical Vocation Prize.



3.6. HEALTH AND SAFETY

3.6.1. 2009 results (at December 31)

- * Workplace industrial accidents entailing sick leave: 42
- * Workplace industrial accidents not entailing sick leave: 38
- * Total industrial accidents: 80
- * Frequency rate²⁹: 3.46
- * Extended frequency rate³⁰: 6.59

The general upward trend continued: workplace accidents stagnated while accidents on the journey between home and work increased. Accidents entailing sick leave showed an overall increase.

3.6.2. Health and safety: constant priorities

RTE launched its health and safety policy in early 2009. People are central to the concerns addressed by the policy, which asserts the importance of health as well as safety. The company's managers act as the policy's ambassadors, and a national communication plan has been drawn up to accompany its roll-out to all employees.

An agreement was unanimously signed on March 10 to reinstall a national consultation body on health and safety matters (the Health and Safety Committee).

The Human resources division has hired an expert consultant to take work forward on quality of life in the workplace.

RTE has reinforced its corpus of documentation: standard protective equipment for individuals and the corresponding constraints to be respected. The company also has policy notes on first aid and confirms the strong commitment by the management. The single document was also revised in both content and form as part of its annual review, to make it as accessible as possible.

Work on prevention of electric risks is continuing, including creation of a mechanical system that increases the security of the operator's working actions.

Regarding service providers, an extensive assessment of outsourcer safety and security management at RTE was carried out by an external firm under the supervision of the

Health and Safety Committee, and will lead to recommendations for 2010. A charter has been signed by the grouping of paintwork companies GEPI and RTE.

For GEPI, the aim is to develop professional approaches and increase safety and environmental skills. The charter fosters transparency at RTE in selection and evaluation of its outsourcers.

Working parties have been set up to analyze addictions, and will also take feedback on past experiences into account. Their objective is to advise the management on recommended action on the issue.

3.7. TRAINING AND SKILLS

The action for training begun when RTE was first formed and was intensified in 2009, with the rollout of the new human resources information system (QRTE-SIS-GRH-formation).

The 2010 training plans for each establishment and RTE were consolidated for the first time using data collected in QRTE-SIS from the interview campaign of 2009. 77% of the interview reports have been entered into the new system.

In 2009, RTE's investment in skill development and training remained high: more than 423,000 hours of training took place, an average of 47 hours per employee. More than 77% of the employees benefited from at least one training session during the year. Meanwhile, certain sectors of the company have adjusted or redefined their training program as their own missions have changed.

RTE pursued the rollout of its COMP&TAL skills and talents system, which enables every employee to assess themselves against the company's benchmark skills and declare their career plans. Each person can thus play an active role in development of his own skills and career plan.

By December 2009, the skills of 6,830 employees (80% of RTE's workforce) were contained in the system. The objective for 2010 is to have all employees covered.

COMP&TAL will be a catalyst for the interviews devoted specially to skill development and career plans. The system will help to review the employee's skills and identify areas for improvement with his manager, before defining the appropriate training needs.

The COMP&TAL tool also provides a reliable snapshot of the skills held in each area of busi-

ness at any time. Every section of the company will be able to adjust its training system and recruitment plans based on the information received and the target skills defined for long-term effective execution of missions.

RTE has set up a network of "Careers" advisors whose task is to help managers in their search for skills and support employees in their career advancement.

²⁹ - Frequency rate: number of workplace industrial accidents entailing sick leave * 10⁶ / number of hours worked.

³⁰ - Extended frequency rate: accumulated number of workplace industrial accidents * 10⁶ / number of hours worked

3.8. EMPLOYMENT AND INTEGRATION OF DISABLED EMPLOYEES

In 2009, the Management of RTE and representatives of the 5 union organizations signed a new agreement for employment of disabled people.

The unanimous three-year agreement of April 28, 2009 commits signatories to sign at least 37 work contracts and enter into at least 10 block release training contracts with disabled candidates. It also provides aid for employment of external disabled workers through contracts with the protected sector worth an annual €1 million, development of partnerships with Special Firms, and financing for 5,000 hours of training a year.

In parallel to this agreement, the professional skills of the network of disability correspondents were developed in 2009 (through the "disability project manager" course) and all local actors involved in disabled integration and offsetting disability also received training.

The aim is to facilitate adoption of the agreement and the conditions of mechanisms to compensate for disabilities.

Under the innovative measures introduced by the agreement (cost-sharing arrangement), in 2009 seven RTE employees made donations

to a charity of their choice working to benefit the disabled. These employees presented 5 initial declarations of administrative recognition of disability and 2 renewals, enabling French charities such as Autisme 31, UNAPEDA, Arthritis, Handichiens, and Vigilance Handicap to receive amounts of €5,300 (equivalent to the saving from non-payment of the contribution to the national agency for disabled employment Agefiph, which RTE waived in the agreement of April 28, 2009).

In 2009, 9 firm job offers were made by RTE establishments to disabled candidates, and 8 led to an employment contract.

3 block release apprenticeship contracts were also signed.

A total of 6,500 hours of training were provided for disabled persons external to the company in 2009.

RTE's establishments also set up several partnerships with protected sector organizations to offer new services (e.g. financing a laundry, a survey concerning a canteen service, safety equipment for land clearance work).

Upstream of the labour market, RTE continued to provide support for disabled stu-

dents' education under the ARPEJEH (*Accompagner la Réalisation des Projets d'Études de Jeunes Élèves et Étudiants Handicapés*) system co-founded by RTE with SFR, Air France, L'Oréal and LVMH on April 30, 2008.

This association is intended to improve and promote training, qualifications and employment for the disabled. It aims to build the confidence of disabled teenagers from middle school upwards, providing information for them and their entourage on job opportunities in member companies and their policies for disabled employment. The objective is to encourage disabled young people to remain in education and prevent them and their families from losing faith in their chances of employment in ordinary companies.

In 2009, RTE took on 12 disabled students for initiation or student placements under the ARPEJEH system. Both disabled and non-disabled RTE employees also took part in the various meetings organized with ARPEJEH students, to present their jobs, answer questions and open up the student's employment prospects.

CONSOLIDATED INCOME STATEMENTS

1	◆	CONSOLIDATED INCOME STATEMENTS	34
1.1.		Consolidated income statements	34
1.2.		Statement of net income and gains and losses recorded directly in equity	34
1.3.		Consolidated balance sheets	35
1.4.		Consolidated cash flow statements	36
1.5.		Changes in consolidated equity	37
2	◆	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	38
Note 1		Group accounting standards	38
1.1.		Group accounting standards	38
1.2.		Declaration of conformity and Group accounting policies	38
Note 2		Summary of the principal accounting and valuation methods	40
2.1.		Valuation	40
2.2.		Management judgment and estimates	40
2.3.		Consolidation methods	40
2.4.		Translation methods	41
2.5.		Related parties	41

2.6.	Sales	41
2.7.	Other external expenses	41
2.8.	Income taxes	42
2.9.	Intangible assets	42
2.10.	Property, plant and equipment	42
2.11.	Leases	43
2.12.	Impairment of intangible assets and property, plant and equipment	44
2.13.	Financial assets and liabilities	44
2.14.	Inventories	46
2.15.	Trade and similar receivables	46
2.16.	Cash and cash equivalents	46
2.17.	Equity - Impact of restatement to fair value of financial instruments	46
2.18.	Provisions	46
2.19.	Employee benefits	47
2.20.	Share-based payments	47
2.21.	Investment subsidies	47
2.22.	Environmental expenses	48
<hr/>		
Note 3	Significant events and transactions of 2009 and 2008	48
<hr/>		
3.1.	European Court ruling of December 15, 2009	48
3.2.	New electricity network access tariff (TURPE 3)	48
3.3.	Klaus cyclone	48
3.4.	2009 investment program	48
3.5.	Developments in the litigation with SNCF	49
3.6.	Financing operations	49
3.7.	Dividends	49
3.8.	Tax inspection	49
3.9.	Significant events and transactions of 2008	50
<hr/>		
Note 4	Changes in the scope of consolidation	51
Note 5	Segment reporting	51
Note 6	Sales	51
Note 7	Energy purchases	52
Note 8	Other external expenses	52
Note 9	Contractual obligations and commitments	52
Note 10	Personnel expenses	53
<hr/>		
10.1.	Personnel expenses	53
10.2.	Free share plan	53
10.3.	Average workforce	53
<hr/>		

Note 11	Taxes other than income tax	53
Note 12	Other operating income and expenses	54
Note 13	Financial result	54
	13.1. Cost of gross financial indebtedness	54
	13.2. Discount expense	54
	13.3. Other financial income and expenses	54
Note 14	Income taxes	55
	14.1. Breakdown of income tax charge	55
	14.2. Reconciliation of the theoretical and effective tax expense	55
	14.3. Breakdown of deferred taxes by nature	55
Note 15	Intangible assets and property, plant and equipment	56
	15.1. At December 31, 2009	56
	15.2. At December 31, 2008	56
Note 16	Investments in companies accounted for under the equity method	57
Note 17	Financial assets	57
	17.1. Breakdown between current and non-current financial assets	57
	17.2. Change in financial assets at December 31, 2009	58
	17.3. Available-for-sale financial assets	58
Note 18	Inventories	58
Note 19	Trade and similar receivables	59
Note 20	Other receivables	59
Note 21	Cash and cash equivalents	60
Note 22	Equity	60
	22.1. Share capital	60
	22.2. Distribution of dividends	60
	22.3. Capital management	60
Note 23	Provisions for employee benefits and other provisions	60
	23.1. Breakdown between current and non-current provisions	60
	23.2. Provisions for employee benefits	61
	23.3. Other provisions	63

Note 24	Current and non-current financial liabilities	63
24.1.	Breakdown between current and non-current financial liabilities	63
24.2.	Loans and other financial liabilities	63
24.3.	Net indebtedness	64
24.4.	Change in net indebtedness	65
Note 25	Management of financial risks	65
Note 26	Derivative instruments	65
Note 27	Trade and other payables	66
Note 28	Related parties	66
28.1.	Transactions with related parties	66
28.2.	Relations with the French State	66
28.3.	Board compensation	67
Note 29	Fees paid by the Group to the statutory auditors	67
Note 30	Environmental matters	67
30.1.	Summary of environmental expenses for 2009	67
Note 31	Subsequent events	68
Note 32	Individual training entitlement	68
Note 33	Scope of consolidation	68
	Statutory auditors' report on the consolidated financial statements	69

Consolidated income statements

1.1. CONSOLIDATED INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENTS			
in thousands of euros			
	NOTES	12/31/2009	12/31/2008
Sales	6	4,130,106	4,221,298
Energy purchases	7	(760,511)	(674,216)
Other external expenses	8	(1,020,383)	(977,094)
Personnel expenses	10	(716,779)	(677,035)
Taxes other than income taxes	11	(411,171)	(391,498)
Other operating income and expenses	12	(10,025)	(152,801)
Operating profit before depreciation and amortization		1,211,237	1,348,654
Net depreciation and amortization		(587,806)	(574,618)
Other income and expenses		0	(3,678)
Operating profit		623,431	770,358
Cost of gross financial indebtedness	13	(312,369)	(378,362)
Discount expense		(27,758)	(23,897)
Other financial income and expenses		104,730	83,508
Financial result		(235,397)	(318,752)
Consolidated profit before tax		388,034	451,607
Income taxes	14	111,474	(159,945)
Share in income of companies accounted for under the equity method	16	7	3,202
Group net income		499,515	294,864
Of which: Minority interests		0	0
Of which: Group share		499,515	294,864

1.2. STATEMENT OF NET INCOME AND GAINS AND LOSSES RECORDED DIRECTLY IN EQUITY

STATEMENT OF NET INCOME AND GAINS AND LOSSES RECORDED DIRECTLY IN EQUITY		
in thousands of euros		
	12/31/2009	12/31/2008
Group net income	499,515	294,864
Changes in the fair value of available-for-sale financial assets ¹	(3,211)	3,353
Changes in the fair value of hedging derivatives ²	1,068	1,068
Taxes	(417)	162
Total gains and losses recorded directly in equity - RTE share	(2,559)	4,584
Net income and gains and losses recorded directly in equity - RTE share	496,955	299,447

1 - These changes mainly correspond to the effects of fair market valuation of negotiable debt instruments (with original maturity of over 3 months) classified as available-for-sale assets.

2 - Prior to the bond issue of 2006, the Group contracted interest rate instruments as pre-hedges to cover the interest rate associated with the bond issue. This transaction entailed a payment of €10.6 million. The corresponding expense is spread over the duration of the bond (10 years) and impacts equity.

1.3. CONSOLIDATED BALANCE SHEETS

ASSETS in thousands of euros	NOTES	12/31/2009	12/31/2008
Intangible assets	15	203,770	195,125
Property, plant and equipment	15	11,747,507	11,335,359
Investments in companies accounted for under the equity method	16	19,769	20,013
Non-current financial assets	17	10,376	10,619
Non-current assets		11,981,423	11,561,116
Inventories	18	90,009	81,745
Trade and similar receivables	19	1,296,118	1,007,284
Current financial assets	17	131,444	1,365,202
Other receivables	20	155,453	185,787
Cash and cash equivalents	21	83,661	207,522
Current assets		1,756,685	2,847,539
TOTAL ASSETS		13,738,107	14,408,655

EQUITY AND LIABILITIES in thousands of euros	NOTES	12/31/2009	12/31/2008
Share capital	22	2,132,286	2,132,286
RTE net income and consolidated reserves		2,502,787	2,167,500
Group share of equity		4,635,073	4,299,786
Minority interests		0	0
Total equity	22	4,635,073	4,299,786
Non-current provisions	23	395,997	352,830
Non-current financial liabilities	24	5,308,689	6,105,623
Deferred tax liabilities	14	151,168	172,089
Non-current liabilities		5,855,853	6,630,541
Current provisions	23	72,098	77,208
Trade and similar payables	27	929,744	966,246
Current financial liabilities	24	1,261,725	1,530,811
Current tax liabilities		21	0
Other liabilities	27	983,593	904,063
Current liabilities		3,247,181	3,478,329
TOTAL EQUITY AND LIABILITIES		13,738,107	14,408,655



1.4. CONSOLIDATED CASH FLOW STATEMENTS

CONSOLIDATED CASH FLOW STATEMENTS in thousands of euros	12/31/2009	12/31/2008
OPERATING ACTIVITIES		
Consolidated profit before tax	388,034	451,607
Depreciation, amortization and changes in fair value	619,761	587,551
Financial income and expenses	210,714	299,053
Gains and losses arising on disposal of assets	11,945	27,789
Change in working capital	(163)	35,874
Net cash flow from operations	1,230,290	1,401,874
Net financial expenses disbursed	(368,295)	(326,973)
Income taxes paid	(124,311)	(184,959)
Net cash flow from operating activities	737,684	889,942
INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment and intangibles	(1,023,195)	(843,108)
Disposals of property, plant and equipment and intangibles	8,413	4,280
Changes in financial assets ³	1,230,798	(1,085,670)
Net cash flow from investing activities	216,016	(1,924,498)
FINANCING ACTIVITIES		
Issuance of borrowings ⁴	200,764	2,235,036
Repayment of borrowings ⁵	(1,214,430)	(1,007,111)
Dividends paid	(160,219)	(232,475)
Other equity movements	764	1,536
Investment subsidies	82,800	72,944
Net cash flow from financing activities	(1,090,321)	1,069,930
Change in scope of consolidation ⁶	0	(31,038)
Financial income on cash and cash equivalents	12,760	76,611
Net increase/(decrease) in cash and cash equivalents	(123,861)	80,947
Cash and cash equivalents - opening balance	207,522	126,575
Cash and cash equivalents - closing balance	83,661	207,522

3 - Changes in financial assets mainly reflect the €1,232 million decrease in marketable securities (negotiable debt instruments with original maturity of over 3 months) held by the Group between December 31, 2008 and December 31, 2009. These securities were included in available-for-sale financial assets at December 31, 2008, but were sold in 2009 to repay a related party borrowing (EDF SA) which matured on January 28, 2009.

4 - The Group undertook two drawings on its 2008 bond issue program totalling €2,250 million.

5 - During 2009 the Group repaid a portion of the synthetic debt to EDF SA amounting to €1,190 million. The repayment in 2008 amounted to €837 million.

6 - Most of the change in the scope of consolidation in 2008 is explained by the cash and cash equivalents of HGRT which have been accounted for under the equity method since December 31, 2008.

1.5. CHANGES IN CONSOLIDATED EQUITY

CHANGES IN CONSOLIDATED EQUITY in thousands of euros	Share capital	Change in financial instruments	Consolidated reserves and net income	Group share of equity	Minority interests	Total equity
Equity at December 31, 2007	2,132,286	(6,653)	2,101,891	4,227,523	16,152	4,243,675
Financial instruments		4,951		4,951		4,951
Deferred taxes		(368)	3,082	2,714		2,714
Other changes			1,003	1,003	(16,152)	(15,148)
Net income recognised directly in equity	2,132,286	(2,070)	2,105,976	4,236,192	–	4,236,192
2008 net income			294,864	294,864		294,864
Total recognised in income for the period	2,132,286	(2,070)	2,400,839	4,531,055	–	4,531,055
Dividends paid			(232,475)	(232,475)		(232,475)
Free shares attributed to employees			1,205	1,205		1,205
Equity at December 31, 2008	2,132,286	(2,070)	2,169,570	4,299,786	–	4,299,786
Financial instruments		(2,142)		(2,142)		(2,142)
Deferred taxes		(417)	(2,576)	(2,993)		(2,993)
Other changes			363	363		363
Net income recognised directly in equity	2,132,286	(4,629)	2,167,357	4,295,014	–	4,295,014
2009 net income			499,515	499,515		499,515
Total recognised in income for the period	2,132,286	(4,629)	2,666,872	4,794,528	–	4,794,528
Dividends paid			(160,219)	(160,219)		(160,219)
Free shares attributed to employees			764	764		764
Equity at December 31, 2009	2,132,286	(4,629)	2,507,416	4,635,073	–	4,635,073

Notes to the consolidated financial statements

The RTE Group (“the Group”) comprises the parent company RTE EDF Transport, two subsidiaries, shares in two associates and one joint venture.

RTE EDF Transport is a *société anonyme*, a French limited company whose shares are not listed but which issues debt securities which may be held by the public.

It manages the French electricity transmission network with responsibility for operating, maintaining and developing the network. It guarantees smooth and safe operation of the French electric system, providing on-demand, equitable access to all network users.

RTE EDF Transport's two subsidiaries are:

- **Arteria SASU**, which markets:
 - ★ **optical fibres** constructed by RTE EDF

Transport, through the sale of long-term rights of use;

- ★ **isolated radio pylons** or power system pylons which have been pre-equipped to host operators' mobile telephone facilities for broadband supply to the final customer, as a complement to the use of optical fibres.

- **RTE International (RTE I) SASU**, which provides engineering and consulting services outside France in all areas of an electricity transmission network operator's business.

RTE EDF Transport owns INELFE SAS (Interconnexion Electrique France – Espagne) jointly with REE (Red Electricité de España). INELFE was formed to construct a new electricity transmission line in order to increase interconnection capacity between the

French and Spanish transmission networks. The Group's associates are:

- **The HGRT Group**, consisting of a financial holding company (*HGRT - Holding des Gestionnaires de Réseau de Transport d'électricité*, a SAS French limited company) and Powernext, a company related to HGRT that handles financial management for energy purchase and sale markets on French territory.

- **Coreso SA**, which coordinates operation of electricity networks, covering France, UK and Belgium.

The RTE Group's financial statements were prepared in compliance with IFRS at December 31, 2009 under the responsibility of the Executive Board, which approved them on February 1, 2010.

Note 1 - GROUP ACCOUNTING STANDARDS

1.1. GROUP ACCOUNTING STANDARDS

Pursuant to European regulation 1606/2002 of July 19, 2002 on the adoption of international accounting standards, the RTE Group's consolidated financial statements

for the year ended December 31, 2009 are prepared under the international accounting standards published by the IASB and approved by the European Union for application at December 31,

2009. These international standards are IAS (International Accounting Standards), IFRS (International Financial Reporting Standards), and interpretations issued by the SIC and IFRIC.

1.2. DECLARATION OF CONFORMITY AND GROUP ACCOUNTING POLICIES

The accounting and valuation methods applied by the Group in the consolidated financial statements for the year ended December 31, 2009 are identical to those used in the consolidated financial statements for the year ended December 31, 2008, with the exception of standards endorsed by the European Union in 2007, 2008 and 2009 that became mandatory from January 1, 2009.

This concerns the following standards, amendments and interpretations:

★ **Revised IAS 1, “Presentation of Financial Statements”**; in addition to the income statement, this standard requires disclosure of a “Statement of net income and gains and losses recorded directly in equity”. This statement details the unrealized gains and losses included in equity, such as changes in the fair value of available-for-sale financial assets, hedging instruments and translation adjustments. This information was previously shown in the table of changes in consolidated equity.

★ **Revised IAS 23, “Borrowing costs”**, which no longer allows immediate expensing of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, and requires such costs to be capitalized as part of the cost of the asset. The impacts of this amendment are presented in note 13.1.

★ **IFRS 8, “Operating segments”**. This standard, which replaces IAS 14, requires the entity's segment reporting to be presented according to the operating

segments which are regularly reviewed by management. It has no impact on the Group's financial statements.

*** Amendments to IFRS 1 and IAS 27**

"Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate".

*** The amendment to IFRS 2,**

"Vesting Conditions and Cancellations".

*** Amendments to IAS 32 and IAS 1**

entitled "Puttable financial instruments and Obligations Arising on Liquidation".

*** Amendments to IFRS 7,** "Improving Disclosures about Financial Instruments".

*** Amendments to IFRIC 9 and IAS 39,**

"Embedded Derivatives".

*** Amendments applicable as of**

January 1, 2009 as part of the annual improvements to IFRSs (2006-2008).

*** IFRIC 13,** "Customer Loyalty Programmes";

*** IFRIC 14,** "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

*** IFRIC 11,** "IFRS 2: Group and Treasury Share Transactions", has been applied early by the Group since December 31, 2007.

On September 10, 2009 the European Union adopted a new version of the amendment to IAS 39 and IFRS 7, "Reclassification of Financial Assets – Effective Date and Transition". The previous amendment had applied since July 1, 2008 without any impact on the Group financial statements. As the new amendment does not require companies that complied with the previous version to present new financial statements, there is no accounting impact for the Group.

In accordance with article 2 of European Commission regulation EC 1164/2009 (November 27, 2009), the Group will apply IFRIC 18 from January 1, 2010.

The Group has decided against early application of standards endorsed by the European Union during 2009 but not yet mandatory:

*** IAS 27, "Consolidated and Separate Financial Statements" as amended, and revised IFRS 3, "Business combinations":**

these standards, which were endorsed by the European Union on June 12, 2009, will apply to business combinations that take place in financial years starting on or after July 1, 2009 (i.e. from January 1, 2010 for the Group).

*** IFRIC 12, "Service Concession Arrangements":**

the European Union adopted IFRIC 12 with the publication in its Official Journal of Commission Regulation (EC) No. 254/2009 of 25 March 2009. This interpretation must be applied no later

than the opening date of the first financial year that starts after the Regulation comes into force, which for RTE is January 1, 2010;

*** Revised IFRS 1, "First-time**

Adoption of International Financial

Reporting Standards", which was adopted by the European Union on November 26, 2009 and has no impact on the Group's financial statements.

*** Amendment to IAS 32,**

"Classification of Rights Issues",

which was approved by the European Union on December 24, 2009. The potential impact is currently being evaluated.

*** Amendments to IAS 39 on "Eligible**

Hedged Items", which were adopted by

the European Union on September 16, 2009 and apply to financial years starting on or after July 1, 2009 (i.e. from January 1, 2010 for RTE). The potential impact is currently being assessed.

*** Amendments to IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations" and IFRS 1, "First-time Adoption of International Financial Reporting Standards"**

described in the annual improvements (2006-2008) to international standards, which will be mandatory for financial years beginning on or after January 1, 2010.

*** IFRIC 15, "Agreements for the**

Construction of Real Estate",

approved by the European Union on July 23, 2009. This interpretation has no impact for the Group.

*** IFRIC 16, "Hedges of a Net**

Investment in a Foreign Operation"

adopted by the European Union on June 5, 2009. The potential impact of this interpretation is currently being evaluated.

*** IFRIC 17, "Distributions of Non-**

cash Assets to Owners" adopted by the

European Union on November 27, 2009. The potential impact of this interpretation is currently being evaluated.

Regarding IFRIC 12, following an analysis of the situation the Group currently considers that when the interpretation applies, it will have no impact on the balance sheet and income statement. Details of this analysis are presented in note 2.10.5.

The potential impact of all other standards, amendments and interpretations is still under assessment.

Similarly, the Group has not opted for early application of the following standards, amendments and interpretation likely to be approved by the European Union in 2010 at the earliest:

*** IAS 24 (revised),** "Related Party Disclosures";

*** annual improvements to IFRS (2007-2009);**

*** amendments to IFRS 1,** "Additional Exemptions for First-Time Adopters";

*** amendment to IFRS 2** "Group cash-Settled Share-Based Payment transactions";

*** amendments to IFRIC 14,**

"Prepayments of a Minimum Funding Requirement";

*** IFRIC 19,** "Extinguishing Financial

Liabilities with Equity Instruments".

Finally, as part of the ongoing overhaul of IAS 39, the IASB adopted a new standard in November 2009, IFRS 9, "Financial instruments" (Phase 1, Classification and Measurement). This standard has not yet been adopted by the EU, and in application of current regulations, cannot be applied early for the year ended December 31, 2009.

The potential impact of all these standards, amendments and interpretations is still under assessment.



Note 2 - SUMMARY OF THE PRINCIPAL ACCOUNTING AND VALUATION METHODS

The following accounting methods have been applied consistently through all the periods presented in the consolidated financial statements.

2.1. VALUATION

The consolidated financial statements are based on historical cost valuation, with the exception of certain financial instruments and available-for-sale financial assets, which by con-

vention are stated at fair value. The methods used to determine the fair value of these instruments are presented in note 2.13.1.3.

2.2. MANAGEMENT JUDGMENT AND ESTIMATES

The preparation of the financial statements requires the use of judgments, best estimates and assumptions in determining the value of assets and liabilities, income and expenses recorded for the period, and positive and negative contingencies at year-end.

The figures in future financial statements may differ from current estimates due to changes in these assumptions or economic conditions.

The principal sensitive accounting methods involving use of estimates and judgments are described below. Given their importance in the Group's financial statements, the impact of any change in assumption in these areas could be significant.

Provisions are established to cover probable outflows of resources to third parties without any benefit in return for the Group. The amount is estimated based on the most probable situations.

2.2.1. Pensions and other long-term and post-employment benefits

The value of pensions and other long-term and post-employment benefit obligations is based on actuarial valuations that are sensitive to assumptions concerning discount rates and wage increase rates. The relevant provisions amount to €413 million at December 31, 2009 (€376 million at December 31, 2008).

2.2.2. Long-term assets

Impairment tests and the useful lives of long-term assets are sensitive to the macro-economic assumptions used, and medium-term financial forecasts. The Group therefore revises the underlying estimates and assumptions based on regularly updated information.

2.2.3. Financial assets and liabilities

The Group considers that the balance sheet values of cash and cash equivalents, negotiable debt instruments, trade receivables and trade payables are a good approximation of

their market value due to the high liquidity of these items.

The market values of listed investment securities are based on their year-end stock market value. The net book value of other securities is a reasonable approximation of their fair value.

The fair value of financial liabilities was determined using:

- ★ **estimated future cash flows**

discounted at rates observable at the year-end for instruments with similar conditions and maturities;

- ★ **stock market value for convertible, exchangeable and indexed bonds.**

The net book value of current bank loans is a reasonable approximation of their fair value.

2.3. CONSOLIDATION METHODS

Subsidiaries are companies in which the Group has exclusive control and are fully consolidated. Exclusive control means the power to govern the enterprise's financial and operating policies either directly or indirectly so as to

obtain benefit from its activities. Exclusive control is presumed when RTE directly or indirectly holds more than 50% of the voting rights. Voting rights that are potentially exercisable at the closing date, even by another party, are taken into consideration

in determining the level of control over a subsidiary.

Joint ventures are companies that the Group jointly controls with other parties under contractual agreements, and are proportionally consolidated.

Associates are companies in which the Group exercises significant influence on the financial and operating policies without controlling the company. Associates are accounted for under the equity method. They are carried in the balance sheet at historical cost adjusted for the share of net assets generated after acquisition, less any impairment. The Group's share in net income for the period is reported under the income statement heading "Share in income of companies accounted for under the equity method".

All significant transactions between consolidated companies and unrealized internal profits are eliminated.

At December 31, 2008, Arteria and RTE International are fully consolidated and HGRT is accounted for under the equity method.

At December 31, 2009, Arteria and RTE International are fully consolidated. INELFE is proportionally consolidated. The HGRT Group and Coreso are accounted for under the equity method.

A list of Group companies is provided in note 33.

2.4. TRANSLATION METHODS

2.4.1. Reporting currency - Functional currency

The Group's financial statements are presented in euros, which is both its functional and reporting currency. All figures are rounded up or down to the nearest million.

2.4.2. Translation of transactions in foreign currencies

In application of IAS 21, transactions expressed in foreign currencies are initially translated and recorded in the functional currency of the entity concerned, using the rate in force at the transaction date.

At each reporting date, monetary assets and

liabilities expressed in foreign currencies are translated at the closing rate. The resulting foreign exchange differences are taken to the income statement.

2.5. RELATED PARTIES

Related parties include EDF SA and companies in which EDF SA exercises control, joint control or significant influence. They also include members of the Group's management and governance bodies.

2.6. SALES

Sales essentially comprise income from energy transmission and services. Services include provision of interconnection capacity at national borders.

The Group accounts for sales when:

- * a contract exists;
- * delivery has taken place (or the service has been provided);
- * a quantifiable price has been established or can be determined;
- * and the receivables are likely to be recovered.

Delivery takes place when the risks and benefits associated with ownership are transferred to the buyer.

Sales of goods and revenues on services not completed at the balance sheet date are valued by the percentage of completion method (i.e. based on the stage of completion at the balance sheet date).

2.7. OTHER EXTERNAL EXPENSES

Transactions related to responsibility for the energy generation/consumption balance in the electricity transmission

network are reported net under "Other external expenses".



2.8. INCOME TAXES

Income taxes include the current tax expense (income) and the deferred tax expense (income), calculated under the tax legislation in force in the countries where earnings are taxable.

Current and deferred taxes are recorded in the income statement, or in equity if they concern items directly allocated to equity.

The current tax expense (income) is the estimated amount of tax due on the taxable income for the period, calculated using the tax rates adopted at the year-end.

Deferred taxes result from temporary differ-

ences between the book value of assets and liabilities and their tax basis.

Deferred tax assets and liabilities are valued at the expected tax rate for the period in which the asset will be realized or the liability settled, based on tax rates adopted at the year-end.

Deferred taxes are reviewed at each closing date, to take into account changes in tax legislation and the prospects for recovery of deductible temporary differences.

Deferred tax assets are only recognized when it is probable that the Group will have sufficient taxable profit to utilize the benefit of

the asset in the foreseeable future, or beyond that horizon, if there are deferred tax liabilities with the same maturity.

RTE EDF Transport, Arteria and RTE International are included in the EDF Group tax consolidation. The tax consolidation agreement in force states that the tax borne is equal to the tax the companies would have borne (less all rights to deductions) if they had not been part of a tax consolidation.

2.9. INTANGIBLE ASSETS

Intangible assets mainly consist of purchased or internally designed and developed software. These assets are recorded at historical cost and amortized on a straight-line basis over their useful lives, which are generally between 3 and 15 years.

Software licence acquisition costs and the cost of creating and developing software are reported at a value based on the costs incurred to acquire the software, or create it

and put it into operation. Costs directly associated with production of identifiable, unique software that is controlled by the Group, and will probably generate future economic benefits greater than the cost of the software over a period of more than one year, are capitalized. Costs directly associated with production include payroll costs for the personnel who developed the software and the internal and external expenses incurred in producing the asset.

Other research and development expenses are charged to expenses for the year they are incurred, unless they meet the requirements for capitalization as defined by IAS 38.

2.10. PROPERTY, PLANT AND EQUIPMENT

2.10.1. Initial measurement

Property, plant and equipment is recorded at acquisition or production cost.

The cost of facilities developed in-house includes all labor and materials costs, and all other production costs attributable to the construction cost of the asset.

The Group capitalizes safety expenses incurred as a result of legal and regulatory obligations sanctioning non-compliance by an administrative ban from operation.

The Group applies the component approach in compliance with IAS 16.

Borrowing costs for capital used to finance investments are capitalized when directly attributable to acquisition or construction of a qualifying asset under IAS 23.

2.10.2. Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their useful life. Land is the only tangible asset that is not depreciated.

Depreciation is calculated based on the gross value of the assets concerned, which will have zero residual value at the end of their useful life.

The estimated useful lives for the principal facilities are the following:

- ★ **lines and cables:** 45 years;
- ★ **transformers:** 40 years;
- ★ **cells and buses:** 45 years for "High voltage" equipment and 15 years for "Low voltage" equipment;
- ★ **auxiliary equipment:** 45 years;
- ★ **telecommunications and control equipment:** 10 years.

2.10.3. Subsequent investment expenditure

Subsequent costs are included in the book value of the asset, or recognized as a separate asset when it is probable that the future economic benefits from the asset will benefit the Group and the cost can be reliably measured. The book value of replaced items is derecognized.

2.10.4. Maintenance expenses – Safety spare parts

All repair and maintenance expenses are charged to the income statement during the period in which they are incurred.

Safety spare parts are treated as property, plant and equipment, and are depreciated *pro rata* to the useful life of the relevant facilities.

2.10.5. Public transmission network concession

RTE EDF Transport owns and controls its assets.

RTE EDF Transport is by law the public transmission network operator, and exercises this mission under the amendment signed on October 30, 2008 to the agreement of November 27, 1958, transferring the concession for the French public electricity transmission network to the company. The assets operated under this concession are by law the property of RTE EDF Transport.

Regarding the impact of IFRIC 12, "Service concession agreements" on the Group's consolidated financial statements, the accounting treatment applicable depends on the control exercised by the grantor over infrastructures and services during the concession:

- * **if the grantor has control,**
the agreement is governed by IFRIC 12 and

the concession infrastructures are recorded in the operator's accounts either as an intangible asset or a financial asset;

* **otherwise,** the contract is not governed by the interpretation and the concession infrastructures are recorded under existing IFRS.

The Group has not opted for early application of IFRIC 12, which was adopted by the European Union on March 25, 2009 and will be applied in the Group's financial statements from January 1, 2010.

Following an analysis of the control exercised by the grantor (type of infrastructure concerned electricity transmission) and also the legal aspects (respective rights and obligations of the grantor and operator defined in the concession agreement) and the environment (particularly the tariff and regulations), the Group considers that this interpretation will have no impact on its consolidated financial statements.

Under current regulations, RTE EDF Transport is the sole concession operator in France, and the assets assigned to the public transmission network are by law the property of the company.

Consequently, the RTE Group considers that the grantor does not have control over the infrastructures as defined by IFRIC 12, and records public/private contracts in compliance with standards and interpretations IAS 16, IAS 17, IAS 18, IAS 37, IFRS 6, and IFRIC 4.

2.11. LEASES

In the course of its business, the Group uses assets made available under lease contracts. These contracts are analyzed in the light of the situations described and indicators supplied in IAS 17 in order to determine whether they are finance leases or operating leases.

2.11.1. Finance leases

Lease agreements that effectively transfer virtually all the risks and benefits incident to ownership of the leased assets to the Group are classified as finance leases. The main criteria examined in determining whether virtually all the risks and benefits are transferred by an agreement are the following:

- * **the ratio** of the duration of the lease to the leased assets' useful life;
- * **total discounted future** payments as a ratio of the fair value of the financed asset;
- * **whether ownership is transferred** at the end of the lease;
- * **whether the purchase option** is attractive;
- * **the features specific** to the leased asset.

Finance-leased assets are reported under the relevant asset headings, with recognition of a corresponding financial liability: they are depreciated over their useful life, or over the term of the corresponding lease agreement when this is shorter.

If the Group performs a sale and leaseback operation resulting in a finance lease agreement, this is recognized in accordance with the principles described above. If the transfer price is higher than the asset's book value, the surplus is deferred and recognized as income progressively over the term of the lease.

Leases that qualify for definition as a finance lease but whose restatement would not significantly affect the fair presentation of the net assets, financial position or results of Group activities are treated as operating leases.

Following an analysis, the Group did not reclassify any finance lease as an asset at December 31, 2009.

2.11.2. Operating leases

Lease agreements that do not qualify as finance leases are classified and recognized as operating leases.

Payments made in application of these agreements (net of benefits received from the lessor) are included in expenses in the income statement on a straight-line basis over the duration of the lease.

2.11.3. Arrangements containing a lease

In compliance with interpretation IFRIC 4, the Group identifies agreements that convey the right to use an asset or group of specific assets to the purchaser although they do not have the legal form of a lease contract, as the purchaser in the arrangement benefits from a substantial share of the asset's production and payment is not dependent on production or market price.

No such arrangements qualifying as a lease under IFRIC 4 has been identified.



2.12. IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

At the year-end and at each interim reporting date, the Group assesses whether there is any indication that any asset could have been significantly impaired. If so, an impairment test is carried out.

This impairment test is applied overall for all assets, as follows:

- ★ **the Group measures any long-term impairment of assets** (taken as a whole) by comparing the carrying value of the assets and their recoverable amount, usually their value in use determined using the discounted future cash flow method;
- ★ **the discount rate** used is based on the weighted average cost of capital for all assets;

★ **future cash flows** are based on medium-term plan projections over five years.

Variables that can significantly affect the calculations are:

- ★ **changes in tariff regulation** and market prices;
- ★ **changes in interest rates** and market risk premiums;
- ★ **the level of investment;**
- ★ **the useful lives of facilities,** and the plan for concession renewal;
- ★ **the growth rates** used beyond the medium-term plans and the terminal values taken into consideration.

Intangible assets with an indefinite useful life are not amortized, and are systematically subjected to an impairment test every year. The Group's only tangible asset with an indefinite useful life is land.

The group recognized no impairment on intangible assets and property, plant and equipment at December 31, 2009 and 2008.

2.13. FINANCIAL ASSETS AND LIABILITIES

Financial assets include available-for-sale assets (non-consolidated investments and other investment securities), loans and financial receivables, and the positive fair value of financial derivatives.

Financial liabilities comprise financial borrowings and debts, bank credit and the negative fair value of financial derivatives.

Financial assets and liabilities are recorded in the balance sheet as current if they mature within one year and non-current if they mature after one year, apart from derivatives held for trading, which are all classified as current.

Operating debts and receivables, and cash and cash equivalents, are governed by IAS 39 and reported separately in the balance sheet.

2.13.1. Classification and valuation methods for financial assets and liabilities

The Group classifies its financial assets as follows under IAS 39 and IFRS 7:

- ★ **financial assets** carried at fair value with changes in fair value included in income;
- ★ **held-to-maturity financial assets** (none at December 31, 2009);
- ★ **loans and financial receivables;**
- ★ **available-for-sale financial assets.**

Initial recognition of these financial assets is at fair value, and subsequent measurement differs according to the class of asset.

2.13.1.1. Financial assets carried at fair value with changes in fair value included in income

Financial assets carried at fair value with changes in fair value included in the income statement are classified as such at the inception of the operation. This applies to:

- ★ assets acquired from the outset with the intention of resale in the short term;
- ★ or derivatives not classified as hedges (derivatives held for trading).

These assets are recorded at the transaction date, at acquisition cost. At each subsequent reporting date they are measured at fair value, and changes in fair value are recorded in the income statement under the heading "Other financial income and expenses".

2.13.1.2. Loans and financial receivables

Loans and financial receivables are valued and recorded at the transaction date, at amortized cost less any impairment or provision. The fair value of loans and financial receivables generally corresponds to the nominal recoverable or reimbursable amount.

Interest is calculated at the effective interest rate and recorded in the income statement under the heading "Other financial income and expenses".

2.13.1.3. Available-for-sale financial assets

Available-for-sale financial assets comprise non-consolidated investments, reserved funds and investment securities (investment funds

and negotiable debt instruments).

They are recorded at fair value at the reporting date. Unrealized gains or losses on these assets are recorded in equity.

Fair value measurement is based on quoted prices for instruments listed on an active market. If no active market exists, the Group uses generally-accepted valuation methods. When a fair value cannot be reliably estimated by other accepted valuation methods such as discounting future cash flows, these instruments are valued at acquisition cost less any accumulated impairment.

For available-for-sale financial assets represented by debt securities, interest is calculated at the effective interest rate and credited to the income statement under the heading "Other financial income and expenses".

2.13.1.4. Financial liabilities

Financial liabilities are recorded at amortized cost, with separate reporting of embedded derivatives where applicable. Interest is calculated at the effective interest rate and recorded under the heading "Cost of gross financial indebtedness" over the duration of the financial liability. The fair value of these liabilities is identical to market value for the Group's 2006 bond issue and for the related increases of April and August 2008. For other financial liabilities, it is determined by discounting future cash flows. The fair value of financial liabilities is reported in note 24.2.4.

2.13.1.5. Derivatives

2.13.1.5.1. Scope

The scope of derivatives applied by the Group corresponds to the principles set out in IAS 39.

In particular, forward purchases with physical delivery are considered to fall outside the scope of application of IAS 39 when the contract concerned has been entered into as part of the Group's normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- * a physical delivery takes place under all such contracts;
- * the volumes purchased or sold under the contracts correspond to the Group's operating requirements.

These contracts cannot be considered as options as defined by the standard. In the specific case of electricity purchase contracts, the contract is substantially equivalent to a firm forward purchase or can be considered as a capacity purchase.

Currently, all energy purchase contracts are considered to be part of normal business.

In compliance with IAS 39, the Group analyses all its contracts, of both a financial and non-financial nature, to identify the existence of any "embedded" derivatives. Any component of a contract that affects the cash flows of that contract in the same way as a stand-alone derivative corresponds to the definition of an embedded derivative.

If they meet the conditions set out by IAS 39, embedded derivatives are accounted for separately from the host contract at inception date.

2.13.1.5.2. Measurement and recognition

Derivatives are initially recorded at fair value, based on quoted prices and market data available from external sources. The Group may also refer to recent comparable transactions or base its valuation on internal models that are recognized by market participants, giving priority to information directly derived from observable data, such as over-the-counter listings.

Changes in the fair value of these derivatives are recorded in the income statement, unless they are classified as cash flow hedging instruments.

2.13.1.5.3. Derivatives classified as hedges

The Group may use derivative instruments

to hedge its foreign exchange and interest rate risks.

The Group applies the criteria defined by IAS 39 in classifying derivatives as hedges.

The instrument must hedge changes in fair value or cash flows attributable to the risk hedged, and the effectiveness of the hedge (i.e. the degree to which changes in the value of the hedging instrument offset changes in the value of the hedged item or future transaction) must be between 80% and 125%.

In the case of cash flow hedges, the future transaction being hedged must be highly probable. Reliable measurement of the effectiveness of the hedge must also be possible, and the hedge must be supported by appropriate documentation from its inception.

In 2008 and 2009, the Group did not use any financial instruments classified as hedges.

2.13.2. Impairment of financial assets

At the year-end and at each interim reporting date, the Group assesses whether there is any objective evidence that an asset could have been significantly impaired. If so, the Group estimates the asset's recoverable value and records any necessary impairment as appropriate for the category of asset concerned.

2.13.2.1. Financial assets recorded at amortized cost

Impairment is equal to the difference between the asset's net book value and the discounted value of expected future cash flows, using the original effective interest rate of the financial instrument. The impairment is included in the income statement under the heading "Other financial expenses". If the impairment loss decreases in a subsequent period, it is reversed and transferred to the income statement.

The Group recognized no impairment on financial assets in 2008 and 2009.

2.13.2.2. Available-for-sale financial assets

If there is a significant or long-term decrease in the fair value of available-for-sale financial assets, the unrealized loss is reclassified from equity to income. If, in a subsequent period, the fair value of an available-for-sale financial asset increases, the increase in value is recorded in equity for equity instruments, while for debt instruments the impairment

previously recorded is reversed and transferred to the income statement.

The Group recognized no impairment on available-for-sale financial assets in 2008 and 2009.

2.13.3. Derecognition of financial assets and liabilities

Derecognition is applied for all or part of:

- * a financial asset, when the contractual rights making up the asset expire, or the Group substantially transfers most of the significant risks and benefits associated with ownership of the asset;
- * a financial liability, when the liability is extinguished due to cancellation or expiry of the obligation.



2.14. INVENTORIES

Inventories are stated at the lower of historical cost and net realizable value.

Equipment in inventories, essentially comprising technical equipment, is carried at purchase price including related expenses but excluding financial expenses. Inventories are valued using the average weighted cost method.

The provision covers risks of deterioration or non-use of equipment in inventories caused by:

- * **technical obsolescence;**
- * **future destruction or scrapping.**

It is calculated for each item of equipment in inventories based on the following indicators of impairment:

- * **technically obsolete** articles that will no longer be used;

- * **equipment for which the quantity in stock**, estimated in terms of years of consumption, exceeds certain thresholds considered decisive for the risk of non-use;
- * **equipment sent for repair.**

2.15. TRADE AND SIMILAR RECEIVABLES

On initial recognition, trade and similar receivables are stated at nominal value (which is the fair value of the consideration received or to be received), then subse-

quently adjusted to amortized cost. Impairment is recorded when their carrying amount, based on the probability of recovery, is less than their book value. The risk associated

with doubtful receivables is assessed individually.

Trade and similar receivables also include unbilled receivables.

2.16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise very liquid assets and very short-term investments, usually maturing within three months or less of the acquisition date, and with negligible risk of fluctuation in value.

Securities held short-term and classified as cash equivalents are recorded at fair value, with changes in fair value included in the heading "Financial income on cash and cash equivalents".

2.17. EQUITY - IMPACT OF RESTATEMENT TO FAIR VALUE OF FINANCIAL INSTRUMENTS

The impact of restatement to fair value of financial instruments results from the adjustment to fair value of available-for-sale financial assets and certain hedging instruments.

2.18. PROVISIONS

The Group recognizes provisions if the following three conditions are met:

- * **the Group has a present obligation** (legal or constructive) towards a third party that arises from a past event prior to the closing date;
- * **it is probable that an outflow of resources embodying economic benefits** will be required to settle the obligation;
- * **the obligation amount can be estimated reliably.**

Provisions are determined based on the Group's estimate of the expected cost necessary to settle the obligation. Estimates are based on management data from the information system, assumptions adopted by the Group, and if necessary experience of similar transactions, or in some cases based on independent expert reports or contractor quotes.

The various assumptions are reviewed for each closing of the accounts.

If it is anticipated that all or part of the expenses covered by a provision will be reimbursed, the reimbursement is recognized under receivables if and only if the Group is virtually certain of receiving it.

2.19. EMPLOYEE BENEFITS

RTE Group employees are entitled to benefits both during and after their employment (under specific rules for the electricity and gas sector (IEG) in France).

2.19.1. Pension and post-employment benefit obligations

When they retire, Group employees benefit from pensions determined under the statutory regulations for the IEG sector.

The Group's obligations are described in note 23.2.2.

2.19.2. Other long-term benefit obligations

These benefits concern employees currently in service, and are earned according to the statutory regulations for the electricity and gas sector. Details are provided in note 23.2.3.

2.19.3. Calculation and recognition of employee benefits

Obligations under defined-benefit plans are subject to actuarial valuation. They are calculated by the projected unit credit method, which determines the present value of entitlements earned by employees at year-end to pensions, post-employment benefits and long-term benefits, taking into consideration each country's specific economic conditions and expected wage increases.

In calculating pensions and other post-employment benefit obligations, this method takes the following factors into consideration:

- * **career-end salary levels**, with reference to employee seniority, projected salary levels at the time of retirement based on the expected effects of career advancement, and estimated trends in pension levels;
- * **retirement age**, determined on the basis of relevant factors (such as years of service and number of children);
- * **forecast numbers of pensioners**, determined based on employee turnover rates and available mortality data;
- * **reversion pensions**, taking into account both the life expectancy of the employee and his/her spouse and the marriage rate observed for the population of employees in the electricity and gas sector;
- * **a discount rate** (5.75% at December 31, 2008 and 5.25 % at December 31, 2009).

The provision takes into account the value of the fund assets that cover the pension obligations, which are deducted from the value of the obligation as determined above.

Any actuarial gains or losses on pensions and post-employment benefit obligations in excess of 10% (the "corridor") of the obligations or fund assets, whichever is the higher, are recognized in the income statement progressively over the average residual working life of the company's employees.

Provisions for other long-term benefits are

measured under a simplified method according to the applicable accounting regulations. Therefore, if an actuarial estimation under the projected unit credit method is necessary, any actuarial variance and the past service cost are directly included in the provision without application of the "corridor" rule.

The expense booked for employee benefit obligations includes:

- * **the cost of additional vested benefits**, and the financial discount cost of existing benefits;
- * **the income corresponding** to the expected return on fund assets;
- * **the income or expenses resulting from amortization** of actuarial gains or losses;
- * **the income or expenses related to changes** in the benefit systems or introduction of new systems.

2.20. SHARE-BASED PAYMENTS

Article 11 of the French privatization law of 1986 and article 26 of law 2004-803 of August 9, 2004 require a share offer to be reserved for current and retired employees of EDF SA and some of its subsidiaries, including RTE EDF Transport, when the State

sells an investment under financial market procedures.

The EDF Group can introduce free share plans for its employees. The benefits thus granted are considered as additional salary. The portion relative to Group employees is

recorded in expenses in the income statement as entitlements are earned by the employee, in compliance with IFRS 2.

The expense reported at the year-end corresponds to the fair value of the benefits granted.

2.21. INVESTMENT SUBSIDIES

Investment subsidies received by Group companies are included in liabilities under the heading "Other liabilities" and transferred to income as and when the eco-

nomie benefits of the corresponding assets are utilized.



2.22. ENVIRONMENTAL EXPENSES

Environmental expenses are identifiable, additional expenses incurred to prevent, reduce or repair damage to the environment that has been or may be caused by the Group as a result of its business. These expenses are recorded under two headings:

- ★ **they are capitalized** if they are incurred to prevent or reduce future damage or preserve resources;
- ★ **they are recognized** as expenses if they are operating expenses for the bodies in charge of environmental concerns,

environmental supervision, training and skill enhancement, environmental duties and taxes, and waste processing.

Note 3 - SIGNIFICANT EVENTS AND TRANSACTIONS OF 2009 AND 2008

3.1. EUROPEAN COURT RULING OF DECEMBER 15, 2009

A European Court ruling of December 15, 2009 cancelled the European Commission's decision of December 16, 2003 which had declared that non-payment by Electricité de France (EDF) in 1997 of income taxes on the utilized portion of provisions for renewal of French national grid facilities recorded under "grantor's rights" and reclassified as equity when EDF's balance sheet was restructured should be classified as state aid, and ordered its recovery

by the French State. In application of this decision, on December 30, 2009 the State returned to EDF SA the sum of €1,224 million, corresponding to the amount paid by EDF to the State in 2004.

As the transmission and distribution activities were transferred to subsidiaries in 2005 and 2007 respectively, EDF SA, RTE EDF Transport and ERDF SA are considered to share the rights to this reimbursement. EDF will thus repay the two subsidiaries the

amount attributed to them in proportions defined by the French energy regulator CRE (*Commission de Régulation de l'Énergie*) in a decision of February 26, 2004. RTE EDF Transport's share is 27.12% or €331 million¹. RTE and ERDF both recorded receivables on EDF at December 31, 2009 equivalent to their shares. For RTE, this receivable comprises financial income of €91 million and tax income of €210 million.

3.2. NEW ELECTRICITY NETWORK ACCESS TARIFF (TURPE 3)

The French energy regulator *Commission de Régulation de l'Énergie* (CRE) sent a new proposal for the TURPE 3 tariffs to the ministers in charge of energy and the economy. This proposal was accepted on June 5,

2009 and was published in France's Official Gazette (*Journal Officiel*) on June 19, 2009, with the application date set for August 1, 2009. The tariff provides for annual inflation-linked adjustments and introduction of incentive-

based regulation systems concerning control of operating expenses, the cost of compensating for network losses and continuous energy supply. The positive impact on 2009 sales is estimated at €29 million.

3.3. KLAUS CYCLONE

On January 24, 2009, the Klaus cyclone affected three regions in south and south-west France (Aquitaine, Midi-Pyrénées et Languedoc-Roussillon) and damaged the electricity network. The negative impact on operating income was €15 million (€11 million of which concerned external purchases).

3.4. 2009 INVESTMENT PROGRAM

On December 18, 2008 the CRE approved RTE EDF Transport's investment program for 2009, which was 23% higher

than 2008. At December 31, 2009 investments undertaken by RTE EDF Transport amounted to €1.025 billion.

¹ - The total amount of €331 million comprises: Financial income of €90.8 million corresponding to reimbursement of late payment interest (for the period 1997-2003), which is subject to income tax (- €31.3 million), Tax income of €241.1 million corresponding to reimbursement of the principal amount, which is not subject to income tax.

3.5. DEVELOPMENTS IN THE LITIGATION WITH SNCF

An agreement between the SNCF and EDF signed on December 22, 1999, known as the "line agreement", authorized EDF to use the high-voltage electricity line belonging to the SNCF in return for payment of an annual rental fee set by contract at €21.5 million.

In 2001, RTE (at the time a department of EDF) entered into a new contract with Réseau Ferré de France and considered that the "line agreement" was no longer applicable. Consequently, from January 1, 2002, RTE (department of EDF) reestimated the amount of rental due. The SNCF contested this decision and took the case to the Paris administrative court. In its decision of July 4, 2008, this court ruled that the SNCF's claim was valid and ordered RTE EDF Transport to pay €153.2 million including taxes (€128.1 million excluding taxes) plus interest at the legal

rate for the period January 1, 2002 to June 30, 2008.

RTE EDF Transport decided to file an appeal, also applying for execution of the decision to be suspended. As the appeal did not automatically suspend execution and the SNCF engaged a bailiff to start a procedure for recovery entailing a risk of seizure of its accounts, RTE settled the amount.

At December 31, 2009:

* **a further provision was recorded in other operating income and expenses to cover the rental for 2009** valued at €18.9 million, bringing the total provision to €27 million;

* **a €2.6 million expense** was recorded in external purchases.

In parallel to this litigation, RTE is due to purchase this network, which must become part

of the public electricity transmission network under article 10 of the law of August 9, 2004. The SNCF and RTE are in disagreement over the value of the network. The "Moulin Commission" set up under the same article of law to settle related disputes issued a decision on July 15, 2009 setting the price payable for transfer of the SNCF network at €140 million. The SNCF disagrees with this valuation and lodged a petition before the French Council of State on August 21, 2009.

3.6. FINANCING OPERATIONS

The European Investment Bank (EIB) and RTE signed a €400 million financing agreement on January 29, 2009 to finance part of RTE's investment program over the period 2009-2012. The Group had used €200 million at December 31, 2009.

On August 28, 2008 RTE EDF Transport drew a nominal amount of €1 billion on its bond program at the nominal rate of 5.125% for a 10-year duration. This refinanced part of the company's debt in January 2009 to the extent of €1.2 billion.

3.7. DIVIDENDS

The General Shareholders' meeting of June 19, 2009 decided to distribute a dividend of €160.2 million.

3.8. TAX INSPECTION

Following the tax inspection covering the tax years 2005, 2006 and 2007, RTE EDF Transport was notified of a further proposed tax reassessment on July 28, 2009.

RTE EDF Transport is contesting all the corrections notified. Two detailed responses to the proposed reassessments were sent on February 19 and October 2, 2009.

Since the reassessment has been partially upheld, until the final conclusions of the tax authorities are known, RTE EDF Transport has made an interim application to the Depart-

mental Commission for direct taxes and sales taxes. At a meeting held on December 15, 2009, RTE EDF Transport presented all the grounds for its contestation of the proposed reassessments.



3.9. SIGNIFICANT EVENTS AND TRANSACTIONS OF 2008

3.9.1. Signature of the amendment to the concession agreement

The amendment to the agreement of November 27, 1958 transferring the concession for the French public electricity transmission network to RTE EDF Transport was signed on October 30, 2008.

Through this amendment the French state and RTE EDF Transport revised the existing agreement in order to transfer the concession for development, maintenance and operation of the public transmission network on mainland France to RTE EDF Transport under terms complying with the standard terms and conditions approved by decree 2006-1731 of December 23, 2006. The concession terminates on December 31, 2051. At least five years before the expiry date, the operator must send the minister for energy a request to renew the concession.

3.9.2. Reform of the special electricity and gas sector (IEG) pension system in France

The decree on the special pension system for Electricity and Gas industry sector (IEG) employees published in France's Official Gazette (*Journal Officiel*) of January 22, 2008 was issued in accordance with France Pension Guideline Document (*Document d'Orientation sur les Retraites*) of October 10, 2007, setting forth the first modifications to the system.

The main provisions of this decree concern:

- ★ **prolongation of the IEG employees' contribution period** to qualify for a full-rate pension, increased to 40 years starting in 2012; subsequent changes will be identical to those applied in the standard public-sector pension system;
- ★ **introduction of discounts and premiums in pension rates;**
- ★ **indexation of pensions on inflation from January 1, 2009** rather than on the basic national salary (*Salaires Nationales de Base*) as previously.

The decree came into force on July 1, 2008 and was supplemented by the decrees of June 27, 2008 and July 2, 2008 covering matters such as introduction of a minimum pension, family and conjugal benefits, setting the

maximum retirement age at 65, and lifting the "15-year clause" in certain circumstances (before this reform, at least 15 years' employment in the sector were necessary to qualify for an IEG pension).

These two decrees modified the status of IEG employees.

New estimations for pension obligations and other "mutualized obligations" at January 1, 2008 for IEG companies were undertaken by the pension administration body CNIIEG (*Caisse nationale des Industries électriques et gazières*). For the purposes of the calculations, the RTE Group has considered that IEG status employees will change their behavior, extending their working life up to the duration necessary to qualify for a full pension subject to no reduction.

■ Impact on pension obligations at January 1, 2008

For specific benefits in the regulated transmission activity vested before January 1, 2005, the CTA levy (*Contribution Tarifaire d'Acheminement*) in principle finances these benefits, including the impacts of the reform and the support measures; however it does not cover the impact of the two newly-introduced additional grades, which the Group considers a surplus cost as defined in article 18 of the Law of August 9, 2004. As this surplus cost is to be borne by the companies concerned, the Group has established a €35 million provision, with a corresponding charge in "Other operating income and expenses" in the income statement.

For specific benefits vested from January 1, 2008, the annual amounts recognized as the current service cost are modified from January 1, 2008 and booked under personnel expenses.

■ Impact on other employee benefit obligations at December 31, 2008

The pension reform and support measures led to an increase in expenses in 2008.

One of the support measures related to discontinuation of the Pension Contribution Compensation Bonus (*Prime de Compensation de la Cotisation Retraite*) involves payment of a bonus to each employee, generating an expense of €6 million booked under "Other income and expenses".

In addition, the impact of the various measures taken in connection with the reform led

to a €6 million increase in recurring personnel expenses in 2008, mainly corresponding to the effects of pay measures on personnel expenses.

3.9.3. New subsidiaries and investments

New subsidiaries and investments in 2008 were as follows:

- ★ **INELFE SAS** (INterconnexion ELectrique France Espagne), in which RTE holds a €1,000,000 investment (50% of the capital), was formed to construct a 400 kV line across the Pyrenees mountains;
- ★ **the Belgian company Coreso SA**, in which RTE EDF Transport holds an investment, was formed to coordinate operation of electricity networks between France, UK and Belgium;
- ★ **the Luxembourg company CASC CWE SA** was formed by electricity transmission network operators in the west-central area of Europe. RTE EDF Transport holds a €5,000 investment (14.2% of the capital) in this company, which has been created to implement cross-border capacity auctions for electricity exchange in the west-central area of Europe;
- ★ **Declaranet**, in which RTE EDF Transport holds a €144,000 investment (12% of the capital), was formed to contribute to human safety and property security, and to protect infrastructures and facilities when building and other work is in process.

3.9.4. Financing operations

RTE EDF Transport made two drawings on its bond program during 2008:

- ★ **one of €1.25 billion nominal value on April 22, 2008**, with interest at the nominal rate of 4.875% and 7-year maturity;
- ★ **one of €1 billion nominal value on August 28, 2008**, with interest at the nominal rate of 5.125% and 10-year maturity.

These two drawings were undertaken to refinance part of RTE EDF Transport's debt.

3.9.5. Dividends

The General Shareholders' meeting of June 11, 2008 decided to distribute a dividend totaling €232.5 million.

Note 4 - CHANGES IN THE SCOPE OF CONSOLIDATION

Changes in the scope of consolidation during 2009 were as follows:

* **INELFE SAS** (Interconnexion Electrique France – Espagne), owned jointly by RTE EDF Transport and REE (Red Electricité de España) is proportionally consolidated. The objective of INELFE is to construct a new electricity transmission

line in order to increase the capacity for interconnection between the French and Spanish transmission networks.

* **Coreso SA**, owned 33% by RTE EDF Transport, is accounted for under the equity method. This company coordinates operation of electricity networks covering France, UK and Belgium.

Note 5 - SEGMENT REPORTING

Segment reporting corresponds to the Group's internal organization, reflecting the various risks and rates of return to which the Group is exposed, in accordance with IFRS 8, "Operating segments", which replaced IAS 14 from January 1, 2009.

In accordance with IFRS 8, the breakdown used by the Group corresponds to the sole operating segment (electricity transmission), as regularly reviewed by the Executive Board: the financial statements as a whole. The risks and rates of return on the business

must thus be assessed overall at the level of the Group in its current form.

Note 6 - SALES

Sales are comprised of:

In 2009, Group sales amounted to €4,130 million, a decrease of €91 million (-2.1%) compared to 2008. This downturn results from several factors:

- * network access fees (for withdrawals and injections) rose by €49 million (the weather effects offset the impact of the economic crisis) to €3,759 million;
- * income from interconnection auctions decreased by €125.5 million to €257 million;
- * income from other services was €14.4 million lower than in 2008.

in thousands of euros	12/31/2009	12/31/2008
Transmission network access - distributors	3,042,410	2,961,379
Transmission network access - other users	716,264	748,574
Interconnections	256,985	382,529
Other services	114,447	128,816
Sales	4,130,106	4,221,298



Note 7 - ENERGY PURCHASES

“Energy purchases” undertaken subject to tender to compensate for grid losses increased by €86 million from 2008, mainly due to the rise in the average purchase

price (settlement in 2009 of forward purchase contracts concluded in previous years).

ENERGY PURCHASES

in thousands of euros

2008	(760,511)
2009	(674,216)

Note 8 - OTHER EXTERNAL EXPENSES

Other external expenses comprise:

The increase in external services is largely due to the rise in costs for network safety (+€23 million) and the impact of the Klaus cyclone in January 2009 (+€11 million).

The change in inventories included in other purchases is -€9 million.

in thousands of euros	12/31/2009	12/31/2008
External services	(643,487)	(595,061)
Other purchases (excluding other services and energy)	(117,296)	(133,915)
System purchases (excluding energy purchases)	(405,619)	(387,357)
Change in inventories and capitalized production	146,019	139,239
Other external expenses	(1,020,383)	(977,094)

Note 9 - CONTRACTUAL OBLIGATIONS AND COMMITMENTS

At December 31, 2009, commitments given and received mature as follows:

in thousands of euros	Total	Maturity		
		< 1 year	1 à 5 years	> 5 years
Satisfactory performance, completion and bid guarantees	686	686		
Commitments related to orders for operating items (*)	1,760,829	965,317	751,457	44,055
Commitments related to orders for fixed assets	814,491	463,503	350,881	107
Other operating commitments	3,543	155		3,388
Commitments given relating to operating contracts	2,579,549	1,429,661	1,102,338	47,550
Operating commitments received	875,204	394,164	470,740	10,300

(*) Including energy purchases.

Note 10 - PERSONNEL EXPENSES

10.1. PERSONNEL EXPENSES

Personnel expenses comprise:

in thousands of euros	12/31/2009	12/31/2008
Wages and salaries	(454,843)	(434,850)
Social contributions	(216,771)	(202,058)
Employee profit sharing	(28,484)	(27,638)
Employee share ownership	(4,332)	(6,812)
Other expenses linked to short-term benefits	(771)	(546)
Short-term benefits	(705,201)	(671,904)
Expenses related to defined-contribution plans	40,703	38,274
Expenses related to defined-benefit plans	(37,534)	(42,059)
Post-employment benefits	3,169	(3,785)
Other long-term benefits	(14,746)	(1,346)
Other personnel expenses	(14,746)	(1,346)
PERSONNEL EXPENSES	(716,779)	(677,035)

10.2. FREE SHARE PLAN

Under the authorization approved by the EDF SA General Shareholders' Meeting of May 24, 2007, a free share plan was set up by the Board of Directors' meeting held on August 30, 2007 for the benefit of personnel of EDF SA and certain subsidiaries, including RTE EDF Transport. The perform-

ance objectives for the period 2006-2008 were achieved and the shares were delivered to the employees concerned on August 31, 2009. At that date 185,026 shares were delivered to RTE EDF Transport employees, with total value of €11 million. This operation led to a re invoicing agreement between EDF SA

and RTE EDF Transport. The re invoicing expense has been spread over the duration of the plan. The amount recognized in 2009 under "Employee share ownership" is €4.3 million.

10.3. AVERAGE WORKFORCE

Average workforce numbers are reported on a full-time equivalent basis.

	12/31/2009			12/31/2008		
	IEG status	Other	Total	IEG status	Other	Total
Executives	3,624	37	3,661	3,422	36	3,458
Operational, supervisory and technical staff	4,701	280	4,981	4,686	216	4,902
Average workforce	8,325	317	8,642	8,108	252	8,360

Note 11 - TAXES OTHER THAN INCOME TAX

TAXES OTHER THAN INCOME TAX

in thousands of euros

2008	(391,498)
2009	(411,171)

Taxes other than income tax rose by €20 million or 5%.

The main factors in this increase were:

- * an €8 million rise in the tax on pylons (price effect);
- * a €2 million rise in property tax;
- * a €10 million increase in business tax following the additional reduction due to the cap on value added in 2007, which

was applied by the local authorities and recognized in 2008.



Note 12 - OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses comprise:

Other operating income and expenses resulted in a net expense of €10 million at December 31, 2009 compared to a net expense of €153 million in 2008.

The €143 million difference is essentially due to:

- * a change concerning the amount notified in an administrative court decision in the litigation between RTE EDF Transport and the SNCF, which was paid in 2008, and the change between the two years in the provision for this litigation (€91 million).

in thousands of euros	12/31/2009	12/31/2008
Gains on disposal of property, plant and equipment	(11,928)	(28,120)
Net increase in provisions on current assets	(713)	(11,012)
Net increase in provisions for operating contingencies and losses	(8,867)	10,703
Other income and expenses	11,483	(124,371)
Other operating income and expenses	(10,025)	(152,801)

- * a decrease in the net expense related to derecognition of assets (demolition, scrap and disposals) (€16 million),

- * lower provisions on receivables (€11 million).

- * tax credits recorded as "other income" at December 31, 2009 in compliance with IAS 12 (€5 million).

Note 13 - FINANCIAL RESULT

13.1. COST OF GROSS FINANCIAL INDEBTEDNESS

The cost of gross financial indebtedness mainly comprises interest expenses on:

- * bond issues totaling €155.4 million,
- * the financial liability to EDF SA totaling €156.5 million.

Borrowing costs for capital used to finance intangible assets and property, plant and equipment are recorded in expenses at December 31, 2008.

Revised IAS 23, "Borrowing costs", has been

mandatory since January 1, 2009. This standard requires borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset to be capitalized as part of the costs of that asset. The amount of interest capitalized at December 31, 2009 was €3,000,000. Other borrowing costs continue to be charged to financial expenses over the relevant period.

COST OF GROSS FINANCIAL INDEBTEDNESS in thousands of euros

2008	(378,362)
2009	(312,369)

13.2. DISCOUNT EXPENSE

The discount expense is calculated using a discount rate of 5.25% at December 31, 2009 compared to 5.75% at December 31, 2008.

in thousands of euros	12/31/2009	12/31/2008
Provisions for post-employment benefits and long-term benefits	(27,758)	(23,897)
Other provisions	-	-
Discount expense	(27,758)	(23,897)

13.3. OTHER FINANCIAL INCOME AND EXPENSES

Other financial income and expenses comprise:

At December 31, 2009, the Group recognized financial income of €91 million in "Other financial income and expenses" following the decision of the European Court.

in thousands of euros	12/31/2009	12/31/2008
Income on cash and cash equivalents and available-for-sale financial assets	12,777	76,785
Gains (losses) on other financial assets	1,724	6,352
Other financial income (expenses)	88,215	(2,256)
Return on hedging assets	2,013	2,627
Other financial income and expenses	104,730	83,508

Note 14 - INCOME TAXES

14.1. BREAKDOWN OF INCOME TAX CHARGE

Details are as follows:

in thousands of euros	12/31/2009	12/31/2008
Current tax expense	87,560	(184,959)
Deferred taxes	23,913	25,014
Total	111,474	(159,945)

14.2. RECONCILIATION OF THE THEORETICAL AND EFFECTIVE TAX EXPENSE

in thousands of euros	12/31/2009	12/31/2008
Consolidated profit before tax	388,034	451,607
Tax rate applicable	34.43%	34.43%
Theoretical tax expense	133,600	155,488
Differences in tax rate	68	(25)
Permanent differences	(6,032)	5,695
Taxes without basis	(238,965)	(3,174)
Employee share ownership	(2,313)	2,345
Other	2,168	(384)
Actual tax expense	(111,474)	159,945
Effective tax rate	-28.73%	35.42%

At December 31, 2009 the Group recognized net tax income of €111 million, compared to a net expense of €160 million in 2008. The European Court's decision had a favorable impact of €210 million¹ on this item.

¹ - Le montant de 210 M€ se décompose en : une charge d'impôt (- 31,3 M€) sur un produit financier de 90,8 M€ correspondant à la restitution d'intérêts de retard (au titre de la période 1997-2003) ; un produit d'impôt (241,1 M€) correspondant à la restitution du principal, non soumis à l'impôt sur les sociétés.

14.3. BREAKDOWN OF DEFERRED TAXES BY NATURE

“Other non-deductible provisions” essentially consists of provisions for long-term and post-employment benefits, and private subsidies received from non-Group parties.

Other taxable temporary differences mainly comprise tax-regulated provisions (other than tax depreciation on property, plant and equipment).

The Group classifies the *Contribution économique territoriale* (CET) introduced by the business tax reform in the French finance law for 2010 as other expenses. Consequently, it does not fall into the scope of application of IAS 12 and no related deferred taxes are recognized.

in thousands of euros	12/31/2009	12/31/2008
DEFERRED TAX ASSET:		
Differences between depreciation recorded for accounting and tax purposes (on subsidies)	4,636	4,090
Financial instruments	2,644	3,029
Other non-deductible provisions	212,283	186,973
Total deferred tax assets	219,563	194,092
DEFERRED TAX LIABILITIES		
Differences between depreciation recorded for accounting and tax purposes (on fixed assets)	(305,386)	(299,402)
Other taxable temporary differences	(65,345)	(66,778)
Total deferred tax liabilities	(370,731)	(366,181)
Net deferred taxes	(151,168)	(172,089)



Note 15 - INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The gross value and amortization/depreciation of intangible assets and property, plant and equipment breaks down as follows:

15.1. AT DECEMBER 31, 2009

The RTE Group's investments for 2009 mainly comprise:

- ★ an increase in property, plant and equipment in progress (€994 million) less advances and progress payments (€5 million) and reclassifications (€11 million);
- ★ an increase in intangible assets (€51 million).

in thousands of euros	12/31/2008	Increases	Decreases	12/31/2009
Intangible assets in progress	45,672	50,953	(49,485)	47,140
Other intangible assets	403,246	47,597	(1,034)	449,809
Intangible assets, gross	448,918	98,550	(50,519)	496,949
Accumulated amortization	(253,793)	(40,420)	1,034	(293,179)
Intangible assets, net	195,125	58,130	(49,485)	203,770

Intangible assets essentially comprise software acquired or created and developed internally.

The RTE Group recognized no impairment on intangible assets and property, plant and equipment at December 31, 2009.

in thousands of euros	12/31/2008	Increases	Decreases	12/31/2009
Land	132,337	2,102	(1,134)	133,304
Buildings	1,722,444	55,429	(3,118)	1,774,755
Networks	17,901,266	744,008	(123,944)	18,521,330
Other installations, machinery and equipment	710,751	35,336	(21,305)	724,782
Other property, plant and equipments	277,755	18,239	(10,221)	285,774
Property, plant and equipment in progress	556,574	994,155	(848,243)	702,486
Property, plant and equipment, gross	21,301,128	1,849,268	(1,007,964)	22,142,431
Land improvements	(46,399)	(4,225)	502	(50,123)
Buildings	(881,615)	(47,275)	2,167	(926,723)
Networks	(8,266,417)	(452,573)	89,523	(8,629,467)
Other installations, machinery and equipment	(547,298)	(32,359)	18,729	(560,929)
Other property, plant and equipment	(224,039)	(13,248)	9,604	(227,682)
Depreciation	(9,965,769)	(549,680)	120,525	(10,394,924)
Property, plant and equipment, net	11,335,359	1,299,588	(887,439)	11,747,507

Increases include acquisitions of fixed assets and reclassifications.
Decreases include disposals, scrapped assets and reclassifications.

15.2. AT DECEMBER 31, 2008

The RTE Group's investments for 2008 mainly comprise:

- ★ an increase in property, plant and equipment in progress (€866 million) less advances and progress payments (€44 million) and transfers (€27 million);
- ★ an increase in intangible assets (€40 million).

in thousands of euro	12/31/2007	Increases	Decreases	12/31/2008
Intangible assets under development	40,704	40,322	(35,354)	45,672
Other intangible assets	372,760	35,229	(4,743)	403,246
Gross amounts	413,463	75,551	(40,097)	448,918
Cumulative amortization	(219,041)	(39,496)	4,743	(253,793)
Net amounts	194,423	36,055	(35,354)	195,125

Intangible assets exclusively comprise software acquired or created and developed internally.

The RTE Group recognized no impairment on intangible assets and property, plant and equipment at December 31, 2008.

in thousands of euro	12/31/2007	Increases	Decreases	12/31/2008
Land	123,687	10,472	(1,822)	132,337
Buildings	1,687,213	50,664	(15,433)	1,722,444
Infrastructure assets	17,352,889	696,718	(148,340)	17,901,266
Other plant, equipment and tooling	729,236	34,982	(53,467)	710,751
Other tangible fixed assets	283,617	14,969	(20,831)	277,755
Tangible fixed assets under construction	496,811	866,761	(806,998)	556,574
Gross amounts	20,673,452	1,674,567	(1,046,891)	21,301,128
Land improvements	(41,184)	(5,423)	208	(46,399)
Buildings	(838,386)	(50,730)	7,501	(881,615)
Infrastructure assets	(7,937,624)	(438,492)	109,699	(8,266,417)
Other plant, equipment and tooling	(562,214)	(34,158)	49,073	(547,298)
Other tangible fixed assets	(229,307)	(13,316)	18,584	(224,039)
Depreciation	(9,608,715)	(542,119)	185,065	(9,965,769)
Net amounts	11,064,738	1,132,448	(861,827)	11,335,359

Increases include acquisitions of fixed assets and reclassifications.
Decreases include disposals, scrapped assets and reclassifications.

Note 16 - INVESTMENTS IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

Details of investments in associates are as follows:

Coreso SA, owned 33% by RTE EDF Transport, is accounted for under the equity method. This company was formed in

December 2008 to coordinate operations of electricity networks covering France, UK and Belgium.

in thousands of euros	12/31/2009			12/31/2008		
	% capital held	Share of equity	Share of net income	% capital held	Share of equity	Share of net income
HGRT	51	19,403	(26)	51	20,013	3,202
Coreso	33	367	33	N/A	N/A	N/A

Note 17 - FINANCIAL ASSETS

17.1. BREAKDOWN BETWEEN CURRENT AND NON-CURRENT FINANCIAL ASSETS

in thousands of euros	12/31/2009			12/31/2008		
	Current	Non-current	Total	Current	Non-current	Total
Available-for-sale financial assets	128,344	449	128,793	1,361,870	1,949	1,363,819
Loans and financial receivables (*)	3,099	9,927	13,027	3,332	8,670	12,002
FINANCIAL ASSETS	131,444	10,376	141,820	1,365,202	10,619	1,375,821

Current and non-current financial assets break down as follows:

(*) Net of impairment.



17.2. CHANGE IN FINANCIAL ASSETS AT DECEMBER 31, 2009

The change in financial assets is as follows:

in thousands of euros	12/31/2008	Increases	Decreases	Changes in fair value	Impairment	12/31/2009
Available-for-sale financial assets	1,363,819	128,793	(1,360,624)	(3,195)		128,793
Loans and financial receivables	12,002	1,816	(794)		2	13,027
FINANCIAL ASSETS	1,375,821	130,609	(1,361,418)	(3,195)	2	141,820

17.3. AVAILABLE-FOR-SALE FINANCIAL ASSETS

in thousands of euros	12/31/2009			12/31/2008		
	Equities	Debt securities	Total	Equities	Debt securities	Total
Liquid assets		128,344	128,344		1,361,870	1,361,870
Other securities	449		449	1,949		1,949
Available-for-sale financial assets	449	128,344	128,793	1,949	1,361,870	1,363,819

The €1,235 million change in available-for-sale financial assets mainly reflects the decrease in marketable securities (negotiable debt instruments with original maturity of over 3 months) held by the Group between December 31, 2008 and December 31, 2009. These investments were sold in January 2009 to repay a related party loan (EDF SA) due on January 28, 2009.

During 2009 an amount of €3.3 million was transferred from equity to the income statement following disposals of available-for-sale financial assets.

17.3.1. Liquid assets

Liquid assets are financial assets consisting mostly of investment funds or negotiable debt instruments with initial maturity of over three months, that are readily convertible into cash regardless of their maturity, and are managed according to a liquidity-oriented policy.

17.3.2. Other securities

At December 31, 2009, other securities held by the Group mainly include:

- * shares in Belpex (€300,000);
- * shares in Declaranet (€144,000);
- * shares in CASC - CWE (€5,000).

These shares are held by RTE EDF Transport.

Note 18 - INVENTORIES

Inventories consist entirely of technical equipment for internal use.

in thousands of euros	12/31/2009	12/31/2008
Inventories, gross value	106,600	97,721
Provisions	(16,591)	(15,976)
Inventories, net value	90,009	81,745

in thousands of euros	12/31/2008	Increases	Decreases		12/31/2009
			Utilization	Reversals	
Impairment of inventories	(15,976)	(615)			(16,591)

Note 19 - TRADE AND SIMILAR RECEIVABLES

Details of net trade and similar receivables are as follows:

Trade and similar receivables mature within one year.

in thousands of euros	12/31/2009	12/31/2008
Trade and similar receivables - gross value	1,306,555	1,021,173
Provisions	(10,437)	(13,889)
Trade and similar receivables - net value	1,296,118	1,007,284

in thousands of euros	12/31/2008	Increases	Decreases	12/31/2009
		Utilization	Reversals	
Provisions on trade and similar receivables	(13,889)	(6,622)	5,787	(10,437)

The credit risk on trade and similar receivables is shown below:

in thousands of euros	Gross values	Provisions	Net values
Trade and similar receivables	1,306,555	(10,437)	1,296,118
overdue by less than 6 months	25,216	(19)	25,198
overdue by 6-12 months	3,121	(2,660)	461
overdue by more than 12 months	9,281	(7,759)	1,522
Trade and similar receivables due	37,618	(10,437)	27,181

Note 20 - OTHER RECEIVABLES

Details of other receivables are as follows:

in thousands of euros	12/31/2009	12/31/2008
Payments in advance	17,612	33,743
Other receivables	134,517	144,701
Prepaid expenses	8,192	8,656
Other receivables, gross	160,321	187,100
Provisions	(4,869)	(1,313)
Other receivables, net	155,453	185,787

"Other receivables" mainly comprise:

- * amounts due to the French State and public authorities;
- * the tax receivable transferred to EDF SA under the tax consolidation agreement.

in thousands of euros	12/31/2008	Increases	Decreases (utilizations)	12/31/2009
Provisions on other receivables	(1,313)	(3,886)	330	(4,869)



Note 21 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and at bank and investments in money market instruments.

Cash and cash equivalents as stated in the cash flow statements include the following amounts recorded in the balance sheet:

in thousands of euros	12/31/2009	12/31/2008
Cash	10,682	5,458
Cash equivalents	72,980	202,063
Cash and cash equivalents	83,661	207,522

Note 22 - EQUITY

22.1. SHARE CAPITAL

The company's share capital amounts to **€2,132,285,690** comprising **213,228,569** shares with nominal value of **€10** each. The share capital is owned 100% by EDF SA.

22.2. DISTRIBUTION OF DIVIDENDS

The General Shareholders' meeting of May 19, 2009 decided to distribute a dividend of **€0.75** per share, totaling **€160,219,275**.

22.3. CAPITAL MANAGEMENT

Equity increased in 2008 and 2009, largely due to the realized profits net of dividends paid out, and after inclusion of changes in the fair value of financial instruments taken to

equity (the impact of these changes was attenuated by dividend distributions). It amounts to **€4,635** million at December 31, 2009 compared to its 2008 level of **€4,300** million.

NOTE 23 - PROVISIONS FOR EMPLOYEE BENEFITS AND OTHER PROVISIONS

23.1. BREAKDOWN BETWEEN CURRENT AND NON-CURRENT PROVISIONS

The breakdown between current and non-current provisions is as follows:

in thousands of euros	12/31/2009			12/31/2008		
	Current	Non-current	Total	Current	Non-current	Total
Provisions for employee benefits	44,416	368,992	413,408	41,394	334,692	376,086
Other provisions	27,683	27,004	54,687	35,814	18,138	53,952
PROVISIONS	72,098	395,997	468,095	77,208	352,830	430,038

23.2. PROVISIONS FOR EMPLOYEE BENEFITS

23.2.1. Change in provisions at December 31, 2009

Changes in provisions for employee benefits break down as follows:

in thousands of euros	12/31/2008	Increases	Decreases		12/31/2009
			Utilizations	Reversals	
Provisions for post-employment benefits	297,667	61,049	(33,317)		325,400
Provisions for other long-term benefits	78,419	18,989	(9,399)		88,008
Provisions for employee benefits	376,086	80,038	(42,716)	-	413,408

The change in provisions since December 31, 2008 results from changes in vested benefits, discounting of the liability, payments to external funds and benefits paid out.

23.2.2. Provisions for post-employment benefits

■ Pensions

The main measures of the financing reform for the special IEG (electricity and gas sector) pension system took effect at January 1, 2005.

Following the financing reform for the special electricity and gas industries' pension system that took place in 2004, provisions recorded for

the special pension system correspond to the specific benefits of employees, i.e. benefits not covered by the standard benefit systems.

The provision for pensions thus covers:

- * specific benefits earned by employees from January 1, 2005 for the regulated transmission activity (past benefits were financed by the CTA levy (*Contribution Tarifaire d'Acheminement*);
- * changes in specific past benefits (earned until December 31, 2004) resulting from the support measures for the IEG pension reform (two newly-introduced additional grades),

* specific benefits of employees benefiting from early retirement before the standard legal retirement age.

The valuation also includes CNIEG management expenses payable by RTE for the administration and payment of retired employees' pensions by the CNIEG.

The provision for pensions amounts to €190.6 million at December 31, 2009.

■ Other post-employment benefits

In addition to pensions, other benefits are granted to employees not currently in active service, as detailed below:

in thousands of euros	12/31/2009	12/31/2008
Benefits in kind (electricity/gas)	89,063	85,616
Retirement gratuities	3,594	2,456
Bereavement benefit	22,486	21,927
Bonus paid leave	17,494	16,867
End-of-studies bonus	2,200	2,274
	134,836	129,141

■ Benefits in kind (electricity/gas)

Article 28 of the IEG's national statutes entitles all employees (active or inactive) to benefits in kind in the form of supplies of electricity or gas at the preferential "Employee price". EDF's obligation for supplies of energy to EDF and GDF Suez employees corresponds to the probable present value of kWhs supplied to beneficiaries during their retirement, valued on the basis of the unit cost, plus the pay-

ment due under the energy exchange agreement with GDF Suez.

■ Retirement gratuities

Retirement gratuities are paid upon retirement to employees due to receive the statutory old-age pension, or to their dependents if the employee dies before reaching retirement. These obligations are almost totally covered by an insurance policy.

■ Bereavement benefit

The bereavement benefit is paid out upon the death of an inactive or handicapped employee, in order to provide financial assistance for the expenses incurred at such a time (Article 26 § 5 of the National Statutes). It is paid to the deceased's principal dependants (statutory indemnity equal to two months' pension) or to a third party that has paid funeral costs (discretionary indemnity equal to the costs incurred).



■ Bonus pre-retirement paid leave

All employees eligible to benefit immediately from the statutory old-age pension and aged at least 55 at their retirement date are entitled to 18 days of bonus paid leave during the last twelve months of their employment.

■ Cost of studies indemnity

The cost of studies indemnity is a family benefit not defined by the statutes, intended to provide assistance to inactive employees or their dependants whose children are still in education. It is also paid to beneficiaries of the orphan's pension.

23.2.3. Provisions for other long-term employee benefits

Personnel are also granted other long-term benefits. At December 31, 2009, the related obligations for IEG status employees total €88 million (€78 million at December 31, 2008). These benefits include:

- * annuities following industrial accident and work-related illness; like their counterparts in the general national system, IEG employees are entitled to financial support in the event of industrial accident or work-related illness. These benefits cover all employees and the dependants of any employee who dies as a result of an industrial accident, an accident on the journey between home and work or work-related illness. The obligation is measured as the probable present value of future benefits payable to current beneficiaries, including any possible reversions;
- * long-service awards;
- * invalidity annuities;
- * the discretionary benefit for asbestos-related illness.

23.2.4. Change in the discounted value of the obligation and fund assets

The main actuarial assumptions used for provisions for post-employment benefits and long-term employee benefits (excluding inflation) are summarized below:

- * discount rate = 5.25% (5.75% at December 31, 2008);
- * expected return on fund assets = 5.05%;
- * inflation rate = 2%.

23.2.4.1. Change in the discounted value of the obligation

in thousands of euros	
Obligations at Dec 31, 2008	467,351
Current year service cost	49,823
Interest expenses	27,758
Actuarial gains and losses	33,453
Benefits paid	(39,932)
Obligations at Dec 31, 2009	538,452
Actuarial value of fund assets	(40,707)
Unrecognized actuarial gains (losses)	(84,337)
Provisions recorded	413,408

23.2.4.2. Change in the discounted value of assets covering obligations

Assets covering employee benefit obligations are assigned to retirement gratuities (which are 100% covered), and take the form of insurance contracts.

At December 31, 2009, these contracts are invested in equities and bonds.

in thousands of euros	
Fair value of fund assets at Jan 1, 2009	(36,146)
Expected return on fund assets	(2,013)
Employer contributions	(3,768)
Actuarial gains and losses	(1,776)
Benefits paid through fund assets	2,997
Fair value of fund assets at Dec 31, 2009	(40,707)

23.2.5. Expenses for post-employment and long-term benefits

in thousands of euros	12/31/2009	12/31/2008
Current year service cost	49,823	40,760
Interest expense (current value method)	27,758	23,897
Expected return on fund assets	(2,013)	(2,627)
Actuarial gains and losses recorded during the year	1,359	1,546
Amortization of past service cost - unvested benefits	1,098	1,098
Amortization of past service cost - vested benefits	-	(2,661)
Net charges related to post-employment benefits and other long-term benefits	78,025	62,014

23.3. OTHER PROVISIONS

Details of changes in other provisions are as follows:

in thousands of euros	12/31/2008	Increases	Decreases		12/31/2009
			Utilizations	Reversals	
Employer contribution to profit sharing	9,224	10,918	(9,224)		10,918
Litigation	44,727	22,514	(10,365)	(13,107)	43,769
Other Provisions	53,951	33,432	(19,589)	(13,107)	54,687

"Other provisions" mainly comprise:

- * a provision for litigation with social security bodies;
- * a provision for litigation over use of the high-voltage electricity transmission network belonging to the SNCF.

Note 24 - CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

24.1. BREAKDOWN BETWEEN CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

in thousands of euros	12/31/2009			12/31/2008		
	Non-current	Current	Total	Non-current	Current	Total
Bonds	3,229,120	66,503	3,295,623	3,226,054	66,504	3,292,558
Synthetic debt	1,879,553	1,045,221	2,924,774	2,879,553	1,289,877	4,169,430
Other financial liabilities	200,016	150,000	350,016	15	174,431	174,446
Financial liabilities	5,308,689	1,261,724	6,570,413	6,105,623	1,530,811	7,636,434

24.2. LOANS AND OTHER FINANCIAL LIABILITIES

24.2.1. Changes in loans and other financial liabilities

in thousands of euros	12/31/2009	12/31/2008
Bonds	3,229,120	3,226,054
Accrued interest on bonds	66,503	66,503
Synthetic debt (long-term)	2,879,553	4,069,553
Accrued interest on the synthetic debt	45,221	99,877
Financial liabilities (short-term)	350,016	174,446
Financial liabilities	6,570,414	7,636,434



24.2.2. Maturity of loans and other financial liabilities

All debts are in euros.

in thousands of euros	Bonds	Synthetic debt	Other short-term financial liabilities	Total
Less than one year	66,503	1,045,221	150,000	1,261,725
From one to five years		1,216,000	16	1,216,016
More than five years	3,229,120	663,553	200,000	4,092,673
Total at Dec 31, 2009	3,295,623	2,924,775	350,016	6,570,414

in thousands of euros	Issuance date	Maturity	Amount	Currency	Rate
Bond	2008	2015	1,242,852	EUR	4.875%
Bond	2006	2016	992,047	EUR	4.125%
Bond	2008	2018	991,155	EUR	5.125%
Related party loan (EDF SA)	2004	2010	1,000,000	EUR	5.750%
Related party loan (EDF SA)	2004	2011	500,000	EUR	3.750%
Related party loan (EDF SA)	2004	2012	216,000	EUR	7.500%
Related party loan (EDF SA)	2004	2013	500,000	EUR	4.625%
Related party loan (EDF SA)	2004	2016	663,553	EUR	5.500%

24.2.3. Credit line(s)

At December 31, 2009, the Group has a credit line with CALyon totaling €850,000 million overall (€830,000 million at December 31, 2008).

in thousands of euros	Total	Maturity		
		< 1 an	1 - 5 years	> 5 years
Confirmed credit line			850,000	

24.2.4. Fair value of loans and other financial liabilities at December 31, 2009

in thousands of euros	12/31/2009		12/31/2008	
	Fair value	Net book value	Fair value	Net book value
Bonds	3,634,874	3,229,120	3,246,513	3,226,054
Related party loan (EDF SA)	3,139,593	2,879,553	4,386,484	4,069,553
Total	6,774,467	6,108,673	7,632,997	7,295,607

24.3. NET INDEBTEDNESS

Net indebtedness comprises total loans and financial liabilities, less cash and cash equivalents and liquid assets.

Liquid assets are financial assets consisting of funds or negotiable debt instruments with initial maturity of over three months,

that are readily convertible into cash regardless of their maturity, and are managed according to a liquidity-oriented policy.

in thousands of euros	12/31/2009	12/31/2008
Loans and other financial liabilities	6,570,414	7,636,434
Cash and cash equivalents	(83,661)	(207,522)
Short-term financial assets	(131,444)	(1,365,202)
Net indebtedness	6,355,309	6,063,711

24.4. CHANGE IN NET INDEBTEDNESS

in thousands of euros	12/31/2009	12/31/2008
Operating profit before depreciation and amortization (EBITDA)	1,211,237	1,348,654
Cancellation of non-monetary items included in EBITDA	18,140	17,409
Change in working capital	(163)	35,874
Other items	1,066	(5,273)
Net cash flow from operations	1,230,279	1,396,664
Acquisitions of property, plant and equipment and intangibles	(1,023,195)	(843,108)
Disposals of property, plant and equipment and intangibles	8,413	4,280
Net financial expenses disbursed	(368,295)	(326,973)
Income tax paid	(124,311)	(184,959)
Free cash flow	(277,109)	45,904
Investments net of disposals	245	661
Dividends paid	(160,219)	(232,475)
Investment subsidies	82,800	72,944
Other changes	67,416	31,244
Decrease in net indebtedness, excluding the impact of changes in scope of consolidation and exchange rates	(286,867)	(81,722)
Effect of change in scope of consolidation	0	(31,038)
Other non-monetary changes	(4,732)	4,889
(Increase) / decrease in net indebtedness	(291,599)	(107,871)
Net indebtedness at beginning of period	6,063,711	5,955,840
Net indebtedness at end of period	6,355,309	6,063,711

Note 25 - MANAGEMENT OF FINANCIAL RISKS

In the course of its normal cash management, investment and financing operations the RTE Group is exposed to interest rate risks and counterparty risks. To eliminate or limit these risks, the

Group has set up a dedicated body responsible for defining the risk management policy and its governing principles, and supervising their correct application. Details of management of financial risks can

be found in section 1.6.2 of the RTE Group's 2009 Management Report.

Note 26 - DERIVATIVE INSTRUMENTS

As the interest rate risk can create volatility in the Group's results, equity and cash flows between periods, the Group may use

derivatives in a range of hedging or micro-hedging strategies to eliminate or limit the risk. The derivatives used are trading derivatives

(interest rate swaps) that are not recorded as hedges. Details are as follows at December 31, 2009:

in thousands of euros	Notional at Dec 31, 2009			Total	Fair value 12/31/2009
	< 1 year	1 to 5 years	> 5 years		
Fixed rate payer / floating rate receiver				-	
Floating rate payer / fixed rate receiver	25,000			25,000	16
Derivatives	25,000	-	-	25,000	16



Note 27 - TRADE AND OTHER PAYABLES

Details of trade and other payables are as follows:

in thousands of euros	12/31/2009	12/31/2008
Advance payments received	132,272	143,599
Trade payables	929,744	966,246
Liabilities related to property, plant and equipment	8,206	3,883
Tax and social charges	360,538	352,494
Deferred income	47,295	31,716
Investment subsidies	408,334	338,307
Other	26,948	34,064
Trade and other payables	1,913,336	1,870,309

Note 28 - RELATED PARTIES

28.1. TRANSACTIONS WITH RELATED PARTIES

Details of transactions with related parties are as follows:

Transactions with related parties principally concern operations with EDF SA or companies controlled by EDF SA (EDF Trading, ERDF, etc) and the effects of the tax consolidation agreement with EDF SA.

At December 31, 2009, these operations concerned:

- * borrowings from EDF SA totaling €2,924 million. The corresponding interest amounts to €156 million;
- * the tax receivable transferred to EDF SA under the tax consolidation agreement, amounting to €12 million at December 31, 2009.

in thousands of euros	12/31/2009	12/31/2008
FIXED ASSETS		
Investments	449	1,949
CURRENT ASSETS		
Trade and similar receivables	1,117,343	800,627
Other receivables	12,051	15,753
LIABILITIES		
Loans and other financial liabilities	2,924,366	4,169,404
Advances and progress payments on orders	35,376	55,938
Trade and similar payables	187,302	214,921
Other	-	7,481
FINANCIAL INCOME AND EXPENSES		
Other financial income	90,787	
Financial expenses	156,532	253,566

28.2. RELATIONS WITH THE FRENCH STATE

In accordance with the legislation applicable to all companies having the French State as their majority shareholder, RTE EDF Transport is subject to certain inspection procedures, in particular economic and financial inspections by the State, audits by the French Court of Auditors (*Cour des Comptes*) or Parliament, and verifications by the French General Finance Inspectorate (*Inspection Générale des Finances*).

The French State intervenes through the regulation of electricity and gas markets, particularly for establishment of transmission tariffs, and the level of the Contribution to the Public Electricity Service (*Contribution au service public de l'électricité* or *CSPE*).

28.3. BOARD COMPENSATION

The Group's key management personnel are the members of the Executive Board and the Supervisory Board.

The compensation of the members of the Executive Board includes short-term benefits (salaries, the variable portion paid in 2009, profit share and benefits in kind) excluding social security charges.

The compensation of the members of the Supervisory Board comprises:

- * compensation and benefits in kind paid by EDF SA, the sole shareholder of RTE EDF Transport, to its designated members,
- * compensation and benefits in kind paid by RTE EDF Transport to Board members representing employees who have an employment contract with the Group.

in euros	31/12/2009	31/12/2008
Compensation of Executive Board Members	1,114,090	1,042,082
Compensation of Supervisory Board Members	2,619,929	2,170,372
Total	3,734,019	3,212,454

The Group does not pay any compensation to members of the Supervisory Board for serving their term of office.

Also, none of the Board members receives attendance fees, either because legal provisions exist that expressly state they should exercise their duties for no payment (employee representatives and State repre-

sentatives) or because no resolution has been adopted for the purpose by the General Shareholders' meeting.

Management personnel who belong to the IEG regime benefit from employee benefits (as defined by IAS 19) attached to that status. They benefit from no other special pension system, starting bonus or severance payment entitlement.

Note 29 - FEES PAID BY THE GROUP TO THE STATUTORY AUDITORS

The following table sets forth the fees paid to the statutory auditors for the 2009 financial year:

in euros	PWC	Deloitte	Mazars
Statutory audit of the consolidated accounts	25,000	492,538	460,271
Other services	33,554	58,190	27,000
Total	58,554	550,728	487,271

Note 30 - ENVIRONMENTAL MATTERS

30.1. SUMMARY OF ENVIRONMENTAL EXPENSES FOR 2009

in thousands of euros	Operating expenses - studies	Operating expenses - excluding studies	Capitalized expenses (investments) - studies	Capitalized expenses (investments) - excluding studies
Ambient air protection	15	1,954	-	637
Waste water management	-	80	-	152
Waste management	19	2,887	-	970
Protection and cleaning of ground, underground water and surface water	9	577	60	5,965
Noise and vibration abatement	-	648	62	1,163
Biodiversity and landscape protection	-	7,462	851	23,493
Radiation protection	141	740	-	-
Research & development	2,051	-	-	-
Other environmental protection measures	-	17,111	-	-
Expenses related to Demand Side Management	-	378	-	84
TOTAL	2,235	31,837	973	32,464

Further details of environmental matters can be found in section 2 of the RTE Group's 2009 Management Report.



Note 31 - SUBSEQUENT EVENTS

No significant event has been identified between the closing date and the date of finalization of the financial statements.

Note 32 - INDIVIDUAL TRAINING ENTITLEMENT (DROIT INDIVIDUEL À LA FORMATION OR DIF)

in hours	12/31/2009	12/31/2008
Entitlements earned at December 31	948,159	805,798
Entitlements used at December 31	0	1,525
Entitlements for which application has been made	198	1,778

Note 33 - SCOPE OF CONSOLIDATION

The scope of consolidation at December 31, 2009 is as follows:

COMPANY	HEAD OFFICE	% OWNED	% VOTING RIGHTS	CONSOLIDATION METHOD	BUSINESS SECTOR	SIREN No.
RTE-EDF Transport		100	100	Parent	T	444619258
Qrteria	Tour Initiale 1, terrasse Bellini	100	100	Full consolidation	S	444279095
RTE International	TSA 41000 92919 Paris	100	100	Full consolidation	S	491590915
HGRT Group	La Défense France	51	51	Equity method	S	438262800
Inelfe		50	50	Proportionate consolidation	S	509270070
Coreso	Avenue de Cortenbergh 1000 Bruxelles	33	33	Equity method	S	808569630

RTE-EDF Transport
Société anonyme
Tour Initiale - 1, terrasse Bellini
92919 La Défense Cedex

Statutory Auditors' report on the Consolidated Financial Statements

Year ended December 31, 2009

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English speaking readers.

This Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

The report also includes information relating to specific verification of information given in the Group's management report.

This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Following our appointment as Statutory Auditors by your Annual General Meeting and by your Articles of Incorporation, we hereby report to you, for the year ended December 31, 2009 on:

- the audit of the accompanying consolidated financial statements of RTE-EDF Transport;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Executive Board. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities, of the financial position of the Group as of December 31, 2009 and the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

2. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Management judgments and estimates

Note 2.2 to the consolidated financial statements describes the main judgments and estimates made by management for the preparation of the consolidated financial statements and for which the assumptions used have an impact on the value of assets and liabilities presented and income and expenses associated. Our procedures consisted in assessing the appropriateness and reasonableness of significant estimates, in particular, regarding pensions and other employment benefits described in notes 2.19.3 and 3.9.2. to the consolidated financial statements.

Significant events and transactions of 2009

Our procedures consisted in assessing the accounting treatment of significant events and transactions which occurred during fiscal year 2009, as described in Note 3 to the consolidated financial statements, given their characteristic audit evidence and particularly with respect to the European Court ruling of December 15, 2009 ("*Arrêt du tribunal de l'Union Européenne du 15 décembre 2009*") presented in note 3.1.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole and contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification required by law

In accordance with professional standards applicable in France and as required by law, we also verified the information relating to the Group, given in the management report.

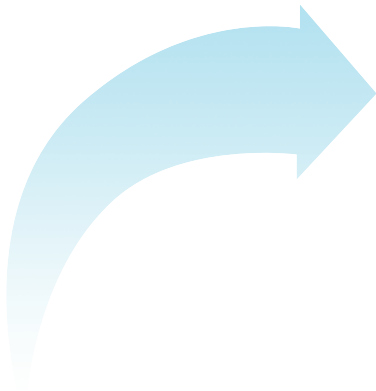
We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, February 10, 2010
The Statutory Auditors



RTE is the operator of France's power transmission network, the largest in Europe with 100,000 km of high and very high voltage lines.

In 2009, RTE invested more than €1 billion to strengthen the security of electricity supply in France and Europe and to contribute to the economic stimulus plan. RTE employs over 8,500 people, who share a commitment to serving the public interest.



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RTE-EDF Transport, limited company governed by an Executive Board and Supervisory Board with capital of 2 132 285 690 € registered on the trade and companies' register of Nanterre under the No. 444 619 25.

